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**CONFIRMATION OF YOUR REPRESENTATION:** By accepting this e-mail and accessing, reading or making any other use of the Document, you shall be deemed to have represented to First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc and Standard Chartered Bank (together, the "**Joint Global Co-Ordinators**") and, together with Abu Dhabi Islamic Bank PJSC, Barclays Bank PLC, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC and HSBC Bank plc (together with the Joint Global Co-

Ordinators, the "**Joint Lead Managers**"), Abu Dhabi Commercial Bank PJSC and Union National Bank PJSC (the "**Co-Managers**", together with the Joint Global Co-Ordinators and the Joint Lead Managers, the "**Managers**"), Aldar Sukuk Ltd. (the "**Trustee**"), Aldar Investment Properties LLC (the "**Obligor**") and Citibank, N.A., London Branch (the "**Delegate**") that: (1) you have understood and agree to the terms set out herein; (2) you are located outside the United States and are not a U.S. person, or acting for the account or benefit of any U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia; (3) you consent to delivery of the Document by electronic transmission; (4) you will not transmit the Document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Managers, the Trustee and the Obligor; and (5) you acknowledge that you will make your own assessment regarding any credit, investment, legal, Shari'a, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities described herein.

You are reminded that the Document has been delivered to you on the basis that you are a person into whose possession the Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Document, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Neither the Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the Document or for any statement made or purported to be made by any of them, or any on their behalf, in connection with the Trustee, the Obligor or the offer. The Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the Document or any such statement. No representation or warranty, express or implied, is made by any of the Managers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the Document.

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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Trustee in such jurisdiction.

The Document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, the Trustee, the Obligor nor any person who controls or is a director, officer, employee, agent, adviser or representative of the Managers, the Trustee, the Obligor nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Document distributed to you in electronic format and the hard copy version available to you on request from the Managers. By accessing the Document, you consent to receiving it in electronic form.

Recipients of the Document who intend to subscribe for or purchase any securities to be issued are reminded that any subscription or purchase may only be made on the basis of the information contained in the final version of the Document.

The distribution of the Document and the offer or sale of the securities described herein in certain jurisdictions may be restricted by law. Persons into whose possession the Document comes are required by the Managers, the Trustee and the Obligor to inform themselves about, and to observe, any such restrictions.



الدار للاستثمارات  
ALDAR INVESTMENTS

## ALDAR SUKUK LTD.

(an exempted company incorporated with limited liability under the laws of the Cayman Islands)

U.S.\$500,000,000 Trust Certificates due 2025

The U.S.\$500,000,000 trust certificates due 2025 (the "Certificates") of Aldar Sukuk Ltd. (in its capacity as issuer and trustee, the "Trustee") will be constituted by a declaration of trust (the "Declaration of Trust") dated 1 October 2018 (the "Issue Date") entered into between the Trustee, Aldar Investment Properties LLC ("Aldar Investments" or the "Obligor" (which expressions shall be construed as referring to Aldar Investment Properties LLC acting in all its relevant capacities under the Transaction Documents (as defined herein) to which it is a party unless the context otherwise requires)) and Citibank, N.A., London Branch (the "Delegate"). The Certificates confer on the holders of the Certificates from time to time (the "Certificateholders") the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "Trust") over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the "Conditions").

Periodic Distribution Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 29 September 2025 (the "Scheduled Dissolution Date") at a rate of 4.750 per cent. per annum. There will be a short first Return Accumulation Period in respect of the period from, and including, 1 October 2018 to, but excluding, 29 March 2019. Payments on the Certificates will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, the United Arab Emirates (the "UAE") or the Emirate of Abu Dhabi or any authority therein or thereof having power to tax to the extent described under Condition 11.

The Certificates shall be redeemed on the Scheduled Dissolution Date but the Certificates may be redeemed before the Scheduled Dissolution Date: (i) at the option of the Trustee in whole but not in part in the event of certain changes affecting taxes of the Cayman Islands, the UAE and/or the Emirate of Abu Dhabi; or (ii) following the occurrence of a Dissolution Event or a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement) (each as defined in the Conditions); or (iii) following the occurrence of a Change of Control Event (as defined in the Conditions); or (iv) at the option of the Obligor in whole but not in part; or (v) in whole (but not in part) at the option of the Obligor if, following the occurrence of a Change of Control Event, 75 per cent. or more of the initial face amount of the Certificates have been redeemed and/or purchased and cancelled by the Trustee, in the case of (i) and (ii) and (v), at the Dissolution Distribution Amount (as defined in the Conditions), in the case of (iii) at the Change of Control Amount (as defined in the Conditions), and in the case of (iv), at the Optional Dissolution Distribution Amount (as defined in the Conditions). The Trustee will pay the Dissolution Distribution Amount, the Change of Control Amount or, as the case may be, the Optional Dissolution Distribution Amount solely from the proceeds received in respect of the Trust Assets which include payments by the Obligor under the Transaction Documents.

**The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. Investors should carefully review the risks described herein under "Risk Factors".**

**The Certificates are not obligations of Aldar Properties PJSC ("Aldar"), and Aldar is not responsible for the payment of any amounts due thereunder. The Trustee cannot use the operating income or cash flows of Aldar for payments in respect of the Certificates.**

This Prospectus has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under Directive 2003/71/EC, as amended (the "Prospectus Directive"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("Euronext Dublin") for the Certificates to be admitted to the official list (the "Official List") and to trading on its regulated market (the "Main Securities Market"). The Main Securities Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "MiFID II").

Application has also been made to: (i) the Securities and Commodities Authority of the United Arab Emirates (the "SCA"), to approve the issuance of the Certificates in accordance with Article 3 of Decision No. 16 of 2014 Concerning the Regulation of Sukuk of the SCA; and (ii) the Abu Dhabi Securities Exchange ("ADX") for the Certificates to be admitted to listing on the ADX. SCA makes no representation as to the accuracy or completeness of this Prospectus and accepts no liability for the contents of this Prospectus or for any loss of any kind which may be incurred by any party in connection with it or its contents. References in this Prospectus to the Certificates being listed (and all related references) shall mean that the Certificates have been admitted to listing on the Official List and on the ADX and have been admitted to trading on the Main Securities Market.

The Certificates will be issued in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Certificates will initially be represented by a global certificate in registered form (the "Global Certificate") deposited on or before the Issue Date, and registered in the name of the nominee of a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

The Certificates are expected to be assigned a rating of Baa1 by Moody's Investors Service Ltd ("Moody's"). The Obligor has been assigned a long-term rating of Baa1 with a stable outlook by Moody's.

The Emirate of Abu Dhabi has been assigned a rating of AA by Fitch Ratings Limited ("Fitch"), Aa2 by Moody's Investors Services Singapore Pte. Ltd. ("Moody's Singapore") and AA by Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's"), each with a stable outlook. The United Arab Emirates has been assigned a credit rating of Aa2 with a stable outlook by Moody's Singapore.

Moody's Singapore is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch, Moody's and Standard & Poor's is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

**A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency organisations.**

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Executive Committee of the *Shari'a* Board of Dubai Islamic Bank and Dar al Sharia, the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Central Shariah Committee of HSBC Bank Middle East Limited, the Shariah advisors of J.P. Morgan Securities plc and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles.

The Certificates have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

### Joint Global Co-Ordinators

First Abu Dhabi Bank

J.P. Morgan

Standard Chartered Bank

Abu Dhabi Islamic Bank  
Emirates NBD Capital  
J.P. Morgan

Joint Lead Managers  
Barclays  
First Abu Dhabi Bank

Dubai Islamic Bank  
HSBC  
Standard Chartered Bank

### Co-Managers

Abu Dhabi Commercial Bank

Union National Bank

The date of this Prospectus is 27 September 2018

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and is for the purpose of giving information with regard to the Trustee, the Obligor and the Certificates which, according to the particular nature of the Trustee, the Obligor and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and the Obligor.

Each of the Trustee and the Obligor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Trustee and the Obligor (each having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced and, as far as the Trustee and Obligor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No representation, warranty or undertaking, express or implied, is made and no responsibility accepted by the Joint Lead Managers, the Delegate or the Agents (as defined herein) as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Certificates or for any acts or omissions of the Trustee, the Obligor or any other person in connection with this Prospectus or the issue and offering of the Certificates. Each person receiving the Prospectus acknowledges that such person has not relied on any of the Joint Lead Managers, the Delegate or any of the Agents in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own assessment of the Trustee, the Obligor and/or the Certificates. Nothing contained in this Prospectus is, or is to be construed as, or shall be relied on as a promise, representation or warranty, whether as to the past or future, by any of the Joint Lead Managers, the Delegate or any of the Agents in any respect. To the fullest extent permitted by law, none of the Joint Lead Managers, the Delegate or the Agents accepts any responsibility whatsoever for the contents of this Prospectus. Each of the Joint Lead Managers, the Delegate and the Agents accordingly disclaims all and any liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this Prospectus.

No person is or has been authorised by the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents.

Neither this Prospectus nor any other information supplied in connection with the offering of the Certificates: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents that any recipient of this Prospectus or any other information supplied in connection with the offering of the Certificates should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of, the Trustee and the Obligor.

Neither the delivery of this Prospectus nor the offer, issue, sale or delivery of the Certificates shall, under any circumstances, imply that there has been no change in the affairs of the Trustee or the Obligor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Trustee or the Obligor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Certificates is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Lead Managers, the Delegate and the Agents expressly do not undertake to review the financial condition or affairs of the Trustee or the Obligor during the life of the Certificates or to advise any investor in the Certificates of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

In connection with the issue and sale of the Certificates, each of the Joint Lead Managers and any of their respective affiliates acting as an investor for its own account may take up Certificates and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Trustee or the Obligor or related investments, and may offer or sell such securities or other investments otherwise than

in connection with the issue and sale of the Certificates. Accordingly, references in this Prospectus to the Certificates being offered, issued or sold should be read as including any offer, issue or sale of securities to the Joint Lead Managers and any of their affiliates acting in such capacity. The Joint Lead Managers do not intend to disclose the extent of any such transactions or investments otherwise than in accordance with any legal or regulatory obligation to do so.

No comment is made, or advice is given by, the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents or any of their respective directors, affiliates, advisers or agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER, BUSINESS ADVISER AND SHARI'A ADVISER AS TO TAX, LEGAL, BUSINESS, SHARI'A AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.**

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, the Obligor, the Joint Lead Managers or any of their respective directors, affiliates, advisers, agents, the Delegate or the Agents, represents that this Prospectus may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the Obligor, the Joint Lead Managers or any of their respective directors, affiliates, advisers, agents, the Delegate or the Agents, which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Prospectus comes are required by the Trustee, the Obligor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the Cayman Islands, the UAE (excluding the Dubai International Financial Centre (the "DIFC")), the DIFC, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), Japan, Hong Kong, Malaysia and Singapore.

For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*".

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Certificates and should not be considered as a recommendation by the Trustee, the Obligor, the Joint Lead Managers, the Delegate, the Agents or any of their respective directors, affiliates, advisers, agents or any of them that any recipient of this Prospectus or any other information supplied in connection with the issue of the Certificates should subscribe for, or purchase, the Certificates. Each recipient of this Prospectus should make, and shall be taken to have made, its own independent investigation and appraisal of the condition (financial or otherwise) and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Obligor. None of the Joint Lead Managers, the Delegate or any Agent undertakes to review the financial condition or affairs of the Trustee or the Obligor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers, the Delegate or any Agent.

The Certificates may not be a suitable investment for all investors. Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency for payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Executive Committee of the *Shari'a* Board of Dubai Islamic Bank and Dar al Sharia, the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Central Shariah Committee of HSBC Bank Middle East Limited, the Shariah advisors of J.P. Morgan Securities plc and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles. None of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or any of the Agents makes any representation as to the Shari'a compliance of the Certificates and/or any trading thereof.

## STABILISATION

In connection with the issue of the Certificates, Standard Chartered Bank (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates during the stabilisation period at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. The Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) must conduct such stabilisation in accordance with all applicable laws and rules.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position of the Obligor, or the business strategy, management plans and objectives for future operations of the Obligor, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Obligor's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of Aldar Investments*" and other sections of this Prospectus. The Obligor has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These forward-looking statements are based on numerous assumptions regarding the Obligor's present, and future, business strategies and the environment in which the Obligor expects to operate in the future. Important factors that could cause the Obligor's actual results, performance or achievements to differ materially from those in the forward-looking statements are discussed in this Prospectus (see "*Risk Factors*").

Forward-looking statements speak only as at the date of this Prospectus and, without prejudice to any requirements under applicable laws and regulations, the Trustee and the Obligor expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in the expectations of the Trustee or the Obligor or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Trustee and the Obligor cannot assure potential investors that projected results or events will be achieved and the Trustee and the Obligor caution potential investors not to place undue reliance on these statements.

### NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**SF (CMP) Regulations**")) that the Certificates are "prescribed capital markets products" (as defined in the SF (CMP) Regulations) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

*Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flow and financial position as at, and for the six months ended, 30 June 2018 and 30 June 2017 (save for the financial position) and as at, and for the years ended, 31 December in each of 2017, 2016 and 2015. Given that Aldar Investments did not exist during these periods or at these dates, all such references should be construed as being references to the performance of the assets and liabilities which are the subject of the Carve-Out Financial Statements (as defined below). Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business of Aldar Properties PJSC ("**Aldar**").*

### PRESENTATION OF FINANCIAL INFORMATION

#### Reorganisation and opening balance sheet for Aldar Investments

Aldar Investments is an indirect wholly-owned subsidiary of Aldar and was established as part of a corporate reorganisation undertaken by Aldar to improve its corporate and capital structure. As part of this reorganisation, Aldar transferred the assets managed by its asset management business to Aldar Investments, together with AED 1.0 billion of existing drawn bank borrowings and AED 3.8 billion of existing committed but, as of the date of this Prospectus, undrawn debt facilities. This business had total

assets of AED 16.6 billion as at 30 June 2018 and principally comprised yielding investment properties and operating businesses.

The table below shows Aldar Investments' statement of financial position data as at 29 May 2018, the date of its incorporation.

	<b>As At 29 May 2018</b>
	(AED)
<b>Current assets</b>	
Cash in hand.....	1,000
Total current assets.....	<b>1,000</b>
<b>TOTAL ASSETS</b> .....	<b>1,000</b>
<b>EQUITY AND LIABILITIES</b>	
<b>Equity</b>	
Share capital.....	1,000
Total equity.....	<b>1,000</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>1,000</b>

### Historical carve out financial statements

This Prospectus includes:

- the unaudited interim condensed carve-out financial statements of the asset management business of Aldar as at and for the six months ended 30 June 2018 (the "**Interim Carve-Out Financial Statements**"); and
- the audited carve-out financial statements of the asset management business of Aldar as at and for the three years ended 31 December 2015, 2016 and 2017 (the "**Annual Carve-Out Financial Statements**" and, together with the Interim Carve-Out Financial Statements, the "**Carve-Out Financial Statements**").

The Carve-Out Financial Statements have been prepared on a carve-out basis from Aldar's consolidated financial statements for the six months ended 30 June 2018 and for the years ended 31 December in each of 2017, 2016 and 2015 by extracting the financial information relating to Aldar's asset management business, which represents the investment properties and hospitality assets that were transferred to Aldar Investments. Prospective investors should consult their own professional advisers to gain an understanding of the Carve-Out Financial Statements and the other financial information contained in this Prospectus.

The principal purpose of the Carve-Out Financial Statements is to present the historical operations of the assets that were transferred by Aldar to Aldar Investments and to reflect all of the income generated from those assets as well as the costs of doing business associated with those assets. Significant judgment has been used, based on the purpose for which the Carve-Out Financial Statements have been prepared, to ensure that they meet the objective of providing useful information, particularly as IFRS does not provide any specific guidance on their preparation. See further note 3.1 to the Interim Carve-Out Financial Statements and note 3.1 to the Annual Carve-Out Financial Statements and "*Risk factors—Risks relating to Aldar Investments generally—Significant judgment has been exercised in the preparation of the Carve-Out Financial Statements and Aldar Investments' future results of operations and financial position may be materially different from those indicated in the Carve-Out Financial Statements*".

In addition, although the Carve-Out Financial Statements include all borrowings entered into by Aldar which are secured against the assets allocated to the asset management business or are otherwise directly related to the asset management business, certain of these borrowings are not being transferred to Aldar Investments as part of the reorganisation, see "*—Relevance of the Carve-Out Financial Statements to Aldar Investments' future business*" below.

The Annual Carve-Out Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The accounting policies have been consistently applied except for IFRS 16, which was early adopted with effect from 1 January 2016. The Interim Carve-Out Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Aldar Investments' financial year ends on 31 December and references in this Prospectus to "2017", "2016" and "2015" are to the 12 month period ending on 31 December in each such year.

### Comparability of information included in the Annual Carve-Out Financial Statements

IFRS 16 "Leases" was early adopted on 1 January 2016. IFRS 16 impacts Aldar Investments in its capacity both as a lessee and as a lessor.

#### *Lessees*

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property and equipment and investment properties) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (in the case of property and equipment) or changes in the fair value (in the case of investment properties) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 "Statement of Cash Flows".

#### *Lessors*

IFRS 16 substantially carries forward the lessor accounting requirements of the superseded IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

#### *Impact on Aldar Investments*

In accordance with the modified retrospective application permitted by IFRS 16 upon adoption of the new standard, IFRS 16 has been applied for the period from 1 January 2016 (i.e. the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption of IFRS 16 on all contracts as at 1 January 2016 in equity.

The table below shows the adjustments to opening equity and other statement of financial position account balances as at 1 January 2016. No adjustments have been made to any balances in 2015.

	<u>31 December 2015</u>	<u>Adjustments</u>	<u>1 January 2016</u>
		<i>(AED thousands)</i>	
<b>Assets</b>			
Investment properties.....	13,433,318	176,335	13,609,653
<b>Liabilities</b>			
Lease liability .....	970,984	236,750	1,207,734
<b>Equity</b>			
Net investment by the Parent .....	10,070,257	(60,415)	10,009,842

The table below shows the adjustments to statement of income balances for 2016. No adjustments have been made to any balances for 2015.

	<u>As per IFRS 16</u>	<u>As per old policy</u>	<u>Impact of change</u>
		<i>(AED thousands)</i>	
Cost of revenue for 2016.....	(681,539)	(708,984)	27,445
Fair value loss on investment properties for 2016.....	(127,072)	(110,461)	(16,611)
Finance costs for 2016 .....	(208,842)	(197,937)	(10,905)
Profit for the year for 2016 .....	726,126	726,197	(71)

Modified retrospective application of IFRS 16 also required the recognition of a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded IAS 17. This liability was measured at the present value of the remaining lease payments, discounted using a 4.5 per cent. weighted average incremental borrowing rate for the determination of the present value of the remaining lease payments. The right-of-use assets were recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. In

accordance with IFRS 16 the requirements of IFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within 12 months of initial application were not applied.

#### **Auditors and unaudited information**

The Annual Carve-Out Financial Statements have been audited by Ernst & Young Middle East (Abu Dhabi Branch), 27<sup>th</sup> Floor, Nation Tower 2, Abu Dhabi Corniche, P.O. Box 136, Abu Dhabi, United Arab Emirates, independent auditors (the "**Auditors**"), in accordance with International Standards on Auditing, who have issued an unqualified report on the Annual Carve-Out Financial Statements. The Annual Carve-Out Financial Statements have been prepared at the Obligor's request and are included in this Prospectus with the consent of the Auditors.

The Interim Carve-Out Financial Statements have been reviewed by the Auditors in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", who have issued an unqualified review report on the Interim Carve-Out Financial Statements. The Interim Carve-Out Financial Statements have been prepared at the Obligor's request and are included in this Prospectus with the consent of the Auditors. However, the financial information for the six months ended 30 June 2017 has not been reviewed by the Auditors.

All financial information as at and for the six months ended 30 June 2018 and 30 June 2017 included in this Prospectus is unaudited. In addition, certain other financial information in this Prospectus is unaudited financial information which has been extracted without material adjustment from the accounting records which form the underlying basis of the Carve-Out Financial Statements. In particular, financial information included within "*Selected financial information—Selected ratios*" is unaudited.

#### **Certain non-IFRS financial information**

This Prospectus includes certain financial information which has not been prepared in accordance with IFRS and which also constitutes alternative performance measures ("**APMs**") for the purposes of the European Securities and Markets Authority Guidelines on Alternative Performance Measures. This information, all of which has been derived from information included in the Carve-Out Financial Statements, appears in "*Selected financial information—Selected ratios*" and is referred to in other places in this document. None of this financial information is subject to any audit or review by independent auditors.

This Prospectus includes references to Carve-Out Adjusted EBITDA. Carve-Out Adjusted EBITDA is an APM and is also not a measurement of performance under IFRS and investors should not consider Carve-Out Adjusted EBITDA as an alternative to:

- operating income or net income (as determined in accordance with IFRS) as a measure of operating performance;
- cash flows from ongoing operations, investing and financing activities (as determined in accordance with IFRS) as a measure of ability to meet cash needs; or
- any other measures of performance under IFRS.

Carve-Out Adjusted EBITDA is presented in this Prospectus because Aldar Investments believes that Carve-Out Adjusted EBITDA may assist investors in the understanding of the historical performance of Aldar's asset management business as represented in the Carve-Out Financial Statements. This information is not prepared in accordance with IFRS and should be viewed as supplemental to the Carve-Out Financial Statements.

For a reconciliation of reported profit for the period to Carve-Out Adjusted EBITDA for each of the six months ended 30 June 2018 and 30 June 2017 and for each of 2017, 2016 and 2015, see "*Selected financial information—Carve-Out Adjusted EBITDA*".

## Relevance of the Carve-Out Financial Statements to Aldar Investments' future business

The principal purpose of the Carve-Out Financial Statements is to present the historical operations of the asset management business that have been transferred by Aldar to Aldar Investments and to reflect all of the associated costs of the asset management business.

However, investors should be aware that:

- the Carve-Out Financial Statements include certain non-convertible sukuk and bank borrowings that were not transferred to Aldar Investments and only AED 1.0 billion of the AED 5.0 billion borrowings shown in the Carve-Out Financial Statements as at 30 June 2018 was transferred to Aldar Investments, see further below and "Financial review—Borrowings";
- Aldar Investments either has entered into or expects to enter into new borrowings, including drawings under certain of the facilities transferred to it, drawings under an AED 3 billion revolving facility made available to it by Aldar and amounts raised by the proposed issue of the Certificates, see further below and "*Financial review—Borrowings*";
- certain expenses (including staff costs, selling and marketing expenses and general and administrative expenses) associated with Aldar's asset management business but incurred by Aldar have been allocated in the Carve-Out Financial Statements. These represent certain asset management services and corporate and shared service functions historically provided by Aldar including, but not limited to, executive oversight, accounting, treasury, human resources, procurement, information technology, marketing and other shared services. The allocation has been made on the basis of direct usage when identifiable and otherwise on a pro rata basis of consolidated sales and staff cost representing reasonable reflection of the historical utilisation levels of the services. It is possible that these allocated expenses may not be representative of the amounts that would have been incurred had the asset management business operated independently of Aldar;
- all significant transactions between the asset management business and Aldar and its subsidiaries (including financial transactions and expense allocation) have been reflected in the Carve-Out Financial Statements as "Net investment by the Parent" under equity in the statement of financial position and as "Movement in net investment by the Parent" in the statement of changes in equity; and
- the completion of the transfer from Aldar to Aldar Investments of three residential leasehold developments, Sas Al Nakhl, Khalidiya Village and Al Oyouun Village (each further described under "*Description of Aldar Investments – Investment properties portfolio – Residential*"), is subject to the consent of the registered owners of each such asset. Such consent has been requested and Aldar Investments expects to receive such consent by the end of 2018. The purchase price in respect of such properties will only be payable by Aldar Investments once the consent has been received and other formalities for the completion transfer have been satisfied. The aggregate value of such properties is approximately AED 667 million, representing approximately 4.0 per cent. of Aldar Investments' total assets. As the Carve-Out Financials have been prepared in respect of Aldar's entire asset management business, the Carve-Out Financial Statements include these three residential assets. Accordingly, references in this Prospectus to assets owned by, or transferred to, Aldar Investments should be construed in light of the foregoing transfers that are pending.

The table below shows the non-convertible sukuk and bank borrowings that were included in the Interim Carve-Out Financial Statements as at 30 June 2018 and indicates which of these liabilities were transferred to Aldar Investments.

	Amount included in Interim Carve-Out Financial Statements as at 30 June 2018	Amount transferred to Aldar Investments
	<i>(AED thousands)</i>	
Unsecured sukuk due December 2018 .....	2,763,936	—
Term loan due November 2018 .....	407,389	—
Term loan due June 2019 .....	160,000	—
Term loan due July 2019 .....	600,000	—

Lease facility due December 2019 .....	80,000	—
Term loan due August 2021 <sup>(1)</sup> .....	500,000	500,000
Term loan due August 2023 <sup>(2)</sup> .....	5,000	5,000
Term loan due August 2023 <sup>(2)</sup> .....	500,000	500,000
Term loan due 2026 <sup>(3)</sup> .....	—	—
Unamortised borrowing cost .....	(18,670)	(12,331)
Accrual for interest and profit costs.....	7,849	569
Total sukuk and bank borrowings .....	<b>5,005,504</b>	<b>993,238</b>

- (1) This represents a fully drawn term loan facility.
- (2) This represents the outstanding amount as at 30 June 2018 of an AED 400 million committed facility. No further amounts have been drawn under this facility to the date of this Prospectus.
- (3) This represents an AED 400 million committed facility under which no amounts were outstanding at 30 June 2018. This facility has also been transferred to Aldar Investments. No amounts have been drawn under this facility as at the date of this Prospectus.

Aldar Investments has committed credit facilities of AED 4.8 billion made up of AED 1.8 billion bank credit facilities and an AED 3.0 billion committed revolving credit facility with Aldar. As at the date of this Prospectus AED 1.0 billion was drawn against these facilities. Aldar Investments is also in the process of concluding an additional AED 0.5 billion committed bank facility due 2023. Aldar Investments intends to draw an additional AED 1.3 billion under the bank facilities and AED 0.95 billion under the Aldar facility shortly after the date of this Prospectus to achieve outstanding indebtedness of AED 6.0 billion which corresponds to 37.4 per cent. of the total value of its asset management portfolio as at 30 June 2018 based on an illustrative issuance of U.S.\$750 million of Certificates. These facilities are described under "*Financial review—Borrowings*".

The Carve-Out Financial Statements do not include certain investment properties and investment properties under development owned by Aldar which were not transferred to Aldar Investments in the reorganisation but which are expected to be transferred to Aldar Investments in the future. These properties are described under "*Description of Aldar Investments—Business—Investment properties portfolio—Residential*". In addition, the Carve-Out Financial Statements do not include certain properties acquired by Aldar from Tourism Development Investment Corporation PJSC ("**TDIC**"). These properties are described under "*Financial review—Recent Developments*". All of these properties are together referred to elsewhere in this Prospectus as the "**Aldar Properties Expected to be Acquired**".

Reflecting the above factors, it is likely that the Carve-Out Financial Statements will be of limited relevance in assessing Aldar Investments' future business prospects. See also "*Risk factors—Risks relating to Aldar Investments generally—Significant judgment has been exercised in the preparation of the Carve-Out Financial Statements and Aldar Investments' future results of operations and financial position may be materially different from those indicated in the Carve-Out Financial Statements*".

## PRESENTATION OF OTHER INFORMATION

### Currencies

Unless otherwise indicated, in this Prospectus, all references to:

- "**dirham**" and "**AED**" are to the lawful currency of the United Arab Emirates; and
- "**U.S. dollars**" and "**U.S.\$**" are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in dirham. Aldar Investments' functional currency is the dirham and Aldar Investments prepares its financial statements in dirham. The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00.

### Third party information

Where third party information has been used in this Prospectus, the source of such information has been identified. Where any data included in this Prospectus is referred to as having been estimated, all such estimates have been made by Aldar Investments using its own information and other market information which is publicly available. Although all such estimations have been made in good faith based on the

information available and Aldar Investments' knowledge of the market within which it operates, Aldar Investments cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Abu Dhabi and the UAE included in this Prospectus has been derived from official public sources, including the Statistics Centre – Abu Dhabi (the "SCAD"), the UAE Federal Competitiveness and Statistics Authority (the "FCSA"), the Organisation of Petroleum Exporting Countries ("OPEC"), the International Monetary Fund (the "IMF") and Abu Dhabi National Oil Company ("ADNOC") and certain other sources identified in this Prospectus. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by Aldar Investments to investors who have purchased the Certificates.

Information relating to the Abu Dhabi property market included in this Prospectus has been derived from property research published by Jones Lang LaSalle IP, Inc. ("JLL"). All such information may differ from that stated in other sources for a variety of reasons, including the use of different source material and cut off times and the subjective interpretation of the source material used. This information may subsequently be revised as new information becomes available and any such revised information will not be circulated by Aldar Investments to investors who have purchased the Certificates.

Where information has not been independently sourced, it is Aldar Investments' own information.

#### **No incorporation of website information**

Aldar's website is [www.aldar.com](http://www.aldar.com) and Aldar Investments does not have its own website. The information on Aldar's website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

#### **Definitions**

In this Prospectus:

- **"Abu Dhabi"** means the Emirate of Abu Dhabi;
- **"Aldar Investments"** means Aldar Investment Properties LLC;
- **"Aldar"** means Aldar Properties PJSC, the direct and indirect parent company of Aldar Investments through: (i) its 0.1 per cent. shareholding in Aldar Investments; and (ii) its 100 per cent. shareholding in Aldar Investment Holding (Restricted) Limited which itself has a 99.9 per cent. shareholding in Aldar Investments;
- **"Aldar Properties Expected to be Acquired"** means: (i) two projects currently being developed by Aldar - The Bridges, which comprises up to 636 residential units and is currently expected to be completed in 2020, and Water's Edge, which comprises up to 507 residential units and is currently expected to be completed in 2021; (ii) existing assets owned by Aldar, which are retail properties with an aggregate gross leasable area ("**GLA**") of 57,000 m<sup>2</sup>, 272 residential units in two properties, two hospitality properties with an aggregate of 394 keys, two district cooling plants and two office buildings with a combined GLA of 85,000 m<sup>2</sup>;
- **"commercial properties"** means Aldar Investments' portfolio of buildings containing office units and includes the purpose built building which is leased to the operator of the Repton school;
- **"GCC"** means the Gulf Cooperation Council (comprising the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the UAE);
- **"Government"** means the government of Abu Dhabi;
- **"hospitality properties"** means Aldar Investments' portfolio of hotels and serviced apartment properties;

- **"investment properties"** means Aldar Investments' portfolio of retail, residential and commercial properties;
- the **"MENA region"** means the region comprising the Middle East and North Africa; and
- **"properties"** means Aldar Investments' portfolio of investment and hospitality properties.

### **Rounding**

Certain data in this Prospectus has been rounded. As a result of such rounding, the totals of data presented in tables in this Prospectus may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item.

### **VOLCKER RULE**

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding: (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes); or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future. Any prospective investor in the Certificates should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

### **NOTICE TO RESIDENTS OF THE UNITED KINGDOM**

The Certificates constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010. This Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (ii) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom in the Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

## **NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS**

No invitation, whether directly or indirectly, may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

## **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**"). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Certificates offered hereby should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

## **NOTICE TO RESIDENTS OF MALAYSIA**

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories of person set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Obligor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

## **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

This Prospectus does not and is not intended to constitute an offer, sale or delivery of the Certificates under the laws of the State of Qatar (including the Qatar Financial Centre) and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in the State of Qatar. The Certificates are not and will not be traded on the Qatar Stock Exchange.

## **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000, or any equivalent amount in any other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any

liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or; (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of the manufacturers' product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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## RISK FACTORS

*The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of the Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.*

*Each of the Trustee and Aldar Investments believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and none of the Trustee or Aldar Investments represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or Aldar Investments or which the Trustee or Aldar Investments currently deems immaterial, that may impact any investment in the Certificates.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this section.*

*Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flow and financial position as at, and for the six months ended, 30 June 2018 and 30 June 2017 and as at, and for the years ended, 31 December in each of 2017, 2016 and 2015. Given that Aldar Investments did not exist during these periods or at these dates, all such references should be construed as being references to the performance of the assets and liabilities which are the subject of the Carve-Out Financial Statements. Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business.*

### **RISKS RELATING TO THE TRUSTEE**

**The Trustee has a limited operating history and no material assets and is dependent upon the performance by Aldar Investments of its obligations under the Transaction Documents to which it is a party**

The Trustee is a newly formed entity and has no operating history. The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in its capacity as a trustee and other activities incidental or related to the foregoing as required under the Transaction Documents to which it is a party.

The Trustee's only material assets, which it will hold on trust for the Certificateholders, will be the Trust Assets, including its right to receive payments under the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be) and the Murabaha Agreement.

The Trustee's ability to pay amounts due on the Certificates will depend on its receipt from Aldar Investments (in its various capacities), of all amounts due under the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be) and the Murabaha Agreement, which, together, may not be sufficient to meet all claims under the Certificates and the Transaction Documents. Therefore, the Trustee is subject to all the risks to which Aldar Investments is subject to the extent that such risks could limit Aldar Investments' ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. See "*Risks relating to Aldar Investments' investment properties and operating businesses*" and "*Risks relating to Aldar Investments generally*" below for a further description of these risks.

### **RISKS RELATING TO ALDAR INVESTMENTS' INVESTMENT PROPERTIES AND OPERATING BUSINESSES**

**The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market**

All of Aldar Investments' properties are currently located in Abu Dhabi. As a result, Aldar Investments' ability to generate profits from its real estate asset management business is dependent on, among other things, economic conditions in Abu Dhabi and the state of the Abu Dhabi real estate market. Adverse

economic conditions in Abu Dhabi, however arising, could cause a loss of investor confidence, a decrease in consumer purchasing power, reduced tourism and unanticipated changes in Abu Dhabi's demographic mix, any or all of which may negatively impact the Abu Dhabi real estate market and reduce demand for Aldar Investments' properties and services.

According to property research published by JLL in relation to Abu Dhabi:

- retail rental rates in Abu Dhabi remained stable throughout the 2015 to 2017 period, reflecting both a lack of new supply and the negative impact on the spending power of Abu Dhabi residents and tourists from an increased cost of living followed by a decline in energy subsidies and the appreciation of the U.S. dollar. In the second quarter of 2018, JLL estimated that base rents had declined by 5 per cent. compared to the same quarter in 2017. JLL also reported that retail landlords have become more generous with contract terms and are offering incentives such as rebates, flexible leasing terms, rent-free periods and early break clauses;
- residential rental rates in Abu Dhabi increased in the first quarter of 2015 before flattening out and then declining by an average 5 per cent. in 2016 as a result of job losses and cuts in public expenditure which suppressed demand. During 2017 residential rental rates continued to decline (by 12 per cent. year on year in the fourth quarter in relation to apartments and by 9 per cent. year on year in the fourth quarter in relation to villas). In the second quarter of 2018, JLL reported that apartment rents had declined by 9 per cent. compared with the second quarter of 2017, reflecting a continued increase in supply at a time of contracting employment levels. JLL expects that residential vacancies will increase further during 2018 causing further rental declines;
- rental rates for Grade A office space in Abu Dhabi increased by 7 per cent. year on year in the fourth quarter of 2015 before falling by 5 per cent. year on year in the fourth quarter of 2016, reflecting a softening of demand due to the decline of the oil sector, a reduction in government spending and mergers between government entities. In 2017, office rents remained largely stable for both Grade A and the typically weaker Grade B offices. In the second quarter of 2018, JLL reported that both Grade A and Grade B rental rates had declined compared to the second quarter of 2017, by 3.5 per cent. and 12.6 per cent., respectively. These trends reflected greater competition due to an increase in vacant space, from 22 per cent. in the second quarter of 2017 to 23 per cent. in the second quarter of 2018. JLL expects that the delivery of additional office space throughout 2018 will further impact the office market; and
- average daily rates for hotels in Abu Dhabi remained flat in 2015 whilst occupancy averaged 74 per cent. in the year to November 2015. However, in 2016 (based on year to November data), occupancy averaged 71 per cent. and average daily rates fell by 10 per cent. reflecting the fact that Abu Dhabi's hotel sector is reliant on corporate demand which was adversely affected by lower oil prices, reduced government spending and corporate consolidation, although these factors were offset to an extent by increased leisure demand. In 2017, based on year to November data, occupancy remained stable at 72 per cent. while average daily rates fell by 6 per cent. year on year. In the year to May 2018, hotel occupancy increased to 76 per cent. compared to 74 per cent. in the year to May 2017, although average daily rates fell by 7 per cent. over the same periods indicating that the increased occupancy largely reflected discounted pricing. JLL expects that a significant level of upcoming supply will add further downward pressure to average daily rates in the rest of 2018.

Reflecting these adverse trends, Aldar Investments experienced both reduced revenue from its investment properties in 2017 (driven by lower average occupancy and lease rates) and falling hospitality revenue in each of 2016 and 2017 (reflecting lower average daily rates and revenue per available room in each year). In addition, the generally weaker market conditions resulted in net fair value losses on its investment properties in both 2016 and 2017 and impairment charges in respect of its hospitality properties in each of 2015, 2016 and 2017. In the six months ended 30 June 2018, Aldar Investments' revenue from its investment properties increased slightly and its hospitality revenue fell slightly, in each case compared to the corresponding period in 2017. In addition, in the six months ended 30 June 2018, Aldar Investments experienced net fair value losses on its investment properties of AED 191 million compared to AED 40 million for the corresponding period in 2017. This increase reflected a fair value reduction of AED 150 million based on an internal assessment of the potential value impact of certain Yas Mall tenant support measures taken.

There is no assurance that Aldar Investments will not continue to be materially adversely affected in the future by negative economic or real estate market trends, particularly in light of the JLL expectations for the remainder of 2018 discussed above. These developments could result in any or all of the following outcomes:

- reduced occupancy rates in Aldar Investments' investment properties, particularly its residential properties the majority of which are leased on rolling one-year contracts, which would reduce its revenue and its ability to recover certain operating costs such as service charges;
- lower occupancy rates in Aldar Investments' hospitality properties which would reduce its revenue;
- a reduction in Aldar Investments' ability to collect rent and service charge payments from tenants and other contractual payments on a timely basis or at all;
- lower rent levels and the terms on which lease renewals and new leases are agreed being less favourable, thereby reducing profitability;
- reduced demand for any properties which Aldar Investments may wish to sell, resulting in lower prices being achieved;
- Aldar Investments' ability to obtain funding being constrained and/or a significant increase in its cost of funding;
- negative changes in the fair value of Aldar Investments' investment properties; and
- increased impairment charges in respect of Aldar Investments' hospitality properties.

**Aldar Investments is subject to risks associated with its tenants' liquidity and solvency**

Aldar Investments' results of operations and financial condition are dependent on the liquidity and solvency of its tenants. In 2017, AED 683 million, or 36.3 per cent., of its revenue was generated from its retail tenants, AED 569 million, or 30.3 per cent., was generated from its residential tenants and AED 147 million, or 7.9 per cent., was generated from its commercial tenants. Many of Aldar Investments' retail tenants are exposed to both declining consumer spending in times of poor economic conditions and an increasing amount of e-commerce which may negatively impact footfall from those tenants at Aldar Investments' retail properties, both of which could negatively impact the sales volumes and revenue levels of those tenants in the future. Part of the rent of some of Aldar Investments' retail tenants is determined by reference to their turnover. While this is not a material portion of Aldar Investments' overall retail rental income, any decline in its tenants' turnover may cause a decline in Aldar Investments' retail rental income. Poor economic conditions generally may also affect Aldar Investments' tenants' ability to make lease payments or may result in tenants seeking to renegotiate the terms of their leases. Aldar Investments has in the past and may need in the future to apply rent discounts for certain tenants in order to retain them and maintain occupancy levels. Rental discounts would result in direct reductions to Aldar Investments' revenue.

The bankruptcy or insolvency of major tenants, including tenants at Yas Mall or some of Aldar Investments' other shopping malls, or a substantial number of smaller tenants across its retail, residential and commercial investment properties, would materially decrease Aldar Investments' revenue and available cash, and also negatively impact the value of any affected property. Insolvent tenants may seek protection of applicable insolvency laws which could result in the early termination of their leases, resulting in decreases to Aldar Investments' rental revenue. Aldar Investments' leases generally do not contain provisions designed to monitor the creditworthiness of its tenants and it may not be able to monitor the creditworthiness of its tenants in a timely manner and thus is exposed to the credit risk of each of its tenants. Although default in rent payments would entitle Aldar Investments to evict the relevant tenant, this may take time. Rental payment obligations under Aldar Investments' leases are typically not secured by collateral (other than rent deposits, letters of guarantee, notes and similar collateral in certain cases) and Aldar Investments is not insured against lease defaults.

Any of the above factors could result in higher vacancy rates, lower rental income, potential decreases in the fair value of Aldar Investments' investment properties, or otherwise materially adversely affect Aldar Investments.

**Aldar Investments is subject to risks associated with the expiration of leases entered into by some of its tenants**

Aldar Investments is subject to the risk that, upon the expiration or early termination of leases, leases may not be renewed by existing tenants or entered into by new tenants, or the terms of renewal or re-letting (including the cost of the required renovations or concessions to tenants) may be less favourable to Aldar Investments than the previous lease terms.

For example, Aldar Investments seeks to anchor its shopping malls with well-known tenants who generate shopping footfall. There is a risk, in particular with respect to anchor tenants, that upon the expiration of their leases, the lease may not be renewed by the tenant and that the unit may remain vacant for a period of time or be re-let on terms less favourable to Aldar Investments. The attractiveness of Aldar Investments' shopping malls to new tenants, and its rental income from those malls, may be adversely affected if anchor tenants terminated or declined to renew leases upon expiry, sought lower rents upon review, failed to meet their contractual obligations, sought concessions in order to continue renting their units, or ceased their operations.

In addition, approximately 65 per cent. of Aldar Investments' residential tenants occupy their properties under rolling one-year lease contracts. As a result, in declining residential rental market conditions, Aldar Investments may experience higher volumes of leases that are not renewed and may need to offer discounted lease rates or other incentives to attract tenants to these properties. This could negatively affect Aldar Investments' rental revenue from these properties. For example, in the six months ended 30 June 2018 and in 2017 and 2016 Aldar Investments' revenue from its investment properties was negatively impacted by both lower average occupancy and lower average rental rates in respect of its residential and retail investment properties, see "*Financial review—Results of operations—Comparison of 2017, 2016 and 2015—Gross profit*".

As at 30 June 2018, the weighted average unexpired lease term for all of Aldar Investments' investment properties was 4.1 years (on a value basis). Aldar Investments estimates that leases representing approximately 28 per cent. of its base rental income for 2017 will expire in 2018, approximately 26 per cent. in 2019, approximately 10 per cent. in 2020, approximately 8 per cent. in 2021, approximately 4 per cent. in 2022 and approximately 23 per cent. in 2023 and beyond.

Any of the above factors could result in higher vacancy rates, lower rental income, potential decreases in the fair value of Aldar Investments' investment properties, or otherwise materially adversely affect Aldar Investments.

**Aldar Investments' ability to generate desired returns on its investment properties will depend on its ability to manage those properties on appropriate terms**

Aldar Investments' ability to achieve returns on its investment properties will be affected by its ability to:

- generate demand for those properties from tenants on terms that it believes are attractive; and
- from time to time in the future, to identify purchasers for one or more of those properties at prices that it believes are attractive.

Revenue earned from, and the value of, the investment properties held by Aldar Investments may be materially adversely affected by a number of factors, including:

- its ability to fully let its investment properties and to achieve target rental returns;
- its inability to collect rent and other contractual payments from tenants on a timely basis or at all;
- tenants delaying payment of rental and other contractual amounts or the premature termination of a tenant's lease as a result of default, all of which could hinder or delay the re-letting of an investment property;

- the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable than current leases;
- a competitive rental market, which may affect rental levels or occupancy levels at Aldar Investments' investment properties;
- adverse events negatively impacting Aldar Investments' reputation; and
- changes in applicable laws and regulations, including, for example, the imposition of rent caps, which lead to reduced revenue, increases in management expenses or unforeseen capital expenditure to ensure compliance.

Negative changes in any one or more of these factors could materially adversely affect Aldar Investments. For example, in the six months ended 30 June 2018 and in both 2017 and 2016 Aldar Investments experienced negative changes in the fair value of its investment properties driven by weaker market conditions, see "*Financial review—Principal factors affecting results of operations—Changes in the fair value of Aldar Investments' investment properties*". This risk is increased by the fact that Aldar Investments has no employees and all of the services described above will be supplied by or through Aldar. See "*—Risks relating to Aldar Investments generally—Aldar Investments depends on the services to be provided by Aldar under the Asset Management and Services Agreement and is exposed to any operational risks that affect Aldar's ability to provide those services*".

**Aldar Investments is dependent on a single large shopping mall for a significant proportion of its revenue from investment properties**

Aldar Investments' investment properties include a range of retail establishments (including shopping malls), residential properties and offices for which it seeks to attract tenants. In 2017, 36.1 per cent. of Aldar Investments' revenue from investment properties was derived from Yas Mall, which opened in 2014. Yas Mall is a super regional mall with a GLA of 221,000 m<sup>2</sup> and is the largest shopping mall in Abu Dhabi, based on GLA. As at 30 June 2018, 89.0 per cent. of the GLA in Yas Mall was leased. Aldar Investments faces the risk, however, that tenants, including, in particular, anchor tenants, in Yas Mall may default or fail to renew their leases when they expire which could impact the revenue that it is able to generate from Yas Mall. In addition, Yas Mall could experience competition from other existing or future significant malls in Abu Dhabi or could be adversely impacted by other risks described below, including health and safety or catastrophe risks, any of which could adversely affect the amount of revenue generated by the mall in the future.

**An increase in online shopping could reduce footfall at, and the demand from tenants for space in, Aldar Investments' shopping malls**

A shift in demand from traditional physical stores towards online shopping represents a risk for Aldar Investments. In the UAE market, online retail sales currently make up a relatively low share of total demand, which is estimated at approximately 3 to 4 per cent. and to grow to around 8 per cent. by 2026 (source: Cistri). Markets like the United States and the United Kingdom have a higher penetration of online retail sales which has been attributed to the decline of physical shopping centres. Many factors impact this trend, but Aldar Investments' strategy is to continually adjust the tenant mix to offer attractive stores and services (including, for example, a range of restaurants and other dining options, children's play zones and cinemas) as well as focus on shopping malls that remain attractive meeting places, with significant catchment areas and with easy transportation access. Nevertheless, if online shopping were to become more predominant in Abu Dhabi, this could materially adversely affect Aldar Investments' revenue from its retail investment properties.

**The hotel industry is subject to certain general risks**

Aldar Investments currently owns seven hotels and one serviced apartment building. These hospitality properties are all managed by third party hotel operating companies. Aldar Investments' revenue from its operating businesses (which comprises the operation and management of its hospitality properties) contributed 25.5 per cent. of its total revenue in 2017. The hotel industry depends on attracting guests and a number of factors, many of which are outside Aldar Investments' control, could negatively affect the number of guests staying at Aldar Investments' hospitality properties. These include:

- the impact of wars or terrorist attacks in the MENA region, which could result in reduced numbers of visitors to Abu Dhabi;
- major travel impediments, such as airline strikes, border closures, extreme weather conditions, natural disasters, outbreaks of diseases and health concerns and rising fuel costs;
- adverse effects of international market conditions, which may reduce demand for business travel, or poor economic conditions in key source markets for visitors to Abu Dhabi;
- increased competition and periods of oversupply of hotel and guest accommodation in Abu Dhabi which may affect occupancy and room rates at Aldar Investments' hospitality properties;
- increases in operating costs, for example due to inflation, utility costs, increased tax and insurance costs, and other factors;
- seasonality, particularly in the very hot summer months in Abu Dhabi; and
- changes in applicable regulations.

**The performance of Aldar Investments' hospitality properties depends in large part upon the performance of, reputation of and developments affecting the third party hotel management companies that manage its hospitality properties**

Aldar Investments' hospitality properties are managed by third party hotel management companies pursuant to hotel management agreements. Under the terms of these agreements, the management companies control the daily operations of Aldar Investments' hospitality properties. Although Aldar Investments monitors each management company's performance and has the right to review and object to the annual budget for each hospitality property prepared by each such company, for many of its properties it does not have the direct authority to require the property to be operated in a particular manner or to govern any particular aspect of the property's daily operations (for example, setting room rates or managing particular personnel). As a result, even if Aldar Investments believes that one or more of its hospitality properties is being managed inefficiently, it may not be able to require the relevant management company to change its method of operation of the property concerned. In addition, should Aldar Investments wish to change a management company it may be unable to do so under the relevant management agreement or may need to pay substantial termination fees and may experience significant disruption at the hospitality property concerned. The effectiveness of Aldar Investments' management companies in running its hospitality properties will, therefore, significantly affect the revenue, expenses and value of those properties.

Because all of Aldar Investments' hospitality properties are managed by third party hotel management companies, adverse publicity or other adverse developments that may affect these companies or their brands generally may also materially adversely affect Aldar Investments.

**Aldar Investments' objectives may conflict from time to time with the objectives of one or more of its hotel management companies, which may adversely impact the operation and profitability of one or more of Aldar Investments' hospitality properties**

The hotel management companies which operate Aldar Investments' hospitality properties and their affiliates have non-exclusive arrangements with Aldar Investments and own, operate or franchise properties other than Aldar Investments' properties, including properties that directly compete with Aldar Investments' properties. Therefore, a management company may have different interests to Aldar Investments with respect to short-term or long-term goals and objectives, including interests relating to the brands under which the management company operates. Such differences may be significant depending on many factors, including the remaining term of Aldar Investments' management agreement, trade area restrictions with respect to competition by the management company or its affiliates, or differing policies, procedures or practices. Any of these factors may adversely affect the operation and profitability of one or more of Aldar Investments' hospitality properties.

**The insolvency of a hotel management company may adversely affect the operations of any Aldar Investments hospitality property managed by it and Aldar Investments' ability to obtain revenue generated by that property**

All revenue generated at Aldar Investments' hospitality properties is deposited into accounts controlled by the management company which operates it and which pays operating and maintenance expenses for the relevant property in accordance with its management agreement. In the event of the insolvency of a hotel management company, there is a risk that payment of operating and other expenses for the hospitality property or properties that it manages and payment of revenue to Aldar Investments may be delayed or otherwise impaired. In addition, many services such as international sales, maintenance of a centralised reservation system and other similar services, are performed for Aldar Investments' hospitality properties on a centralised basis by its hotel management companies. As a result, the insolvency of a management company may significantly impair its ability to deliver such centralised services, which could significantly adversely affect the occupancy rates at the hospitality properties managed by it, including any owned by Aldar Investments.

**Aldar Investments may be unable to identify and complete acquisitions and successfully operate acquired properties**

Aldar Investments intends to continually evaluate the market for available properties and may acquire assets suitable for its portfolio when opportunities exist. Aldar Investments' ability to acquire properties on favourable terms and successfully operate them involves significant risks, including:

- Aldar Investments may be unable to acquire a desired property because of competition from other market participants with more capital;
- even if Aldar Investments is able to acquire a desired property, competition from other market participants may significantly increase the purchase price of such property;
- Aldar Investments may be unable to realise the intended benefits from acquisitions or achieve anticipated operating or financial results;
- Aldar Investments may be unable to finance the acquisition on favourable terms or at all;
- Aldar Investments may underestimate the costs to make necessary improvements to acquired properties;
- Aldar Investments may be unable to quickly and efficiently integrate new acquisitions into its existing operations resulting in disruptions to its operations or the diversion of management's attention;
- Aldar Investments may not be able to access sufficient facilities and property management on favourable terms or at all; and
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates.

If Aldar Investments is unable to successfully acquire, redevelop and operate new properties, its ability to grow its business, compete and meet market expectations will be significantly impaired, which would adversely affect Aldar Investments' business model.

**Aldar Investments may acquire new properties or sell existing properties which may expose it to unidentified liabilities**

Aldar Investments may from time to time acquire new properties, including the Aldar Properties Expected to be Acquired. These and any other property acquisitions that Aldar Investments may make in the future could expose it to unanticipated liabilities and/or difficulties in mitigating contingent and/or assumed liabilities. In addition, Aldar Investments may also from time to time dispose of certain properties that it owns, which could also expose it to certain risks.

Although Aldar Investments intends to conduct due diligence in relation to each property acquisition, including, when considered appropriate, through expert appraisals of various aspects of the properties

being acquired, this may not identify all issues relating to the properties concerned. In connection with each purchase, Aldar Investments intends to obtain representations and warranties from the seller about, and/or indemnities in respect of, the properties it acquires, although no assurance is given that it will, in all cases, be successful in any claim made against the seller in relation to any representations, warranties and indemnities obtained, including, for example, as a result of the seller becoming insolvent. Aldar Investments may also become involved in disputes or litigation concerning any representations, warranties and indemnities that it has obtained, which may be costly and time consuming to pursue. In addition, if the seller is Aldar this may cause additional difficulties should any defects in properties sold subsequently be identified, as the parties involved in trying to resolve the issue may have significant conflicting interests.

In connection with any property sale, Aldar Investments expects to be required to give representations and warranties about, and/or to give indemnities in respect of, the property sold and to be liable to pay damages to the extent that any representations or warranties turn out to be inaccurate and/or claims are made under the indemnities. Aldar Investments may become involved in disputes or litigation concerning any representations, warranties and indemnities that it gives and may be required to make payments to third parties as a result of any dispute or litigation if it is unable to successfully defend the relevant claims. If Aldar Investments does not have cash available to conduct litigation or to make any required payments, it may be required to borrow funds. If it is unable to borrow funds to make any required payments, it may be forced to sell further assets to obtain funds. No assurance can be given that any such sales could be effected on satisfactory terms or at all.

**Aldar Investments' capital expenditure and other maintenance costs in relation to its properties may be higher than expected**

Aldar Investments must maintain or improve the condition of its properties in order for them to remain desirable to tenants and to generate revenue over the long term. Further, maintaining or improving the condition of Aldar Investments' properties is essential to capturing the rental value uplift of any increase in market demand. Maintaining a rental property to market standards can entail significant costs.

Under an asset management and services agreement (the "**Asset Management and Services Agreement**") between Aldar Investments and Aldar, all maintenance and refurbishment work in respect of Aldar Investments' properties is managed by Aldar. Aldar Investments' future maintenance and capital expenditures may exceed its budget as a result of cost increases due to unforeseen circumstances, including shortages of and price inflation in respect of materials, equipment and labour, adverse weather conditions, accidents and unexpected delays. In addition, numerous other factors, such as the age of the relevant building structure could also result in Aldar Investments incurring substantial maintenance costs.

Any of these circumstances could negatively affect the ability of Aldar or any other contractor to complete maintenance or refurbishment projects on schedule or within the estimated budget, and even if the contractors are successful in doing so, Aldar Investments may not be able to recoup its investments. Any failure by Aldar Investments to undertake appropriate maintenance and refurbishment work could adversely affect the rental revenue earned from the affected property.

Aldar Investments' properties may also be subject to material damage resulting from natural causes, see "*—Aldar Investments' properties could be exposed to catastrophic events over which Aldar Investments has no control*" below. Any damage caused by these events could be exacerbated by defective building materials or poor workmanship either at the time of building or in any maintenance programme subsequently undertaken.

**Aldar Investments' business exposes it to health and safety risks**

Due to the people-based nature of Aldar Investments' business, its operations are subject to health and safety risks. Although all of Aldar Investments' properties currently comply with applicable health and safety standards, no assurance can be given that a major health and safety hazard, such as a fire or other natural disaster impacting any of its properties, or widespread illness as a result of one of Aldar Investments' retail tenant's or hotels selling or serving contaminated food, will not occur. Given the high number of shoppers that visit its retail properties on a daily basis and the concentration of commercial and residential tenants, guests and pupils at certain other properties, a fire or similar event could have serious consequences, particularly in the event of fatalities. Aldar Investments' reputation could be materially affected if any such event occurs and is widely publicised, and this could also have a negative impact on

the number of shoppers at the affected retail property or, by association, other retail properties or its ability to attract tenants to the commercial or residential property affected or, by association, other properties, or its ability to attract guests to its hospitality properties, all of which could have a material adverse effect on Aldar Investments.

**Aldar Investments' properties could be exposed to catastrophic events over which Aldar Investments has no control**

Aldar Investments' business could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, tsunamis, hurricanes, typhoons, volcanoes or major fires) or other catastrophic events, including, but not limited to:

- major accidents, including chemical and radioactive or other material environmental contamination; and
- major epidemics affecting the health of persons in the region and travel into the region.

The occurrence of any of these events that affect one or more of Aldar Investments' properties may cause disruptions to Aldar Investments' operations in part or in whole. In addition, such an occurrence may subject Aldar Investments to liability or impact its brand and reputation and may otherwise hinder the normal operation of its properties, which could have a material adverse effect on it. This effect may be worsened to the extent that any such event involves risks for which Aldar Investments is uninsured or not fully insured, see "*Risks relating to Aldar Investments generally—Aldar Investments may not have adequate insurance*" below.

**Aldar Investments' properties, including its retail and hospitality properties in particular, could be negatively affected by any factors which reduce the number of visitors to Abu Dhabi and the UAE**

A significant proportion of the guests in Aldar Investments' hotels and the shoppers in its major shopping mall are visitors to Abu Dhabi and the UAE. Accordingly, any factors which reduce the number of visitors to Abu Dhabi and the UAE could have a material adverse effect on Aldar Investments. These factors include:

- the continued attractiveness of Abu Dhabi and the UAE as a tourist destination, which could be negatively affected by a number of factors, including, for example, the imposition of onerous visa requirements or negative political developments in the region;
- the effectiveness of government and other marketing campaigns and initiatives targeting international visitors;
- the timely execution and delivery of planned hotel growth in Abu Dhabi and the UAE more generally as well as planned enhancements in other tourism-related infrastructure, such as announced airport expansion programmes in both Abu Dhabi and Dubai and related fleet increases in the major carriers based at those airports;
- the extent to which other cities in the region choose to undertake significant development with the aim of capturing a larger share of tourist traffic;
- significant increases in the cost of air travel, for example as a result of increased oil prices or increased taxes on airlines, or other factors which negatively impact air travel such as natural disasters like the Icelandic volcanic eruption in 2010, safety concerns following major incidents and prolonged airport or air traffic control strikes; and
- factors that may adversely affect tourist visits to the region as a whole or more generally, such as political or social instability, global economic conditions, terrorist attacks or natural catastrophes.

**Real estate valuation is inherently subjective and uncertain, and real estate investments are illiquid**

Real estate assets are inherently difficult to value. As a result, valuations are subject to substantial uncertainty and subjective judgements, and are made on the basis of assumptions which may not be correct. There can be no assurance that any sale by Aldar Investments of any of its investment or hospitality properties in the future will be at a price which reflects the most recent valuation of the

relevant property, particularly if Aldar Investments sold the property in adverse economic conditions. In addition, the real estate market is affected by many factors, such as general economic conditions, supply and demand and other factors, that are beyond Aldar Investments' control and may materially adversely impact the fair value of its properties after their most recent valuation date. Because real estate investments in general are relatively illiquid, Aldar Investments' ability to promptly sell one or more of its properties in response to changing conditions is limited.

Aldar Investments' historic financial results have been significantly influenced by changes in the fair value of its investment and hospitality properties. Any gains or losses arising from changes in the fair value of Aldar Investments' properties are required to be included in Aldar Investments' income statement for the period in which they arise. In 2015, Aldar Investments recorded net fair value gains on investment properties of AED 1,168 million principally driven by the addition of new properties to the portfolio and completion of Yas Mall. In 2016 and 2017, Aldar Investments recorded net fair value losses on investment properties of AED 127 million and AED 456 million, respectively, principally reflecting adverse market conditions. In the six months ended 30 June 2018, Aldar Investments recorded an AED 191 million net fair value loss on its investment properties, principally reflecting a fair value reduction of AED 150 million based on an internal assessment of the potential value impact of certain Yas Mall tenant support measures taken. As described in note 4.2 to the Annual Carve-Out Financial Statements, determining the fair value of Aldar Investments' properties is a key source of estimation uncertainty. There is no assurance that Aldar Investments will not continue to experience significant fair valuation losses in respect of its properties in future periods, see "*—The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*" above.

## **RISKS RELATING TO ALDAR INVESTMENTS GENERALLY**

### **Significant judgment has been exercised in the preparation of the Carve-Out Financial Statements and Aldar Investments' future results of operations and financial position may be materially different from those indicated in the Carve-Out Financial Statements**

The Carve-Out Financial Statements have been prepared on a carve-out basis from Aldar's financial statements for the six months ended 30 June 2018 and 30 June 2017 and for the years ended 31 December in each of 2017, 2016 and 2015 by extracting the financial information relating to Aldar's asset management business, which represents the investment properties and hospitality assets that will be transferred to Aldar Investments.

The principal purpose of the Carve-Out Financial Statements is to present the historical operations of the assets that were, or are in the process of being, transferred by Aldar to Aldar Investments and to reflect all of the income generated from those assets as well as the costs of doing business associated with those assets. Significant judgment has been used, based on the purpose for which the Carve-Out Financial Statements have been prepared, to ensure that they meet the objective of providing useful information, particularly as IFRS does not provide any specific guidance on their preparation. See, for example, note 3.2 to the Annual Carve-Out Financial Statements.

The Carve-Out Financial Statements should not, however, be relied on by investors as an indicator of Aldar Investments' future business results and financial position. In particular, although all of the assets and the majority of the liabilities included in the Carve-Out Financial Statements were transferred to Aldar Investments, a significant proportion of the non-convertible sukuk and bank borrowings shown in the Interim Carve-Out Financial Statements as at 30 June 2018 were not transferred. However, potential investors should also note that, in order to achieve its target leverage, Aldar Investments either has entered into and expects to enter into new borrowings, including drawings under certain of the facilities transferred to it, drawings under an AED 3 billion revolving facility made available to it by Aldar and amounts raised by the proposed issue of the Certificates.

In addition, certain expenses (including staff costs, selling and marketing expenses and general and administrative expenses) associated with Aldar's asset management business but borne by Aldar have been allocated in the Carve-Out Financial Statements. These represent certain corporate and shared service functions historically provided by Aldar including, but not limited to, executive oversight, accounting, treasury, human resources, procurement, information technology, marketing and other shared services. The allocation has been made on the basis of direct usage when identifiable and otherwise on a pro rata basis of consolidated sales and staff cost representing a reasonable reflection of the historical

utilisation levels of the services. It is possible that these allocated expenses may not be representative of the amounts that would have been incurred had the asset management business operated independently of Aldar.

Further, the Carve-Out Financial Statements do not include any assets, liabilities or associated income and costs attributable to any of the Aldar Properties Expected to be Acquired.

Reflecting the factors above, the Carve-Out Financial Statements are not, and should not be treated as, an indicator of Aldar Investments' likely future results. Aldar Investments' first published full-year financial statements will be in respect of the year ending 31 December 2019.

**Aldar Investments' business may require external financing which may be difficult or expensive to obtain**

Aldar Investments anticipates that it may have material funding needs in relation to particular property acquisitions in the future or to refinance existing indebtedness. Aldar Investments aims to finance its future property acquisitions and its financial obligations (including its obligation to make payments in respect of the Certificates) through internally-generated cash flow, including from the sale of existing properties (when appropriate opportunities arise and the divestment fits Aldar Investments' strategy), available cash and liquidity and financing provided by Aldar and third parties.

Aldar Investments' ability to obtain external financing and the cost of such financing are dependent on numerous factors, including general economic and market conditions, international and domestic interest rates, credit availability from banks or other financiers, investor confidence in Aldar Investments and the success of Aldar Investments' business. At times in the last decade, global credit markets have experienced difficult conditions, including reduced liquidity, greater volatility, widening of credit spreads, liquidity and solvency concerns at both regional and international banks leading to significant government intervention and financial support, and decreased availability of funding generally. Any recurrence of these conditions could make it difficult or significantly more expensive for Aldar Investments to obtain additional financing, either on a short-term or long-term basis, to fund developments or to repay existing financing. In the event that appropriate sources of financing are not available or are only available on onerous terms and Aldar Investments does not have sufficient operating cash flow or cash generated from asset monetisations, this could adversely affect Aldar Investments' business through increased borrowing costs and reductions in necessary property maintenance expenditure. In addition, Aldar Investments may be forced, amongst other measures, to do one or more of the following:

- forgo business opportunities, including attractive property acquisitions;
- delay or reduce capital expenditures;
- sell assets on less than optimal terms; or
- restructure or refinance all or a portion of its debt on or before maturity.

None of the bank borrowings transferred to Aldar Investments is guaranteed by Aldar and Aldar Investments does not expect that any of its future borrowings will be guaranteed by Aldar. The assets secured against the bank borrowings transferred to Aldar Investments had a total value of AED 3.2 billion as at 30 June 2018. Aldar Investments' ability to raise further secured debt on competitive terms depends on the availability of suitable assets to secure.

In addition, certain of the borrowings transferred to Aldar Investments contain covenants that requires the borrower to maintain a minimum level of tangible net worth and a minimum level of collateral value and any material increase in Aldar Investments' borrowings could make it harder for Aldar Investments to comply with that covenant which could, therefore, restrict Aldar Investments' ability to borrow in the future.

**Aldar Investments could be adversely affected if its leverage increases significantly**

As at 30 June 2018, the total assets reported in the Interim Carve-Out Financial Statements were AED 16,641 million. As at the same date, the total borrowings reported in the Interim Carve-Out Financial Statements were AED 5,006 million, with AED 3,339 million maturing in one year. Notwithstanding this, the amount of outstanding debt transferred to Aldar Investments was significantly lower, although Aldar

Investments expects to increase further its debt in order to fund the purchase of the Aldar Properties Expected to be Acquired. To the extent that Aldar Investments' debt increases significantly in the future, its leverage could:

- require a substantial portion of Aldar Investments' cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditures and future business opportunities and to pay dividends;
- expose Aldar Investments to the risk of increased interest rates with respect to its borrowings at variable rates of interest;
- limit Aldar Investments' ability to react to changes in Abu Dhabi's economy or real estate market;
- limit Aldar Investments' ability to obtain additional financing for working capital, capital expenditures, debt service requirements and general corporate or other purposes; and
- increase the likelihood of failure to meet all of its debt obligations.

**The terms of certain of Aldar Investments' indebtedness contain financial covenants, which may limit Aldar Investments' operating flexibility**

Once the reorganisation is complete, Aldar Investments will have significant indebtedness outstanding and the terms of certain of that indebtedness will contain financial covenants, including a covenant to maintain consolidated tangible net worth and collateral value above a defined level. Any future debt assumed by Aldar Investments may contain similar or additional financial or restrictive covenants.

Should Aldar Investments need, in the future, to renegotiate any financial or restrictive covenants or obtain a waiver in respect of any breach of such a covenant, no assurance can be given that it will be successful. Any failure to renegotiate such covenants could restrict Aldar Investments' ability to raise financing in the future. In addition, any breach of such covenants which is not waived by the relevant lender could result in the relevant financing being accelerated and potentially trigger cross default provisions under Aldar Investments' other financing arrangements. In such a case, Aldar Investments' liquidity and financial position could be materially adversely affected.

**Aldar Investments' credit ratings may change and any ratings downgrade could make it more expensive for Aldar Investments to obtain new financing and adversely affect the value of Certificates**

Aldar Investments has a rating of Baa1 (with a stable outlook) from Moody's.

Aldar Investments cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

Any future downgrade or withdrawal at any time of a credit rating assigned to Aldar Investments by any rating agency could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets. A downgrade may also adversely affect the market price of the Certificates and cause trading in the Certificates to be volatile.

**Aldar Investments faces significant competition and may be unable to lease vacant space, renew existing leases or re-lease space as leases expire**

Aldar Investments competes with numerous developers, owners and operators of real estate in Abu Dhabi and the UAE, many of which own properties similar to Aldar Investments' in the same markets, as well as various other public and privately held companies that may provide residential, retail and commercial leasing space. In addition, Aldar Investments may face competition from new entrants into the real estate market. Some of Aldar Investments' competitors may have significant advantages over Aldar Investments, including greater brand recognition, longer operating histories, lower operating costs, pre-existing relationships with current or potential customers, greater financial, marketing and other resources, and access to less expensive facilities and property management. These advantages could allow Aldar Investments' competitors to respond more quickly to strategic opportunities or market changes. If

Aldar Investments' competitors offer properties that Aldar Investments' existing or potential customers perceive to be superior to Aldar Investments', or if Aldar Investments' competitors offer rental rates below Aldar Investments' or current market rates, Aldar Investments may lose existing or potential customers, incur costs to improve its properties or be forced to reduce its rental rates.

In addition, Aldar Investments is also subject to competition in relation to its hospitality properties, where Aldar Investments competes with entities that may have more resources and/or expertise than it, particularly in relation to attracting hotel management companies. To the extent that Aldar Investments is unable to compete effectively in relation to its investment properties or operating businesses, its revenues and profitability from the relevant business may be adversely affected.

**Aldar Investments depends on the services to be provided by Aldar under the Asset Management and Services Agreement and is exposed to any operational risks that affect Aldar's ability to provide those services**

Aldar Investments has no employees of its own. Under the Asset Management and Services Agreement, Aldar will provide Aldar Investments with all the asset management and operational services that Aldar Investments needs to carry on its business. As a result, Aldar Investments is dependent upon Aldar's ability to retain and recruit the necessary personnel to provide the services required by Aldar Investments. Competition for qualified personnel is strong in Aldar Investments' markets and Aldar Investments faces the risks of Aldar losing employees to competitors who are able to offer more competitive compensation packages, and of Aldar being unable to find replacements in a timely manner.

Aldar Investments' business could be adversely affected if Aldar loses the services and contributions of some of the skilled personnel that are assigned to Aldar Investments and is unable to adequately replace them.

Aldar Investments is also subject to any operational risks that affect Aldar's ability to provide services to it under the Asset Management and Services Agreement. Operational risk and losses can result from fraud and errors by Aldar's employees, failure to comply with regulatory requirements and equipment failures. In particular all of Aldar Investments' information technology ("IT") requirements will be provided by Aldar. The proper functioning of these IT systems will be critical to Aldar Investments' business and ability to compete effectively. Aldar Investments' business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems. Such failures can be caused by a variety of factors, all of which are wholly or partially outside Aldar Investments' control, including natural disasters, extended power outages, computer viruses and malicious third party intrusions. Aldar Investments is not in a position to protect itself against these risks and is wholly reliant on Aldar's operational risk controls and loss mitigation strategies. Losses from any failure of Aldar's system of internal controls could have a material adverse effect on Aldar Investments' business generally and its reputation.

Aldar's employees could engage in misrepresentation, misconduct or improper practice that could expose Aldar Investments to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling Aldar Investments' clients' funds, engaging in corrupt or illegal practices, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It will not always be possible for Aldar Investments to detect or prevent these types of misconduct, and the precautions which Aldar and Aldar Investments take to detect and prevent such misconduct may not be effective in all cases. Any such actions by Aldar's employees could expose Aldar Investments to financial losses resulting from the need to reimburse clients who suffered loss or as a result of fines or other regulatory sanctions, and could damage Aldar Investments' reputation.

**The interests of Aldar may not be always be the same as those of the holders of the Certificates**

Aldar Investments is 100 per cent. directly and indirectly owned by Aldar. By virtue of its shareholding, Aldar has the ability to influence Aldar Investments' business through its ability to control actions that require shareholder approval and Aldar also has the power to control the election of all members of Aldar Investments' board of directors (the "**Board**"). Aldar is also a significant provider of funding to Aldar Investments, having provided a revolving facility of up to AED 3 billion to Aldar Investments.

The interests of Aldar may be different from those of the Certificateholders. Aldar Investments' dividend policy is to distribute between 65 and 80 per cent. of its distributable free cash flow to shareholders.

Distributable free cash flow is defined as cash after deducting interest expense, maintenance costs and other overhead items. However, there is no assurance that this dividend policy will not be altered at any time when the Certificates are outstanding and any such alteration may reduce Aldar Investments' ability to make timely and full payments under the Transaction Documents.

In addition to the Aldar Properties Expected to be Acquired, Aldar Investments expects to acquire additional properties in the future from Aldar. Any transactions entered into between Aldar Investments and Aldar, including any sale by Aldar to Aldar Investments of the Aldar Properties Expected to be Acquired, will be related party transactions. Although Aldar Investments intends to conduct such transactions subject to normal commercial negotiation as to terms, no assurance can be given that Aldar Investments would not obtain more favourable terms from transactions with third parties. In addition, it is possible that Aldar Investments may, in the future, be influenced in its decision to acquire a property from Aldar by virtue of its relationship with Aldar.

#### **Aldar Investments may not have adequate insurance**

All of Aldar Investments' insurance is arranged by Aldar under the Asset Management and Services Agreement. Although Aldar Investments, through Aldar, seeks to ensure that its investment properties and operating businesses are appropriately insured, no assurance can be given that any existing insurance policies will be renewed on equivalent terms or at all. In addition, Aldar Investments' properties and businesses could suffer physical damage from fire or other causes, resulting in losses (including loss of rent) that may not be fully compensated by insurance. Further, certain types of risks and losses (for example, losses resulting from acts of war or certain natural disasters) are not economically insurable or generally insured. If an uninsured or uninsurable loss were to occur or if insurance proceeds were insufficient to repair or replace a damaged or destroyed property, Aldar Investments' business could be materially adversely affected.

Where an insured against event occurs, there is no certainty that any proceeds of insurance received will fully cover the loss experienced by Aldar Investments. Aldar Investments' insurance policies may be subject to deductibles or exclusions that could materially reduce the amount recoverable by Aldar Investments and, in certain circumstances, the policies could be void or voidable at the option of the insurer. In addition, Aldar Investments' insurers may become insolvent and therefore not be able to satisfy any claim in full or at all.

#### **Legal and regulatory systems may create an uncertain environment for investment and business activities**

The UAE may experience changes in its economy and government policies (including, without limitation, policies relating to property and contractual rights) that may have a material adverse affect on Aldar Investments' business.

Aldar Investments is subject to laws relating to the ownership, sale and leasing of real estate in the UAE. Such laws are subject to change and the manner in which those laws and related regulations are applied to Aldar Investments is still evolving. Aldar Investments may not adapt, forecast or position itself to successfully operate in any new regulatory environment and any such failure may have a material adverse effect on it.

In addition, certain of Aldar Investments' operations (for example, its hotels and shopping malls) are subject to a range of additional laws and regulations, both at the Abu Dhabi and UAE level, and require the maintenance and renewal of commercial licences and permits. Because of the complexities involved in procuring and maintaining numerous licences and permits, as well as in ensuring continued compliance with applicable licensing regimes, there is no assurance that Aldar Investments will at all times be in compliance with all of the requirements imposed on each of its businesses and properties, although it is not aware of any material breaches that currently exist. Any failure by Aldar Investments to comply with applicable laws and regulations or to obtain and maintain requisite approvals, certifications, permits and licences could lead to substantial sanctions, including criminal, civil or administrative penalties, revocation of its licences and/or increased regulatory scrutiny, and liability for damages. In certain cases, Aldar Investments could also be forced to suspend operations until it obtains required approvals, certifications, permits or licences or otherwise brings its operations into compliance. In addition, any adverse publicity resulting from any compliance failure, particularly as regards the safety of Aldar Investments' shopping malls and hospitality properties, could have a material adverse effect on it.

No assurance can be given that the UAE or Abu Dhabi governments will not implement new laws or regulations relating to Aldar Investments' business or adopt fiscal or monetary policies, including those relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on Aldar Investments.

**Aldar Investments is exposed to a range of financial risks including, in particular, the risk of losses arising as a result of adverse changes in interest rates and the risk that the existing U.S. dollar/dirham peg is terminated or altered in a manner that adversely impacts Aldar Investments**

Aldar Investments' principal interest rate risk is its exposure to the effect of increases in interest rates on its outstanding borrowings. Aldar Investments seeks to manage this risk through borrowing at fixed rates and the use of interest rate derivative contracts in relation to floating rate borrowings where considered appropriate. There is no assurance that Aldar Investments will be successful in this and the use of derivative instruments carries additional risks, including the potential to negatively impact Aldar Investments' statement of comprehensive income and the credit risk on the derivative counterparty.

Aldar Investments' principal foreign currency risk is the impact that any termination or negative adjustment of the existing U.S. dollar/dirham peg would have on its borrowings denominated in U.S. dollars.

In addition, Aldar Investments is subject to a range of credit risks, particularly in relation to its trade and other receivables and its cash and cash equivalent balances with financial institutions, and to liquidity risk, which is the risk that it will not be able to pay its liabilities as they fall due.

**Aldar Investments may become subject to litigation or threatened litigation which may divert management time and attention, require Aldar Investments to pay damages and expenses or restrict the operation of its business**

Aldar Investments may become subject to disputes with commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between Aldar Investments and the other parties. Whether or not any dispute actually proceeds to litigation, Aldar Investments may be required to devote significant management time and attention to its resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on Aldar Investments' business. Any such resolution could involve the payment of damages or expenses by Aldar Investments, which may be significant. In addition, any such resolution could involve Aldar Investments' agreement with terms that restrict the operation of its business.

## **RISKS RELATING TO ABU DHABI AND THE UAE**

**Aldar Investments is subject to economic and political conditions in Abu Dhabi and the UAE**

All of Aldar Investments' current operations and assets are located in Abu Dhabi. Aldar Investments' results of operations are, and will continue to be, generally affected by economic and political developments in or affecting Abu Dhabi and the UAE and, in particular, by the level of economic activity in Abu Dhabi and the UAE. A general downturn or instability in certain sectors of the Abu Dhabi or UAE economies, or in the regional economy generally, could have an adverse effect on Aldar Investments, see "*Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*" above.

Moreover, while the UAE and Abu Dhabi governments' policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. No assurance can be given that the UAE or Abu Dhabi government will not implement restrictive fiscal or monetary policies or regulations, including changes with respect to profit rates, new legal interpretations of existing regulations or the introduction of taxation or exchange controls which could have a material adverse effect on Aldar Investments.

While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public

demonstrations to, in extreme cases, armed conflict, civil war and the overthrow of existing leadership and has given rise to increased political uncertainty across the region. The MENA region is currently subject to a number of armed conflicts including those in Yemen (in which the UAE armed forces, along with a number of other Arab states, are involved), Syria and Iraq as well as the multinational conflict with Islamic State. More recently, in June 2017, Saudi Arabia, the UAE and Bahrain severed diplomatic relations with Qatar, citing Qatar's alleged support for terrorism and the Qatari violation of a 2014 agreement with the other members of the GCC. The termination of diplomatic relations has included the withdrawal of ambassadors, the imposition of travel bans and the closure of airspace, territorial waters and, in the case of Saudi Arabia only, the closure of its land border with Qatar.

Although the UAE has not experienced terrorist attacks such as those experienced by a number of countries in the MENA region, there can be no assurance that extremists or terrorist groups will not target the UAE. It is not possible to predict the occurrence of events or circumstances, such as war or hostilities, or the impact of such occurrences, and no assurance can be given that Aldar Investments would be able to sustain the operation of its business if adverse political events or circumstances were to occur. Investors should also note that Aldar Investments' business and financial performance could be adversely affected by regional geo-political events that prevent it from delivering its services.

Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of Abu Dhabi and the UAE and, in particular, could impact the numbers of tourists that choose to visit Abu Dhabi and the UAE and the number of businesses interested in doing business in Abu Dhabi and the UAE and, consequently, could have a material adverse effect on Aldar Investments.

#### **The UAE's economy is dependent upon its oil revenue**

The UAE's economy, and the economy of Abu Dhabi in particular, is dependent upon oil revenue. The hydrocarbon sector accounted for 27.5 per cent. of Abu Dhabi's nominal GDP in 2016 compared to 37.6 per cent. in 2015. Abu Dhabi's economy has in the past been adversely affected by periods of low international oil prices, and is currently being adversely impacted by the sustained period of low world oil prices since mid-2014.

Hydrocarbon prices are expected to continue to fluctuate in the future in response to changes in many factors over which Aldar Investments has no control. Factors that may affect the price of oil include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for hydrocarbon products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude hydrocarbon producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels; and
- global weather and environmental conditions.

Declines in international prices for hydrocarbon products in the future could therefore adversely affect Abu Dhabi's and the UAE's economies which, in turn and particularly if Abu Dhabi's real estate market is also adversely affected, could have a material adverse effect on Aldar Investments. See "*Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*" above.

**Investing in securities involving emerging markets countries, such as the UAE, generally involves a higher degree of risk than investments in securities of issuers from more developed countries**

Investing in securities involving emerging markets countries, such as the UAE, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. In the case of the UAE, these higher risks include those discussed above. In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the Certificates, will not be affected negatively by events elsewhere, especially in emerging markets.

International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such an effect were to occur, the trading price of the Certificates could be adversely affected by negative economic or financial developments in other emerging market countries over which the UAE government has no control.

In addition, the economies of emerging markets are more susceptible to influence by macroeconomic policy decisions of developed countries than other more developed markets. In particular, emerging market economies have in the past demonstrated sensitivity to periods of economic growth and interest rate movements of developed economies. No assurance can be given that this will not be the case in the future.

As a consequence, an investment in the Certificates carries risks that are not typically associated with investing in securities issued by issuers in more mature markets. These risks may be compounded by any incomplete, unreliable or unavailable economic and statistical data on the UAE, including elements of information provided in this Prospectus. Prospective investors should also note that emerging economies, such as the UAE's, are subject to rapid change and that the information set out in this Prospectus may become out-dated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Prospective investors are urged to consult with their own legal and financial advisers before making an investment decision.

**RISKS RELATING TO THE CERTIFICATES**

**The Certificates are limited recourse obligations and investors may not be able to seek full recourse for failure to make payments due on the Certificates**

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent undivided ownership interests solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of the Trust Assets are the sole source of payments on such Certificates. Upon the occurrence of a Dissolution Event, the sole right of each of the Trustee and the Delegate (acting on behalf of the Certificateholders) will be against the Obligor to perform its obligations under the Transaction Documents to which it is a party.

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), the Delegate, any Agent or (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party) the Obligor in respect of any shortfall in the expected amounts due under the Trust Assets. The Obligor is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee. The Trustee and the Delegate will have direct recourse against the Obligor to recover such payments due to the Trustee pursuant to the Transaction Documents.

After enforcing or realising the rights in respect of the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 6.2, the Declaration of Trust and the Agency Agreement, the obligations of the Trustee and/or the Delegate in respect of the Certificates shall be satisfied and neither the Trustee, the Delegate nor any Certificateholder may take any further steps against the Trustee or the Obligor to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Furthermore, under no circumstances shall any Certificateholder, the Trustee or the Delegate have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents and the sole right of the Trustee, the Delegate and the Certificateholders against the Obligor

shall be to enforce the obligation of the Obligor to perform its obligations under such Transaction Documents to which it is a party.

**There can be no assurance that a secondary market for the Certificates will develop**

There is no assurance that a market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. In addition, liquidity may be limited if large allocations of the Certificates are made. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity.

**Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade**

The minimum denomination of the Certificates is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Certificates may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase a face amount of Certificates such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

**Admission to listing and trading on the Main Securities Market and/or the ADX cannot be assured**

The Trustee and the Obligor have applied for the Certificates to be admitted to listing with Euronext Dublin and on the ADX and to trading on the Main Securities Market. However, prospective investors should note that there can be no assurance that such admission to listing and trading will occur or, if it occurs, can be maintained. The absence of admission to listing and trading on the Main Securities Market and/or the ADX, or a delisting of the Certificates from such markets, may have an adverse effect on a Certificateholder's ability to hold, or resell, the Certificates.

**The Certificates may be subject to early redemption and Make Whole Amounts may not be sufficient when they are payable**

The Certificates may be redeemed prior to the Scheduled Dissolution Date if: (i) the Trustee has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document to which it is a party; or (ii) the Obligor has or will become obliged to pay additional amounts pursuant to any Transaction Document to which it is a party, in each case: (x) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the UAE or the Emirate of Abu Dhabi or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Signing Date; and (y) such obligation cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it.

The Certificates may also be redeemed prior to the Scheduled Dissolution Date for the following reasons: (i) redemption in whole (but not in part) following the occurrence of a Dissolution Event; (ii) redemption (in whole or, as applicable, in part) following the occurrence of a Change of Control Event; (iii) redemption in whole (but not in part) at the option of the Obligor; (iv) redemption in whole (but not in part) at the option of the Obligor if, following the occurrence of a Change of Control Event, 75 per cent. or more of the initial face amount of the Certificates have been redeemed and/or purchased and cancelled by the Trustee; or (v) redemption in whole (but not in part) following the occurrence of a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement) (each as defined in the Conditions).

If the Certificates are redeemed as described above, an investor may not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Moreover, where a Make Whole Amount is included in the calculation of relevant redemption amounts due and payable, such Make Whole Amount may not be sufficient to cover the difference between the yield which the Certificateholders would expect to receive if they held the Certificates until the Scheduled Dissolution Date and any alternative investment which the Certificateholders may make at the time of redemption with the proceeds of such redemption.

**The Certificateholders may be subject to exchange rate risks and exchange controls**

The Trustee will pay amounts due on the Certificates in U.S. dollars and the Obligor will make payments pursuant to the Transaction Documents to which it is a party in U.S. dollars. If the Certificateholders measure their investment returns by reference to a currency other than U.S. dollars (the "**Investor's Currency**"), an investment in the Certificates will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, as applicable, relative to the Investor's Currency because of economic, political and other factors over which the Trustee has no control and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. Depreciation of the U.S. dollar, as applicable, against the Investor's Currency could cause a decrease in the effective yield of the Certificates below their stated Periodic Distribution Amount and could result in a loss to the Certificateholders when the return on the Certificates is translated into the Investor's Currency. Investment in the Certificates may also have important tax consequences as a result of any foreign currency exchange gains or losses.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts.

**The Conditions, the Declaration of Trust and the other Transaction Documents contain provisions which may permit their modification without the consent of all investors and in certain limited circumstances without the consent of any Certificateholders and without regard to the individual interests of particular Certificateholders**

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The conditions of the Certificates and the Declaration of Trust also provide that the Delegate may (but shall not be obliged to), without the consent or sanction of the Certificateholders: (i) agree to any modification to the Conditions, any provisions of the Transaction Documents or to the Trustee's memorandum and articles of association which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (ii) agree to any modification (other than in respect of a Reserved Matter) of the Conditions, any provisions of the Transaction Documents or the Trustee's memorandum and articles of association, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Declaration of Trust or the other Transaction Documents; or (iii) determine that any Dissolution Event shall not be treated as such, provided in the case of paragraphs (ii) and (iii) that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least one-quarter of the outstanding aggregate face amount of the Certificates.

**There can be no assurance that the Certificates will be Shari'a compliant**

Each of the Executive Committee of the *Shari'a* Board of Dubai Islamic Bank and Dar al Sharia, the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Central Shariah Committee of HSBC Bank Middle East Limited, the Shariah advisors of J.P. Morgan Securities plc and the Shariah Supervisory Committee of Standard Chartered Bank has reviewed the Transaction Documents and

confirmed that the Certificates are, in their view, Shari'a compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Shari'a compliant by any other Shari'a committees or Shari'a scholars and therefore potential investors should not rely on the pronouncements of the *Shari'a* advisors in deciding whether to make an investment in the Certificates. None of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents makes any representation as to the Shari'a compliance of the Transaction Documents or the Certificates and/or any trading thereof. Potential investors should obtain their own independent Shari'a advice as to whether the Transaction Documents and the Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradability of the Certificates on any secondary market. Questions as to the Shari'a permissibility of the Transaction Documents or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that, pursuant to the terms of the Transaction Documents (other than the Purchase Agreement), the enforcement of any obligations of any of the parties would be, if in dispute, the subject of arbitration in London under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**"). The Obligor has also agreed under the Transaction Documents to which it is a party (other than the Purchase Agreement, any Supplemental Purchase Agreement and any Sale Agreement) to submit to the jurisdiction of the courts of England at the option of the Trustee or the Delegate. In such circumstances, the arbitrator or judge, as the case may be, will apply the relevant law of the relevant Transaction Document in determining the obligation of the parties.

#### **Shari'a requirements in relation to interest awarded by a court**

In accordance with applicable Shari'a principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment given against the Obligor, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

#### **Credit ratings may not reflect all risks**

The Certificates are expected to be assigned a rating of Baal by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The ratings of the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. In addition, real or anticipated changes in the ratings of the Certificates could negatively affect the market value of the Certificates.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the front page of this Prospectus.

#### **Reliance on Euroclear and Clearstream, Luxembourg procedures**

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Certificate. While the Certificates are represented by a Global

Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

## **RISKS RELATING TO THE WAKALA ASSETS**

### **Ownership over the Wakala Assets**

In order to comply with the requirements of Shari'a, an ownership interest in the Usufruct over: (a) the Wakala Assets comprising the Initial Wakala Portfolio will pass to the Trustee under the Purchase Agreement; and (b) if applicable, any new Wakala Assets which become part of the Wakala Portfolio from time to time, will pass to the Trustee under the relevant Supplemental Purchase Agreement or the Sale Agreement, as the case may be. The Trustee will declare a trust in respect of the Usufruct over the relevant Wakala Assets and the other Trust Assets in favour of the Certificateholders pursuant to the Declaration of Trust. Accordingly, Certificateholders will, through the ownership interest of the Trustee, have an ownership interest in the Usufruct over the Wakala Assets unless the transfer of the Usufruct over the Wakala Assets is prohibited by, or ineffective under, any applicable law (see "*Risks relating to the Usufruct*").

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Assets. The Wakala Assets will be selected by the Obligor, and the Certificateholders, the Trustee and the Delegate will have no ability to influence such selection. Only limited representations will be obtained from the Obligor in respect of the Wakala Assets. In particular, the precise terms of the Wakala Assets will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by the Obligor to give effect to the transfer of the Usufruct over the Wakala Assets). No steps will be taken to perfect the transfer of the ownership interest (including registration) in the Usufruct over the Wakala Assets with any relevant regulatory authority in the UAE or otherwise give notice to any lessee in respect thereof.

### **Risks relating to the Usufruct**

Pursuant to the Purchase Agreement (or, as applicable, any Supplemental Purchase Agreement), the Obligor (in its capacity as Seller) shall sell and the Trustee (in its capacity as Purchaser) will purchase the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio (or, as applicable, the Additional Wakala Assets (as defined in the Purchase Agreement)) in return for the payment by the Trustee of the Purchase Price (as defined in the Purchase Agreement or, as applicable, the relevant Supplemental Purchase Agreement).

Under Abu Dhabi law, a right in rem in any property (such as a Usufruct over the Wakala Assets as described above) is only created once registration in the land register at the Abu Dhabi Land Department has been completed. It should be noted, however, that there is no intention for the Trustee or the Obligor to register the Usufruct over the Wakala Assets at the Land Registration Department of the Abu Dhabi Municipality. Consequently, although the sale and purchase and grant of the Usufruct over the Wakala Assets will be effective between the Obligor and the Trustee insofar as their respective contractual obligations are concerned (notwithstanding any lack of registration), such sale and purchase and grant shall not be effective as against third parties.

If a legal action is brought seeking to question the validity or enforceability of a usufruct for lack of registration in the courts of Abu Dhabi, there can be no assurance that an Abu Dhabi court would recognise the validity of the sale and purchase and grant of the Usufruct over the Wakala Assets either as between the parties or as against the rights of third parties.

Upon any Dissolution Event, the Certificateholders will not have any rights of enforcement as against the particular Usufruct over the Wakala Assets comprised within the Wakala Portfolio. Their rights are limited to: (i) in circumstances where the Delegate, having become bound so to direct the Trustee to proceed against the Obligor, fails to do so within a reasonable period of becoming so bound and such failure is continuing, to itself direct the Trustee to enforce the Obligor's obligation to purchase the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets pursuant to the terms of the Purchase Undertaking; and (ii) upon any failure to comply with the Obligor's obligations under the Transaction Documents as described in this Prospectus, a *pro rata* share of the proceeds of the enforcement thereof. Accordingly, any such restriction on the ability of the Obligor to perfect the sale of the Usufruct over the Wakala Assets to the Trustee is likely to be of limited consequence to the rights of the Certificateholders.

Notwithstanding the above, if the Obligor or a liquidator of the Obligor disclaims or repudiates any of its obligations under the Transaction Documents to which the Obligor is a party (including without limitation in respect of its obligations relating to the sale of the Usufruct over the Wakala Assets and/or purchase of the remaining Usufruct Term of the Usufruct over the Wakala Assets), this will constitute a Dissolution Event under the Conditions which will enable the Trustee to exercise its rights under the Purchase Undertaking in accordance with Condition 14 (*Dissolution Events*). In such case, the Obligor will be obliged under the terms of the Purchase Undertaking to purchase all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets from, and pay the Exercise Price to, the Trustee and the Certificates shall become immediately due and payable at their Dissolution Distribution Amount.

By way of further assurance, the Obligor has covenanted and undertaken in each of the Purchase Undertaking and the Declaration of Trust, respectively, that if the Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the right, interests, benefits and entitlements that the Trustee may have in, to and under the Usufruct over the Wakala Assets or any of them, or for any other reason, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or, as the case may be, the Change of Control Exercise Price) (see "*Summary of the Principal Transaction Documents — Purchase Undertaking*" and "*Summary of the Principal Transaction Documents — Declaration of Trust*").

## **RISKS RELATING TO ENFORCEMENT**

### **There may be limitations on the enforcement of arbitral awards and foreign judgments in the Emirate of Abu Dhabi**

The payments under the Certificates are dependent upon the Obligor making payments in the manner contemplated under the Transaction Documents to which it is a party. If the Obligor fails to do so, it may be necessary for an investor to bring an action against the Obligor to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

Under current Abu Dhabi law, the Abu Dhabi courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

The Obligor has agreed that certain of the Transaction Documents to which it is a party are governed by English law and that any dispute arising from such Transaction Documents will, unless the option to litigate is exercised, be referred to arbitration under the LCIA Rules with an arbitral tribunal with its seat in London. Under the Conditions, any disputes arising from the Conditions or any non-contractual

obligations arising out of or in connection with them may be referred to arbitration in London under the LCIA Rules. Under the Conditions and certain of the Transaction Documents, at the option of the Trustee or the Delegate (as applicable), any dispute may also be referred to the courts of England (or such other court of competent jurisdiction which the Trustee or Delegate (as applicable) may elect). Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that the Obligor has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

How the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign awards under the UAE. Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005) (the "**Law of Civil Procedure**"). Article 238 provides that Articles 235 to 237 (which deal with enforcement of foreign judgments, orders and instruments and which contain onerous requirements which must be satisfied before enforcement will be considered by the UAE courts) apply only in the absence of multilateral or bilateral conventions such as the New York Convention. In particular, there remains a risk that notwithstanding Article 238 of the Law of Civil Procedure or the terms of an applicable multilateral or bilateral enforcement convention, the UAE courts may in practice still consider and apply the grounds set out in Federal Law No.6 of 2018 (the "**UAE Arbitration Law**") related to the enforcement of domestic arbitral awards (as provided in Articles 52 to 57 of the UAE Arbitration Law) or in the Law of Civil Procedure related to the enforcement of foreign judgments to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law is a new law and it is unclear how it will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

#### **Waivers of immunity may not be effective under UAE law**

Under the Transaction Documents, the Obligor has acknowledged that the transactions contemplated by the Transaction Documents are commercial transactions and, to the extent that the Obligor may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Obligor or any of its assets or revenues, the Obligor has agreed not to claim and has irrevocably and unconditionally waived such immunity in relation to any legal or arbitral proceedings or Disputes (as defined in the Conditions). In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any legal or arbitral proceedings or Disputes.

However, there can be no assurance as to whether such waivers of immunity given by the Obligor under the Transaction Documents are valid and binding under the laws of the Emirate of Abu Dhabi and, to the extent applicable therein, the federal laws of the UAE.

## **Compliance with UAE bankruptcy law may affect the Obligor's ability to perform its obligations under the Transaction Documents**

In the event of the Obligor's insolvency, UAE bankruptcy law may adversely affect the Obligor's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, may adversely affect the Trustee's ability to perform its obligations in respect of the Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders, the Trustee and/or the Delegate would be resolved, and therefore there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances.

## **Considerations relating to the non-recognition of trusts under the laws of the UAE**

UAE law does not recognise the concept of trust or beneficial interests. Accordingly, if a UAE court were to consider the merits of a claim in respect of the Declaration of Trust and any Supplemental Declaration of Trust and apply UAE law principles in doing so, there is no certainty that all of the terms of the Declaration of Trust or any Supplemental Declaration of Trust (each of which is governed by English law) would be enforced by the UAE courts and the trust arrangements set out therein may be recharacterised as an agency arrangement by the UAE courts.

## **A court may not grant an order for specific performance**

If the Obligor fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include: (i) obtaining an order for specific performance of the Obligor's obligations; or (ii) a claim for damages.

There is no assurance that a court will provide an order for specific performance, which is a discretionary matter. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award if the Obligor fails to perform its obligations set out in the Transaction Documents to which it is a party.

## **Change of law**

The structure of the issue of the Certificates is based on English law, the laws of the Emirate of Abu Dhabi and, to the extent applicable in the Emirate of Abu Dhabi, the federal laws of the UAE, and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or the laws of the Emirate of Abu Dhabi, and, to the extent applicable to the Emirate of Abu Dhabi, the federal laws of the UAE or administrative practice after the date of this Prospectus nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of the Trustee and the Obligor to comply with their respective obligations under the Transaction Documents.

## **Taxation risks on payments**

Payments made by the Obligor to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Transaction Documents to which the Obligor is a party requires the Obligor to pay additional amounts in the event that any withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature is required by law to be made in respect of payments made by it to the Trustee under each such Transaction Document as will result in the receipt by the Trustee of such amounts as would have been received by it if no such withholding or deduction has been made. Furthermore, Condition 11 provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by the Cayman Islands, the UAE or the Emirate of Abu Dhabi or any political subdivision thereof or any other authority thereof or therein having power to tax in certain circumstances. In the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 11, the Obligor has, pursuant to the Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to or to the order of the Delegate (for the benefit of the Certificateholders) such amounts as are necessary so

that the amount receivable by the Delegate (after any such withholding or deduction for or on account of tax) equals any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 11.

The circumstances described above may entitle the Obligor and the Trustee to redeem the Certificates pursuant to Condition 10.2. See "*Risks relating to the Certificates— The Certificates may be subject to early redemption and Make Whole Amounts may not be sufficient when payable*" for a description of the consequences thereof.

## INFORMATION INCORPORATED BY REFERENCE

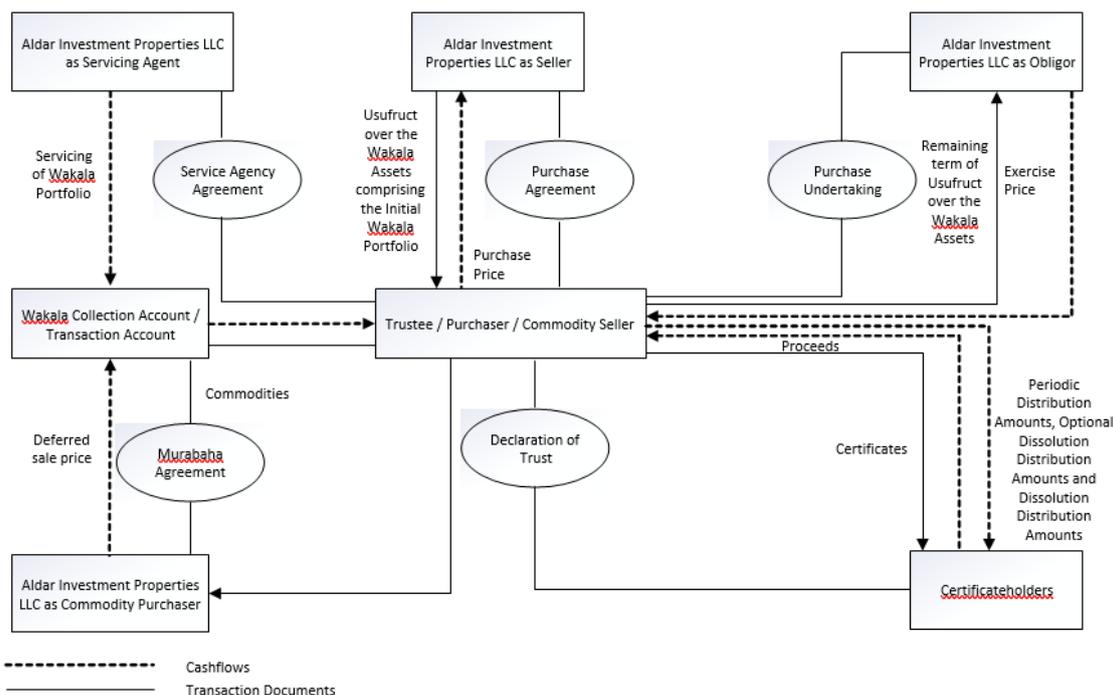
The following information shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. the unaudited interim condensed consolidated financial statements of Aldar Properties PJSC as at and for the six month period ended 30 June 2018, together with the independent auditor's review report thereon and the notes thereto ([https://www.aldar.com/PDF%20Uploads/IR/Financial%20Statements/2018/Q2/FS%2030%20Jun%202018%20Aldar%20Properties%20PJSC%20\(ENG\).pdf](https://www.aldar.com/PDF%20Uploads/IR/Financial%20Statements/2018/Q2/FS%2030%20Jun%202018%20Aldar%20Properties%20PJSC%20(ENG).pdf));
2. the audited consolidated financial statements of Aldar Properties PJSC as at and for the year ended 31 December 2017, together with the independent auditor's report thereon and the notes thereto (<https://www.aldar.com/PDF%20Uploads/IR/Financial%20Statements/2017/Q4/2017%20ac%2031%20Dec%20-%20Aldar%20Properties%20PJSC.PDF>); and
3. the audited consolidated financial statements of Aldar Properties PJSC as at and for the year ended 31 December 2016, together with the independent auditor's report thereon and the notes thereto ([https://www.aldar.com/PDF%20Uploads/IR/Financial%20Statements/2016/Q4/Aldar%20Properties%20Signed%20Dec%202016%20Financial%20Statements\(English\).pdf](https://www.aldar.com/PDF%20Uploads/IR/Financial%20Statements/2016/Q4/Aldar%20Properties%20Signed%20Dec%202016%20Financial%20Statements(English).pdf)).

Copies of the documents specified above as containing information incorporated by reference in this Prospectus may be inspected, free of charge, at the registered office of the Trustee during normal business hours. Any information contained in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus.

## STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cashflows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cashflows and for an explanation of the meaning of certain capitalised terms used below. Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of the Principal Transaction Documents" shall have the same meanings in this section.



### Principal cashflows

#### Payments by the Certificateholders and the Trustee

On the Issue Date, the Trustee will use the proceeds of the Certificates (the "**Proceeds**") to:

- purchase from the Obligor a Usufruct in respect of a portfolio of identified income-generating real estate-related assets (the "**Initial Wakala Portfolio**") located in the Emirate of Abu Dhabi (other than the Abu Dhabi Global Market) which are leased (other than on the basis of a finance lease) to one or more third parties as at the Issue Date in consideration for a purchase price (the "**Purchase Price**") which shall not be less than 51 per cent. of the Proceeds, pursuant to a purchase agreement between the Trustee (in its capacity as purchaser, the "**Purchaser**") and the Obligor (in its capacity as seller, the "**Seller**") (the "**Purchase Agreement**"); and
- purchase from a supplier (through a commodity agent) certain commodities, with a cost price (the "**Commodity Purchase Price**") which shall not exceed 49 per cent. of the Proceeds, and which the Trustee (in its capacity as seller, the "**Commodity Seller**") will on-sell to the Obligor (in its capacity as purchaser, the "**Commodity Purchaser**"), in consideration for a deferred sale price equal to the sum of: (i) the Commodity Purchase Price; and (ii) a profit amount (the "**Deferred Sale Price**") (the "**Murabaha Contract**"), pursuant to a murabaha agreement between the Commodity Purchaser and the Commodity Seller (the "**Murabaha Agreement**"),

(the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio together with, *inter alia*, the right to receive all instalment payments of the profit amount payable pursuant to the terms of each

Murabaha Contract being the "**Wakala Portfolio**". Each real estate-related asset which forms part of the Wakala Portfolio from time to time in accordance with the Transaction Documents is a "**Wakala Asset**".

The Trustee will appoint the Obligor as the servicing agent (the "**Servicing Agent**") to manage the Wakala Portfolio pursuant to a service agency agreement (the "**Service Agency Agreement**").

#### ***Periodic Distribution Payments***

The Servicing Agent will be obliged under the Service Agency Agreement to maintain two ledger accounts, a collection account (the "**Wakala Collection Account**") and a reserve account (the "**Wakala Reserve Collection Account**"). All revenues in respect of any Wakala Asset and all instalment payments of the profit amount payable pursuant to the terms of each Murabaha Contract (together the "**Wakala Portfolio Revenues**") will be credited to the Wakala Collection Account. Any amounts standing to the credit of the Wakala Collection Account, following application of amounts in accordance with the order of priority set out below, will be credited to the Wakala Reserve Collection Account. The Servicing Agent may deduct amounts standing to the credit of the Wakala Reserve Collection Account at any time prior to the scheduled redemption date of the Certificates and use such amounts for its own account, **provided that** it shall immediately re-credit all such amounts (for on-payment into the Transaction Account) if so required to fund a shortfall or upon the occurrence of a Dissolution Event or a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement).

Prior to each Periodic Distribution Date, the amounts standing to the credit of the Wakala Collection Account will be applied by the Servicing Agent in the following order of priority: (i) first, in repayment of any amounts advanced by way of a Liquidity Facility (as defined below); (ii) second, in payment of any Service Agency Liabilities Amounts then due; (iii) third, in payment of an amount equal to the lesser of the aggregate of the Periodic Distribution Amounts (the "**Required Amount**") payable under the Certificates on the immediately following Periodic Distribution Date, to be paid to an account in the name of the Trustee maintained in London (the "**Transaction Account**") and the balance of the Wakala Collection Account; and (iv) in debiting any amounts still standing to the credit of the Wakala Collection Account and in crediting such amounts to the Wakala Reserve Collection Account, in each case in accordance with the Service Agency Agreement. If, having applied the amount as described in (iii) above, there is any shortfall (the "**Shortfall**") between the amounts standing to the credit of the Wakala Collection Account and the Required Amount, the Servicing Agent may either:

- (a) apply any amounts standing to the credit of the Wakala Reserve Collection Account (after the re-crediting of previously deducted amounts) to cover such Shortfall; or
- (b) provide (or procure from a third party) non-interest bearing (or otherwise Shari'a compliant) funding (a "**Liquidity Facility**") to the Trustee in the amount required to ensure that the Trustee receives no later than the Payment Business Day immediately preceding such Periodic Distribution Date, the full amount of the Periodic Distribution Amount payable on such date, and on terms that such funding is repayable from future excess Wakala Portfolio Revenues or on a Dissolution Date.

#### ***Dissolution Distribution Payments***

On the Scheduled Dissolution Date:

- (a) the Trustee will have the right under a purchase undertaking (the "**Purchase Undertaking**") to require the Obligor to purchase all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets at an exercise price (the "**Exercise Price**"); and
- (b) the aggregate amounts of the Deferred Sale Price then outstanding, if any, shall become immediately due and payable by the Commodity Purchaser under the Murabaha Agreement.

The Exercise Price payable by the Obligor to the Trustee, together with the aggregate amounts of the Deferred Sale Price then outstanding, if any, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

The Certificates may be redeemed prior to the Scheduled Dissolution Date of the Certificates for the following reasons: (i) redemption in whole (but not in part) following the occurrence of a Dissolution Event; (ii) redemption in whole (but not in part) for tax reasons; (iii) redemption (in whole or, as applicable, in part) following the occurrence of a Change of Control Event; (iv) redemption in whole (but not in part) at the option of the Obligor; (v) redemption in whole (but not in part) at the option of the Obligor if, following the occurrence of a Change of Control Event, holders of 75 per cent. or more of the aggregate outstanding face amount of those Certificates exercise their Change of Control Put Option; or (vi) redemption in whole (but not in part) following a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement).

For the avoidance of doubt, the Certificates will be redeemed automatically following the occurrence of a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement) without the need for any further action or exercise of rights on behalf of either the Obligor or the Trustee.

In the case of (i), (iii) and (vi) above, the Dissolution Distribution Amount or, as the case may be, Change of Control Amount, payable by the Trustee on the relevant date for the redemption of the Certificates will be funded in a similar manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date (**provided that**, in the case of (vi) above, the relevant Dissolution Distribution Amount payable by the Trustee will be funded by the proceeds of the insurances against a Total Loss Event and, if applicable, any Total Loss Shortfall Amount (as defined in the Conditions) payable by the Servicing Agent pursuant to the terms of the Service Agency Agreement).

In the case of (ii) and (v) above, the Obligor will have the right under a sale undertaking (the "**Sale Undertaking**") to require the Trustee to sell to the Obligor all of its rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets at the Exercise Price payable by the Obligor. Such Exercise Price, together with the aggregate amounts of the Deferred Sale Price then outstanding, if any, are intended to fund the Dissolution Distribution Amount or, as the case may be, Change of Control Amount, payable by the Trustee on the relevant date for the redemption of the Certificates in full.

In the case of (iv) above, the Obligor will have the right under the Sale Undertaking to require the Trustee to sell to the Obligor all of its rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets at the Optional Dissolution Exercise Price payable by the Obligor. Upon such an early redemption of the Certificates pursuant to (iv), the amount payable upon early redemption shall be inclusive of the Make Whole Amount payable in accordance with the Conditions.

## OVERVIEW

*The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".*

*Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of the Principal Transaction Documents" shall have the same meanings in this section.*

### **Overview of Aldar Investments**

*Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flow and financial position as at, and for the six months ended, 30 June 2018 and 30 June 2017 (save for the financial position) and as at, and for the years ended, 31 December in each of 2017, 2016 and 2015. Given that Aldar Investments did not exist during these periods or at these dates, all such references should be construed as being references to the performance of the assets and liabilities the subject of the Carve-Out Financial Statements. Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business.*

Aldar Investments is owned by Aldar, which has a 0.1 per cent. direct shareholding and a 99.9 per cent. indirect shareholding through its wholly-owned subsidiary, Aldar Investment Holding (Restricted) Limited. Aldar Investments was established on 29 May 2018 as part of a corporate reorganisation undertaken by Aldar to improve its corporate and capital structure. As part of this reorganisation, Aldar has transferred the assets managed by its asset management business to Aldar Investments, together with AED 1.0 billion of existing drawn bank borrowings. This business had total assets of AED 16.6 billion as at 30 June 2018 and principally comprised yielding investment properties and operating businesses.

Aldar has prepared the Carve-Out Financial Statements which illustrate the performance of the assets which comprise its asset management business over the three and half year period ended 30 June 2018. When preparing the Carve-Out Financial Statements, Aldar included all assets and liabilities directly associated with its asset management business, including borrowings (such as Aldar's U.S.\$750 million non-convertible sukuk). Notwithstanding this, a significant proportion of the debt included within the Carve-Out Financial Statements has not been transferred to Aldar Investments. In addition, Aldar has made an AED 3 billion revolving facility available to Aldar Investments as part of the reorganisation.

Aldar Investments currently owns and manages a portfolio of 19 retail properties, 4,800 residential units in nine separate developments, eight commercial properties and eight hospitality assets (comprising seven hotels and one serviced apartment building) with a view to maximising the income from, and optimising the value of, these assets.

Aldar Investments' strategy is to deliver consistent shareholder returns through:

- maximising the performance and value of its portfolio of assets through proactive asset management;
- pursuing portfolio growth opportunities through the acquisition of new assets, including from Aldar and the development management business to be established by it; and
- monetising lower yielding assets and reinvesting capital in higher yielding assets and/or assets where Aldar Investments believes that it can drive value creation.

Aldar Investments expects to acquire certain additional properties (referred to elsewhere in this Prospectus as the Aldar Properties Expected to be Acquired) from Aldar. These comprise:

- up to 1,143 residential units in two projects currently being developed following completion of the projects which is currently expected to be in 2020 and 2021;

- existing assets which are retail properties with an aggregate GLA of 57,000 m<sup>2</sup>, 272 residential units in two properties, two hospitality properties with an aggregate of 394 keys, two district cooling plants and two office buildings with a combined GLA of 85,000 m<sup>2</sup>.

On a consolidated basis, Aldar is the leading listed property developer and real estate asset manager in Abu Dhabi in terms of total assets and by share of the off-plan residential development market. Aldar was established, and listed on the Abu Dhabi Securities Exchange, in 2005 to undertake development projects primarily in Abu Dhabi. Aldar is 29.8 per cent. owned by Mubadala Investment Company ("**Mubadala**"), which is a wholly-owned Abu Dhabi government entity. Aldar's only other shareholder with a holding in excess of 5 per cent. is Al Saraya Investment Company LLC, which owns 7.6 per cent. Aldar continues to be an important strategic partner to the Abu Dhabi government, having completed a wide variety of large scale infrastructure projects and developments, including key infrastructure on Yas Island, Al Raha Beach and Reem Island, the Ferrari World theme park, the Yas Waterworld park, the World Trade Centre mixed-use development, Yas Marina and Yas Marina Circuit. Aldar has several major projects which it is undertaking on behalf of the Abu Dhabi government, including the mixed-used Abu Dhabi Plaza development in Astana (Kazakhstan), West Yas, a residential development on Yas Island, and twofour54, a media and entertainment free-zone on Yas Island.

Aldar Investments' total assets as at 30 June 2018 amounted to AED 16.6 billion and its revenue and profit for 2017 were AED 1,879 million and AED 319 million, respectively. Aldar Investments' Carve-Out Adjusted EBITDA was AED 1,137 million in 2017. Aldar Investments' revenue and profit for the six months ended 30 June 2018 were AED 918 million and AED 196 million, respectively compared to AED 916 million and AED 353 million, respectively, for the six months ended 30 June 2017. Aldar Investments' Carve-Out Adjusted EBITDA for the same periods was AED 561 million.

## Overview of the Offering

<b>Description of Certificates</b> .....	U.S.\$500,000,000 Trust Certificates due 2025.
<b>Denomination of Certificates</b> .....	The Certificates will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Trustee</b> .....	Aldar Sukuk Ltd., an exempted company with limited liability incorporated on 2 May 2018 under the laws of the Cayman Islands with registered number 336488 with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands.
<b>Ownership of the Trustee</b> .....	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of U.S.\$1.00 each, of which 250 of the Trustee's shares have been fully-paid and issued. The Trustee's entire share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a share declaration of trust dated 2 May 2018 (the " <b>Share Declaration of Trust</b> ").
<b>Administration of the Trustee</b> .....	The affairs of the Trustee are managed by MaplesFS Limited (the " <b>Administrator</b> "), who provide, <i>inter alia</i> , certain management functions and provide certain clerical, administrative and other services for and on behalf of the Trustee pursuant to a corporate services agreement dated 12 September 2018 between the Administrator and the Trustee (the " <b>Corporate Services Agreement</b> ").  Maples Compliance Services (Cayman) Limited (" <b>MCSL</b> "), will provide certain services to the Trustee in connection with the Trustee's obligations under the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands (together with The Guidance Certificates on the Prevention and Detection of Money Laundering and Terrorist Financing in the

Cayman Islands (or equivalent legislation and guidance, as applicable), and each as amended and revised from time to time, the "**Cayman AML Regulations**") pursuant to an AML Services Agreement dated on or about 12 September 2018 between the Trustee and MCSL (as amended from time to time) for the provision of services to the Trustee to enable the Trustee to achieve compliance with the Cayman AML Regulations (the "**AML Services Agreement**").

<b>Obligor</b> .....	Aldar Investment Properties LLC, incorporated in the Emirate of Abu Dhabi as a limited liability company and registered in the Emirate of Abu Dhabi with commercial registration number CN-2571624. See " <i>Description of Aldar Investments</i> " for further details.
<b>Servicing Agent</b> .....	The Obligor (in its capacity as Servicing Agent) for and on behalf of the Trustee will be responsible for, <i>inter alia</i> , insuring the Wakala Assets, paying Proprietary Taxes and performing all Major Maintenance and Structural Repairs.
<b>Joint Global Co-Ordinators</b> .....	First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc and Standard Chartered Bank.
<b>Joint Lead Managers</b> .....	Abu Dhabi Islamic Bank PJSC, Barclays Bank PLC, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc and Standard Chartered Bank.
<b>Co-Managers</b>	Abu Dhabi Commercial Bank PJSC and Union National Bank PJSC.
<b>Delegate</b> .....	Citibank, N.A., London Branch.  Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust) and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, be bound to) take enforcement action in the name of the Trustee against the Obligor following a Dissolution Event.
<b>Principal Paying Agent and Transfer Agent</b> .....	Citibank, N.A., London Branch.
<b>Registrar</b> .....	Citigroup Global Markets Europe AG.
<b>Summary of the transaction structure and Transaction Documents</b> .....	An overview of the structure of the transaction and the principal cashflows is set out under " <i>Structure Diagram and Cashflows</i> " and a description of the principal terms of certain of the Transaction Documents is set out under " <i>Summary of the Principal Transaction Documents</i> ".
<b>Issue Date</b> .....	1 October 2018.
<b>Issue Price</b> .....	99.718 per cent. of the aggregate face amount of the

	Certificates.
<b>Periodic Distribution Dates .....</b>	Payable semi-annually, on 29 March and 29 September in each year, commencing on 29 March 2019.
<b>Periodic Distribution Amounts .....</b>	A profit distribution shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending on such date, calculated in accordance with Condition 8.
<b>Return Accumulation Period.....</b>	The period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date. There will be a short first Return Accumulation Period in respect of the period from, and including, 1 October 2018 to, but excluding, 29 March 2019.
<b>Scheduled Dissolution Date .....</b>	Unless the Certificates are previously redeemed or purchased and cancelled in full, the Certificates shall be redeemed by the Trustee at the Dissolution Distribution Amount on the Scheduled Dissolution Date (being 29 September 2025) and the Trust will be dissolved by the Trustee.
<b>Dissolution Date .....</b>	The Dissolution Date shall be, as the case may be: (i) the Scheduled Dissolution Date; (ii) the Dissolution Event Redemption Date; (iii) the Early Tax Dissolution Date; (iv) the Change of Control Put Option Date; (v) the Optional Dissolution Date; or (vi) the Total Loss Dissolution Date.
<b>Status of the Certificates .....</b>	Each Certificate will represent an undivided ownership interest of the Certificateholders in the Trust Assets and will be limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and will at all times rank <i>pari passu</i> , without any preference or priority, with all other Certificates.
<b>Trust Assets .....</b>	Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets, consisting of: <ul style="list-style-type: none"> <li>(a) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;</li> <li>(b) all of the Trustee's rights, interests, benefits and entitlements in, to and under, the Usufruct over the relevant Wakala Assets;</li> <li>(c) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, to and under, the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement) (excluding: (A) any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents to which it is a party; and (B) the covenant given to the Trustee pursuant to clause 15.1 of the Declaration of Trust); and</li> <li>(d) all moneys standing to the credit of the Transaction</li> </ul>

Account,

and all proceeds of the foregoing, upon trust absolutely for the Certificateholders *pro rata* according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and the Conditions.

<b>Limited Recourse</b> .....	<p>No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the Trust Assets.</p> <p>Save as provided in Condition 4.2, the Certificates do not represent an interest in or obligation of any of the Trustee, the Obligor, the Delegate or any of the Agents. Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), the Delegate, any Agent or (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party) the Obligor in respect of any shortfall in the expected amounts due under the Trust Assets. See Condition 4 for further details.</p>
<b>Trustee Covenants</b> .....	<p>The Trustee has agreed to certain restrictive covenants as set out in Condition 7.</p>
<b>Obligor Covenants</b> .....	<p>The Obligor has agreed to certain restrictive covenants as set out in Condition 5.</p>
<b>Dissolution Events</b> .....	<p>The Dissolution Events are described in Condition 14. Following the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed in full at an amount equal to the Dissolution Distribution Amount in the manner described in Condition 14.</p>
<b>Early Dissolution for Tax Reasons</b> ...	<p>Where: (i) the Trustee has or will become obliged to pay additional amounts in respect of the Certificates as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Signing Date; or (ii) the Trustee has received notice from the Obligor that the Obligor has or will become obliged to pay additional amounts under the Transaction Documents to which it is a party as a result of any change in, or amendment to, the laws or regulations of the UAE or the Emirate of Abu Dhabi or any political subdivision or, in each case, any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Signing Date, and such obligation cannot be avoided by the Trustee or the Obligor, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of an Exercise Notice delivered by the Obligor pursuant to the terms of the Sale Undertaking, redeem the Certificates in whole but not in part at an amount equal to the Dissolution Distribution Amount on the Early Tax Dissolution Date.</p>
<b>Change of Control Put Option</b> .....	<p>Each Certificateholder will have the right to require the redemption of its Certificates if, either: (a) any person other than the Government of Abu Dhabi or any entity controlled, directly or indirectly, by the Government of Abu Dhabi</p>

acquires more than 50 per cent. of the issued share capital of the Obligor; or (b) Aldar Properties PJSC ceases to control or hold, directly or indirectly, more than 50.0 per cent. of the issued share capital of the Obligor. Any such redemption will take place on the Change of Control Put Option Date which shall be the next Periodic Distribution Date following the end of the Change of Control Put Period. Certificates will be redeemed at their face amount, together with any accrued but unpaid Periodic Distribution Amount.

**Change of Control Call Clean Up ....** Pursuant to Condition 10.3(b), if the holders of 75 per cent. or more of the aggregate face amount of Certificates then outstanding deliver Change of Control Put Notices in accordance with Condition 10.3(a), provided that the Trustee has received an Exercise Notice from the Obligor under the Sale Undertaking obliging the Trustee to redeem the Certificates, the Trustee shall redeem all (but not some only) of the remaining outstanding Certificates at the Dissolution Distribution Amount on the Change of Control Put Option Date.

**Optional Dissolution Event .....** Pursuant to Condition 10.4, the Certificates may be redeemed, in whole, but not in part, at the option of the Obligor, prior to the Scheduled Dissolution Date, following receipt by the Trustee of an Exercise Notice delivered by the Obligor pursuant to the terms of the Sale Undertaking. Upon an early redemption of the Certificates pursuant to Condition 10.4, the amount payable upon early redemption shall be inclusive of the Make Whole Amount payable in accordance with the Conditions.

**Make Whole Amount .....** In summary, the Make Whole Amount means, with respect to any Certificate on the Optional Dissolution Date (as defined in the Conditions), the excess of: (a) the present value at the Optional Dissolution Date of: (A) the face amount of such Certificate on the Optional Dissolution Date, *plus* (B) all required remaining Periodic Distribution Amounts due on such Certificate through to the Scheduled Dissolution Date (excluding accrued but unpaid Periodic Distribution Amounts up to the Optional Dissolution Date), computed using a discount rate equal to the Treasury Rate (as defined in the Conditions) on the Optional Dissolution Date plus 50 basis points; *over* (b) the face amount of the Certificate on the Optional Dissolution Date as calculated by the Obligor or other party appointed by it for this purpose.

**Total Loss Event .....** The Servicing Agent has undertaken to the Trustee that, in relation to the Usufruct over the Wakala Assets, the Servicing Agent will, amongst other things: (i) be responsible for ensuring that the Usufruct over the Wakala Assets are properly insured to the extent consistent with general industry practice by prudent owners of similar assets and that it has effected such insurances in respect of the Usufruct over the Wakala Assets (the "**Insurances**"), including against a Total Loss Event; and (ii) ensure that, in the event of a Total Loss Event occurring, all the proceeds of the Insurances against a Total Loss Event are in an amount equal to the Full Reinstatement Value and are paid in U.S. dollars directly into the Wakala Collection Account by no later than the 30<sup>th</sup> day after the occurrence of the Total Loss Event.

Notwithstanding the foregoing, by no later than 30<sup>th</sup> day after the occurrence of a Total Loss Event, the Obligor will be obliged to use all reasonable endeavours to identify the Usufruct over Replacement Wakala Assets which are at least of an equal Value prior to the occurrence of the Total Loss Event to the Usufruct over the relevant Wakala Assets which have suffered a Total Loss Event.

If the Trustee receives notification from the Obligor that Replacement Wakala Assets are available on or before the 30<sup>th</sup> day after the occurrence of the Total Loss Event, the Trustee shall pursuant to a separate sale agreement purchase such Replacement Wakala Assets from the Obligor by way of payment by the Servicing Agent on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the Obligor in consideration of the sale and grant by the Obligor of the Replacement Wakala Assets for the purchase price (as set out in the Supplemental Purchase Agreement).

If, however, the Servicing Agent fails to comply with its obligations pursuant to Clause 3.2 of the Service Agency Agreement and the Usufruct over the Wakala Assets is not replaced and as a result of such breach the amount (if any) credited to the Wakala Collection Account is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited to the Wakala Collection Account being the "**Total Loss Shortfall Amount**"), then the Servicing Agent shall pay the Total Loss Shortfall Amount directly to the Transaction Account by no later than close of business in London on the 31<sup>st</sup> day after the Total Loss Event has occurred and such Total Loss Shortfall Amount will be used (together with the proceeds of any Insurances) by the Trustee to: (i) redeem all (but not some only) of the Certificates at the Dissolution Distribution Amount on the Total Loss Dissolution Date; and (ii) dissolve the Trust. See further Condition 10.5.

**Purchase and Cancellation of Certificates** .....

Pursuant to Condition 13, the Obligor and/or any Subsidiary of the Obligor may at any time purchase Certificates at any price in the open market or otherwise. Certificates purchased by or on behalf of the Obligor or any Subsidiary of the Obligor may in the Obligor's sole discretion be surrendered for cancellation in accordance with the terms of the Declaration of Trust and the Agency Agreement. Any Certificates so surrendered for cancellation may not be reissued or resold.

**Form and Delivery of the Certificates** .....

The Certificates will be issued in registered form only as described in "*Global Certificate*".

The Certificates will be represented by beneficial interests in a Global Certificate which will be deposited with a common depository for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depository. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable) and its respective participants. Individual Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in

limited circumstances described under "*Global Certificate*".

**Clearance and Settlement** ..... Holders of the Certificates must hold their interest in the Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

**Withholding Tax**..... Subject to Condition 9.2 and Condition 11, all payments in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, the UAE or the Emirate of Abu Dhabi, or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of the taxes is required by law. In such event, the Trustee will pay additional amounts as shall be necessary in order that the net amounts received by the Certificateholder after such withholding or deduction shall equal the respective amounts due and payable to any Certificateholder which would have otherwise been receivable in the absence of such withholding or deduction, except in certain circumstances set out in Condition 11.

The Transaction Documents provide that payments thereunder by the Obligor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of the UAE or the Emirate of Abu Dhabi, or any political subdivision thereof or any authority therein or thereof having power to tax. Where any such withholding or deduction is required by law, the Transaction Documents provide for the payment by the Obligor of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

**Certificateholder Meetings** ..... A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 19.

**Transaction Documents** ..... The "**Transaction Documents**" are the Declaration of Trust, any Supplemental Trust Deed, the Agency Agreement, the Purchase Agreement, any Supplemental Purchase Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking, any Sale Agreement and the Murabaha Agreement (including any documents, purchase orders and letters of offer and acceptance delivered or entered into as contemplated by the Murabaha Agreement).

**Governing Law** ..... The Certificates and any non-contractual obligations arising out of or in connection with the Certificates will be governed by, and construed in accordance with, English law.

The Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement and any Sale Agreement), and any non-contractual obligations arising

out of or in connection with any such Transaction Documents, will be governed by, and construed in accordance with, English law. In respect of any dispute under any such agreement or deed to which it is a party, the Obligor has agreed to arbitration in London under the LCIA Rules. The Obligor has also agreed to submit to the exclusive jurisdiction of the courts of England at the option of the Trustee or the Delegate, in respect of any dispute under the Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement and any Sale Agreement), subject to the right of the Delegate to require any dispute to be resolved by any other court of competent jurisdiction.

The Purchase Agreement, any Supplemental Purchase Agreement and any Sale Agreement will be governed by the laws of the Emirate of Abu Dhabi and, to the extent applicable in the Emirate of Abu Dhabi, the federal laws of the UAE, and will be subject to the exclusive jurisdiction of the Abu Dhabi courts, subject to the right of the Trustee (or the Delegate) to require any dispute to be resolved by any other court of competent jurisdiction.

The Corporate Services Agreement, the AML Services Agreement and the Share Declaration of Trust are governed by the laws of the Cayman Islands and are subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

**Listing**..... Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and to trading on the Main Securities Market.

Application has also been made to the ADX for the Certificates to be admitted to listing on the ADX.

**Ratings**..... Upon issue, the Certificates are expected to be assigned a rating of Baa1 by Moody's.

*A securities rating is not a recommendation to buy, sell or hold the Certificates and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.*

**Selling Restrictions** ..... There are restrictions on the distribution of this Prospectus and the offer, sale and transfer of the Certificates in the United States, the United Kingdom, the Cayman Islands, the UAE (excluding the DIFC), the DIFC, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), Japan, Hong Kong, Malaysia and Singapore. See "*Subscription and Sale*" for further details.

**Use of Proceeds** ..... The proceeds of the issue of the Certificates will be applied by the Trustee in the following proportion: (i) not less than 51 per cent. to the Obligor as the Purchase Price for the purchase of the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio; and (ii) the remaining being not more than 49 per cent., for the purchase and subsequent sale of commodities to the Obligor pursuant to the Murabaha Agreement. The Obligor shall use the Purchase Price and the funds received from its on-sale of the commodities for its general corporate purposes.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and incorporated by reference into the Global Certificate (as defined below) in respect of the Certificates.*

Each of the U.S.\$500,000,000 Trust Certificates due 2025 (the "**Certificates**") is issued by Aldar Sukuk Ltd. (in its capacities as issuer and trustee for and on behalf of the Certificateholders (as defined below), the "**Trustee**") and represents an undivided ownership interest in the Trust Assets (as defined below) held on trust (the "**Trust**") for the holders of such Certificates pursuant to a declaration of trust (the "**Declaration of Trust**") dated 1 October 2018 (the "**Issue Date**") made between the Trustee, Aldar Investment Properties LLC (the "**Obligor**") and Citibank, N.A., London Branch (the "**Delegate**").

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the "**Agency Agreement**") made between the Trustee, the Obligor, the Delegate and Citibank, N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**") and as transfer agent (in such capacity, a "**Transfer Agent**", and together with any further or other transfer agents appointed from time to time in respect of the Certificates, the "**Transfer Agents**") and Citigroup Global Markets Europe AG as registrar (the "**Registrar**"). The Paying Agents, the Registrar and the Transfer Agents are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of the Transaction Documents (as defined below) (copies of which are available for inspection during normal business hours at the specified offices of the Paying Agents).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents. In the event of any inconsistency between any such document, these Conditions will prevail.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the sums paid by it in respect of the Certificates in the following proportion: (i) not less than 51 per cent. to the Obligor as the Purchase Price for the purchase of the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio (each as defined below); and (ii) the remaining being not more than 49 per cent., for the purchase and subsequent sale of commodities to the Obligor pursuant to the Murabaha Agreement; and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

### 1. DEFINITIONS AND INTERPRETATION

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires. In addition, in these Conditions the following expressions have the following meanings:

"**Asset Sale**" means any sale, sale and lease back, transfer or other disposition by any member of the Group of all or any of the legal or beneficial interest in any Capital Stock or any property or assets of any member of the Group (either in one transaction or in a series of related transactions at the same time or over a period of time) to any Person who is not a member of the Group;

"**Authorised Denomination(s)**" has the meaning given to it in Condition 2.1;

"**Authorised Signatory**" means, in relation to the Trustee or the Obligor, any person who is duly authorised and in respect of whom a certificate has been provided to the Delegate signed by a director, manager or another duly authorised person of the Trustee or the Obligor, as the case may be, setting out the name and signature of such person and confirming such person's authority to act;

"**Borrowings**" means, at any time, the aggregate outstanding principal, capital or nominal amount of, and any fixed or minimum premium payable on prepayment or redemption of, any indebtedness for or in respect of Financial Indebtedness;

**"Business Day"** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, the Emirate of Abu Dhabi and London;

**"Capital Stock"** means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including any preferred stock of such Person, whether outstanding at the Issue Date or issued after the Issue Date, including without limitation, all series and classes of such Capital Stock;

**"Cash and Cash Equivalents"** means, at any time:

- (a) cash in hand or on deposit with any acceptable bank;
- (b) certificates of deposit, maturing within one year after the relevant date of calculation, issued by an acceptable bank;
- (c) any investment in marketable obligations issued or guaranteed by: (i) the government of the United States of America or the United Kingdom or by an instrumentality or agency of the government of the United States of America or the United Kingdom having an equivalent credit rating; or (ii) the Government of the UAE or the Government of Abu Dhabi, provided in the case of (ii) such obligations have a maturity of less than one year;
- (d) open market commercial paper:
  - (i) for which a recognised trading market exists;
  - (ii) issued in the United States of America or the United Kingdom;
  - (iii) which matures within one year after the relevant date of calculation; and
  - (iv) which has a credit rating of either A-1 by Standard & Poor's or Fitch or P-1 by Moody's or if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term debt obligations, an equivalent rating; or
- (e) Sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an acceptable bank. An acceptable bank for this purpose is a commercial bank or trust company which has a rating of BBB- or higher by Standard & Poor's or Fitch or Baa3 or higher by Moody's or a comparable rating from a nationally recognised credit rating agency for its long-term obligations;

**"Certificate"** means each certificate represented by the Global Certificate as described in Condition 2.1;

**"Certificateholders"** has the meaning given to it in Condition 2;

**"Change of Control Amount"** means, in relation to each Certificate to be redeemed pursuant to Condition 10.3, an amount equal to the face amount of such Certificate, together with any due but unpaid Periodic Distribution Amount;

**"Change of Control Event"** shall occur if, either:

- (a) any person other than the Government acquires more than 50.0 per cent. of the issued share capital of Aldar Properties PJSC; or
- (b) Aldar Properties PJSC ceases to control or hold, directly or indirectly, more than 50.0 per cent. of the issued share capital of the Obligor;

**"Change of Control Exercise Price"** has the meaning given to it in the Purchase Undertaking;

**"Change of Control Notice"** has the meaning given to it in Condition 10.3;

**"Change of Control Put Notice"** has the meaning given to it in Condition 10.3;

**"Change of Control Put Option Date"** shall be: (i) a date falling not less than 60 days following the expiry of the Change of Control Put Period; and (ii) a Periodic Distribution Date;

**"Change of Control Put Period"** shall be the period of 30 days commencing on the date that a Change of Control Notice is given;

**"Change of Control Call Option"** has the meaning given to it in Condition 10.3(b);

**"Clearstream, Luxembourg"** means Clearstream Banking S.A.;

**"Conditions"** means these terms and conditions of the Certificates;

**"Deferred Sale Price"** has the meaning given to it in the Murabaha Agreement;

**"Dispute"** has the meaning given to it in Condition 23.2;

**"Dissolution Date"** means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) the Early Tax Dissolution Date;
- (c) the Change of Control Put Option Date;
- (d) the Dissolution Event Redemption Date; or
- (e) the Optional Dissolution Date; or
- (f) the Total Loss Dissolution Date;

**"Dissolution Distribution Amount"** means, in relation to each Certificate, the sum of:

- (a) the outstanding face amount of such Certificate; and
- (b) any accrued but unpaid Periodic Distribution Amounts relating to such Certificates;

**"Dissolution Event"** has the meaning given to it in Condition 14;

**"Dissolution Event Redemption Date"** has the meaning given to it in Condition 14;

**"Dissolution Notice"** has the meaning given to it in Condition 14;

**"Early Tax Dissolution Date"** has the meaning given to it in Condition 10.2;

**"Earnings Before Interest and Tax (EBIT)"** means, in respect of any Measurement Period, the consolidated operating profit of the Group before taxation (excluding the results from discontinued operations) for such Measurement Period: (a) before deducting any interest/profit, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Measurement Period; (b) not including any accrued interest/profit owing to any member of the Group; (c) before taking into account any Exceptional Items; (d) before taking into account any unrealised gains or losses on any financial instrument (other than any derivative instrument which is accounted for on a hedge accounting basis); (e) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset, in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation;

**"EBITDA"** means, in respect of any Measurement Period, Earnings Before Interest and Tax (EBIT) for that Measurement Period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group, as determined by reference to the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with IFRS;

"**Euroclear**" means Euroclear Bank SA/NV;

"**Exceptional Items**" means any exceptional, one-off, non-recurring or extraordinary items;

"**Exercise Notice**" has the meaning given to it in the Purchase Undertaking or the Sale Undertaking, as the case may be;

"**Exercise Price**" has the meaning given to it in the Purchase Undertaking or the Sale Undertaking, as the case may be;

"**Expected Wakala Portfolio Revenues Amount**" has the meaning given to it in the Service Agency Agreement;

"**Extraordinary Resolution**" has the meaning given to it in Schedule 4 of the Declaration of Trust;

"**Fair Market Value**" means, with respect to any Capital Stock, asset or property, the sale value that would be paid in an arm's-length transaction between an independent, informed and willing seller under no compulsion to sell and an independent, informed and willing buyer under no compulsion to buy;

"**Fitch**" means Fitch Ratings Limited;

"**Finance SPV**" means the special purpose company incorporated for (and limited to) the purpose of implementing the project in respect of the project financing;

"**Financial Indebtedness**" means any indebtedness for or in respect of: (a) moneys borrowed and debit balances at banks or other financial institutions; (b) any amount raised by acceptance under any acceptance credit or bill discount facility (or dematerialised equivalent); (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease; (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis except for recourse by reference to a breach by the selling company of any standard representations relating to the relevant receivables (but not as to the creditworthiness of the debtor or the collectability of the receivables)); (f) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution by way of support for borrowings under paragraphs (a) to (e) (inclusive) and (g) to (k) (inclusive) of this definition; (g) shares which are expressed to be redeemable shares or any amount raised by the issue of such shares which are redeemable on or prior to the Scheduled Dissolution Date; (h) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into the agreement is to raise finance or to finance the acquisition or construction of an asset or service; (i) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and leaseback arrangement, sale and saleback arrangement or securitisation) having the commercial effect of a borrowing; (j) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account); (k) obligations incurred in respect of any Islamic financing arrangement; and (l) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (k) (inclusive) above, but shall not include any indebtedness owed by one member of the Group to another member of the Group;

"**Full Reinstatement Value**" means an amount equal to the aggregate of:

- (a) the aggregate face amount of the Certificates then outstanding; plus
- (b) an amount equal to the Periodic Distribution Amounts, which would have accrued (had a Total Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurred and ending on but excluding the 30<sup>th</sup> day following the occurrence of the Total Loss Event; plus

- (c) (to the extent not previously satisfied in accordance with the Service Agency Agreement) an amount equal to the sum of any outstanding: (i) amounts repayable in respect of any Liquidity Facility; and (ii) any Service Agency Liabilities Amounts; less
- (d) the aggregate amounts of Deferred Sale Price then outstanding, if any;

**"Government"** means the Government of Abu Dhabi, or any entity controlled, directly or indirectly, by the Government of Abu Dhabi, where "control" means that the Government of Abu Dhabi (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that entity or otherwise controls, or has the power to control, the affairs and policy of that entity;

**"Group"** means the Obligor and its Subsidiaries (if any);

**"IFRS"** means International Financial Reporting Standards as issued by the International Accounting Standard Board;

**"Indebtedness"** means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) or any Shari'a compliant alternative of the foregoing other than any such obligations, guarantees or indemnities owing or given by one member of the Group to another member of the Group;

**"Independent Appraiser"** means: (i) for the purposes of assets comprising interests in real estate and leases, an independent registered firm of chartered surveyors; and (ii) for the purposes of any assets other than those described in (i), any independent firm of appraisers or internationally recognised investment banking firm or firm of public accountants, in the case of (i) and (ii) being of international standing, selected by the Obligor;

**"Initial Wakala Portfolio"** has the meaning given to it in the Purchase Agreement;

**"Instalment Profit Amount"** has the meaning given to it in the Murabaha Agreement;

**"Investment Grade Rating"** means a rating equal to or higher than: (i) Baa3 (or the equivalent) by Moody's; (ii) BBB- (or the equivalent) by Standard & Poor's; and (iii) BBB- (or the equivalent) by Fitch or in each case the equivalent thereof from any other Rating Agency;

**"Investment Grade Status"** means the Obligor has an Investment Grade Rating from any one or more Rating Agencies;

**"LCIA"** has the meaning given to it in Condition 23.2;

**"Liability"** means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to **"Liabilities"** shall mean all of these;

**"Liquidity Facility"** has the meaning given to it in the Service Agency Agreement;

**"Make Whole Amount"** means, with respect to any Certificate on the Optional Dissolution Date, the excess of: (a) the present value at the Optional Dissolution Date of: (A) the face amount of such Certificate on the Optional Dissolution Date, *plus* (B) all required remaining Periodic Distribution Amounts due on such Certificate through to the Scheduled Dissolution Date (excluding accrued but unpaid Periodic Distribution Amounts to the Optional Dissolution Date), computed using a discount rate equal to the Treasury Rate on the Optional Dissolution Date plus 50 basis points; *over* (b) the face amount of the Certificate on the Optional Dissolution Date as calculated by the Obligor or other party appointed by it for this purpose;

**"Material Subsidiary"** means any Subsidiary:

- (i) whose total revenue or whose total assets represent not less than 10 per cent. of the consolidated total revenue of the Obligor or, as the case may be, the consolidated total assets of the Obligor, in each case as determined by reference to the then latest consolidated audited financial statements of the Obligor prepared in accordance with IFRS; and/or
- (ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon in the case of a transfer by a Material Subsidiary: (a) the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary; and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the consolidated audited financial statements of the Obligor prepared in accordance with IFRS for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above.

A report by two duly Authorised Signatories of the Obligor that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding;

**"Measurement Period"** means a period of 12 months ending on: (i) the last day of the most recently completed financial year of the Obligor; and (ii) if consolidated reviewed interim financial statements of the Obligor are published, the last day of the relevant period in respect of which such financial statements were prepared;

**"Moody's"** means Moody's Investors Service Inc.;

**"Murabaha Agreement"** means the murabaha agreement dated the Issue Date and entered into between the Trustee and the Obligor;

**"Net Finance Expense"** means, for any Measurement Period: (a) the aggregate amount of the accrued interest, profit, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Financial Indebtedness (whether, in each case, paid or payable by any member of the Group (calculated on a consolidated basis)); less (b) the aggregate amount of all financing charges received or receivable by any member of the Group (calculated on a consolidated basis) in respect of that Measurement Period;

**"Non-recourse Project Financing"** means any financing of all or part of the costs of the acquisition, construction or development of any project or any refinancing thereof, **provided that:** (a) any Security Interest given by the Obligor or the relevant Subsidiary, as the case may be, in connection therewith is limited solely to (i) such assets or project assets; (ii) if applicable, any shares in the relevant Finance SPV; and (iii) if applicable, an assignment of any loans made by the Obligor or any relevant Subsidiary to the relevant Finance SPV; (b) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project (including any Security Interest as described in limb (a) of this definition) and, if applicable, the Finance SPV as the sole source of repayment for the moneys advanced; and (c) there is no other recourse to the Obligor or the relevant Subsidiary (unless the relevant Subsidiary is itself a Finance SPV), as the case may be, in respect of any default by any person under the financing (other than in relation to any claim for damages for breach of an obligation, representation or warranty (provided such obligation, representation or warranty does not relate to an obligation to pay or procure payment of any amount));

**"Optional Dissolution Date"** has the meaning given to it in Condition 10.5;

**"Optional Dissolution Distribution Amount"** means, in relation to each Certificate, the sum of:

- (a) the outstanding face amount of such Certificate;
- (b) any accrued but unpaid Periodic Distribution Amounts relating to such Certificates; and
- (c) the Make Whole Amount;

"**Obligor Event**" has the meaning given to it in Condition 14;

"**Payment Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in London and New York City settle payments and are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 8.1;

"**Periodic Distribution Date**" means 29 March and 29 September in each year, commencing on 29 March 2019, and subject to Condition 8.3, ending on the Scheduled Dissolution Date;

"**Permitted Reorganisation**" means:

- (a) (i) any winding-up or dissolution of a Material Subsidiary whereby the undertaking and assets of that Material Subsidiary are transferred to or otherwise vested in the Obligor and/or any of the Obligor's other Subsidiaries; or (ii) any winding-up or dissolution of the Obligor whereby the undertaking and assets of the Obligor are transferred to or otherwise vested in one of its Subsidiaries, **provided that**, in the case of (ii) only, at the same time or prior to any such transfer or vesting, all amounts payable by the Obligor under each Transaction Document to which it is a party have been assumed by such other Subsidiary on terms previously approved by an Extraordinary Resolution; or
- (b) any composition or other similar arrangement on terms previously approved by an Extraordinary Resolution;

"**Permitted Security Interest**" means:

- (a) any Security Interest existing on the Signing Date;
- (b) any Security Interest granted by a Person where such Security Interest exists at the time that such person is merged into, or consolidated with, the Obligor or the relevant Material Subsidiary (as the case may be), **provided that** such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Obligor or the relevant Material Subsidiary (as the case may be);
- (c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Obligor or the relevant Material Subsidiary (as the case may be), **provided that** such Security Interest was not created in contemplation of such acquisition; or
- (d) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (c) (inclusive) of this definition, **provided that** with respect to any such Security Interest the aggregate principal amount of the Indebtedness secured thereby has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Proceedings**" has the meaning given to it in Condition 23.5;

"**Profit Amount**" has the meaning given to it in the Murabaha Agreement;

"**Purchase Agreement**" means the purchase agreement dated the Issue Date and entered into between the Trustee and the Obligor;

**"Purchase Price"** has the meaning given to it in the Purchase Agreement;

**"Purchase Undertaking"** means the purchase undertaking dated the Issue Date and granted by the Obligor for the benefit of the Trustee and the Delegate;

**"Rating Agency"** means Fitch Ratings Limited, Moody's Investors Service Ltd. or Standard & Poor's Credit Market Services Europe Limited or any of their successors or any other internationally recognised statistical rating organisation;

**"Record Date"** means, in the case of the payment of a Periodic Distribution Amount or the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount, the date falling on the 15<sup>th</sup> day before the relevant Periodic Distribution Date or the relevant Dissolution Date (as the case may be);

**"Register"** has the meaning given to it in Condition 2.1;

**"Replacement Wakala Assets"** has the meaning given to it in the Service Agency Agreement;

**"Relevant Date"** has the meaning given to it in Condition 11;

**"Relevant Indebtedness"** means any present or future indebtedness, other than any Indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or which is represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**"Relevant Sukuk Obligation"** means any Sukuk Obligation, other than any Sukuk Obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, in respect of which the relevant trust certificates or other securities are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**"Required Amount"** has the meaning given to it in the Service Agency Agreement;

**"Return Accumulation Period"** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

**"Rules"** has the meaning given to it in Condition 23.2;

**"Sale Agreement"** means any sale agreement entered into in connection with the Purchase Undertaking or the Sale Undertaking, as the case may be;

**"Sale Undertaking"** means the sale undertaking dated the Issue Date and granted by the Trustee for the benefit of the Obligor;

**"Scheduled Dissolution Date"** means 29 September 2025;

**"Securitisation"** means any securitisation of existing or future assets and/or revenues, **provided that:** (a) any Security Interest given by the Obligor or the relevant Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (c) there is no other recourse to the Obligor or the relevant Subsidiary, as the case may be, in respect of any default by any person under the securitisation;

**"Security Interest"** means any mortgage, charge, pledge, lien or other form of encumbrance or security interest, including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**"Service Agency Agreement"** means the service agency agreement dated the Issue Date and entered into between the Trustee and the Servicing Agent;

**"Service Agency Liability Amounts"** has the meaning given to it in the Service Agency Agreement;

**"Servicing Agent"** means Aldar Investment Properties LLC in its capacity as servicing agent under the Service Agency Agreement;

**"Signing Date"** means 27 September 2018;

**"Standard & Poor's"** means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc.;

**"Subsidiary"** means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, or the power to appoint or remove members of the governing body of the second Person;

**"Sukuk Obligation"** means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of Shari'a, whether or not in return for consideration of any kind;

**"Supplemental Declaration of Trust"** has the meaning given to it in the Declaration of Trust;

**"Supplemental Purchase Agreement"** has the meaning given to it in the Purchase Agreement;

**"Tax Event"** has the meaning given to it in Condition 11;

**"Taxes"** has the meaning given to it in Condition 11;

**"Total Assets"** means the aggregate value (less depreciation and amortisation computed in accordance with international accounting standards) of all assets of the Group which are treated as assets determined in accordance with IFRS, as shown in the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with IFRS or, if no such value is specified in those financial statements, the Fair Market Value of such assets;

**"Total Indebtedness"** means the aggregate amount of all obligations of the Group for or in respect of Borrowings, as determined by reference to the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with IFRS;

**"Total Loss Dissolution Date"** means the date immediately following the occurrence of a Total Loss Event;

**"Total Loss Event"** means:

- (a) the total loss or destruction of, or damage to the whole of the Wakala Assets or any event or occurrence which renders the whole of such asset permanently unfit for any economic use and (but only after taking into consideration the proceeds of any insurances or other indemnity granted in each case by any third party in respect of the Wakala Asset) the repair of remedial work in respect thereof is wholly uneconomical; or
- (b) the occurrence of any expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the Wakala Assets.

**"Total Loss Shortfall Amount"** has the meaning given to it in the Service Agency Agreement;

**"Total Revenues"** means the aggregate value of all revenue of the Group which is treated as revenue determined in accordance with IFRS, as shown in the most recently available audited or

auditor reviewed consolidated financial statements of the Group prepared in accordance with IFRS;

**"Transaction Account"** means the account in London in the Trustee's name maintained with the Principal Paying Agent, into which the Obligor (in all its relevant capacities under the Transaction Documents to which it is a party) will deposit certain amounts due to the Trustee under the Transaction Documents;

**"Transaction Documents"** means the Declaration of Trust, any Supplemental Declaration of Trust, the Agency Agreement, the Purchase Agreement, any Supplemental Purchase Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking, any Sale Agreement and the Murabaha Agreement (including any documents, purchase orders and letters of offer and acceptance delivered or entered into as contemplated by the Murabaha Agreement) each as may be amended, restated and/or supplemented from time to time;

**"Treasury Rate"** means, as at the Optional Dissolution Date, the yield to maturity as of the Optional Dissolution Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Optional Dissolution Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the remaining weighted average life of outstanding debt; *provided however*, that if the period from the Optional Dissolution Date to the Scheduled Dissolution Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used;

**"Trust Assets"** has the meaning given to it in Condition 6.1;

**"UAE"** means United Arab Emirates;

**"Usufruct"** means the usufruct rights granted pursuant to Articles 1333-1348 of Federal Law No. 5 of 1985 (as amended) in respect of Civil Transactions for the United Arab Emirates in the Wakala Asset during the Usufruct Term;

**"Usufruct Term"** has the meaning given to it in the Purchase Agreement;

**"Wakala Assets"** has the meaning given to it in the Purchase Agreement;

**"Wakala Collection Account"** has the meaning given to it in the Service Agency Agreement;

**"Wakala Portfolio Revenues"** has the meaning given to it in the Service Agency Agreement; and

**"U.S.\$"** and **"U.S. dollars"** each means the lawful currency for the time being of the United States of America.

## 2. **FORM, DENOMINATION AND TITLE**

### 2.1 **Form and Denomination**

The Certificates are issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an **"Authorised Denomination"**). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each relevant Certificate will be numbered serially with an identifying number which will be recorded on the Certificate and in the register of Certificateholders (the **"Register"**), which the Trustee will cause to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement.

In these Conditions, **"Certificateholder"** or **"holder"** means the person in whose name a Certificate is registered.

*Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and*

*Clearstream Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. These Conditions are modified by certain provisions contained in the Global Certificate. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See "Global Certificate".*

2.2 **Title**

Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no Person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

3. **TRANSFERS OF CERTIFICATES**

3.1 **Transfers**

- (a) Subject to Conditions 3.4 and 3.5 and the provisions of the Agency Agreement, a Certificate may be transferred in an Authorised Denomination only by depositing the Certificate by which it is represented, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents.
- (b) In the case of an exercise of the Certificateholders' option in respect of, or a partial redemption of, a holding of Certificates represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

*Transfer of interests in the Certificates represented by the Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.*

3.2 **Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed Change of Control Put Notice or form of transfer endorsed on the Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the Change of Control Put Notice or form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located. Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

3.3 **Formalities Free of Charge**

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Trustee by the Registrar or any Transfer Agent but upon payment (or the giving of such indemnity as, any Transfer Agent or the Registrar may reasonably require) by the transferee in

respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

#### 3.4 **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered during the period of 15 days ending on (and including) the due date for any payment of the Dissolution Distribution Amount, or Optional Dissolution Distribution Amount or any Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due.

#### 3.5 **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Certificates scheduled to the Declaration of Trust. The regulations may be changed by the Trustee from time to time with the prior written approval of the Delegate (acting in accordance with the Declaration of Trust and these Conditions) and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests a copy of such regulations.

The Certificateholders shall be entitled to receive, in accordance with Condition 3.2, only one Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2.

### 4. **STATUS AND LIMITED RECOURSE**

#### 4.1 **Status**

Each Certificate represents an undivided ownership interest in the Trust Assets, and the Certificates are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and will at all times rank *pari passu*, without any preference or priority, with all other Certificates.

*The payment obligations of the Obligor (acting in any capacity) under the Transaction Documents will be direct, unconditional, unsubordinated and unsecured obligations of the Obligor which (save for such exceptions as may be provided by applicable law and subject to the negative pledge provisions included in Condition 5.1) at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations from time to time outstanding.*

#### 4.2 **Limited Recourse and Agreement of Certificateholders**

The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as provided in this Condition 4.2, the Certificates do not represent an interest in or obligation of any of the Trustee, the Obligor, the Delegate or any of the Agents.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates.

By subscribing for or acquiring the Certificates, each Certificateholder is deemed to have acknowledged and agreed that, notwithstanding anything to the contrary contained in these Conditions or any Transaction Document, in relation to the Certificates:

- (a) no payment of any amount whatsoever shall be made by any of the Trustee or the Delegate or any agents of the Trustee on its behalf except to the extent funds are available therefor from the Trust Assets and no recourse shall be had for the payment of any amount due and owing hereunder, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee or of the Delegate, to the extent that the Trust Assets have been exhausted, following which all obligations of the Trustee and the Delegate shall be extinguished;

- (b) the Trustee may not sell, transfer, assign or otherwise dispose of the Musataha over the relevant Wakala Assets to a third party, and may only realise its rights, interest, benefits and entitlements, present and future, in, to and under the Musataha over the relevant Wakala Assets in the manner expressly provided in the Transaction Documents;
- (c) if the proceeds of the Trust Assets are insufficient to make any payment due in respect of the Certificates, it will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services provider in each of their respective capacities as such) (other than the Trust Assets) or of the Delegate in respect of any shortfall or otherwise;
- (d) it will not petition for, institute, or join with any other person in instituting proceedings for, any bankruptcy, reorganisation, arrangement or liquidation, winding-up or receivership proceedings or other proceedings under any bankruptcy or similar law in any jurisdiction against the Trustee or the Delegate or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (e) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Declaration of Trust, the Certificates and the Conditions (as from time to time supplemented or modified in accordance with the provisions herein or therein contained), by virtue of any customary law, statute or otherwise shall be had against any shareholder, member, officer, agent, director or corporate services provider of the Trustee or the Delegate in their respective capacities as such and any and all personal liability of every such shareholder, member, officer, agent, director or corporate services provider (in each of their respective capacities as such) for any breaches by the Trustee or the Delegate of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law save in the case of their wilful default or actual fraud (as determined by a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party); and
- (f) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of any sums due hereunder or any part thereof with respect to any liability owed by it to the Trustee or claim any lien or other rights over any property held by it on behalf of the Trustee.

The Obligor is obliged to make certain payments under the Transaction Documents to which it is a party directly to or to the order of the Trustee (for and on behalf of the Certificateholders) or the Delegate (acting in the name and on behalf of the Trustee). Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover such payments notwithstanding any other provisions of this Condition 4.2.

## 5. OBLIGOR COVENANTS

### 5.1 Negative pledge

The Obligor covenants that, for so long as any Certificate is outstanding it will not, and will ensure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without: (i) at the same time or prior thereto, securing equally and rateably therewith its obligations under the Transaction Documents to which it is party (in whatever capacity); or (ii) providing such other Security Interest for the obligations of the Obligor under the Transaction Documents as either: (A) the Delegate may in its absolute discretion deem not materially less beneficial to the interests of Certificateholders; or (B) may be approved by an Extraordinary Resolution of the Certificateholders.

## 5.2 Disposals

The provisions of this Condition 5.2 shall not apply for so long as the Obligor has Investment Grade Status. However, the provisions of this Condition 5.2 shall immediately apply if and for so long as the Obligor ceases to have Investment Grade Status.

The Obligor covenants that, for so long as any Certificate is outstanding it will not, and will ensure that none of its Subsidiaries will, directly or indirectly, enter into an Asset Sale in respect of an asset which has a book value (as determined by reference to the most recently available financial statements of the Obligor or of its relevant Subsidiary, as the case may be, prepared in accordance with IFRS) that exceeds 10 per cent. of the Total Assets, or, as the case may be, Total Revenues, at the time of such proposed Asset Sale, unless:

- (a) such Asset Sale has been approved by the Board of Directors of the Obligor;
- (b) the consideration received by the Obligor or its Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of (such determination to be made by an Independent Appraiser at the time of such Asset Sale);
- (c) at least 80 per cent. of the net proceeds of such Asset Sale received by the Obligor or its Subsidiary, as the case may be, are applied directly or indirectly towards any business of the Group (including, for the avoidance of doubt, without limitation, towards the acquisition of any asset (whether directly or indirectly) or towards the payment (including early payment) of any outstanding debt, liability or obligation of the Obligor or any of its Subsidiaries), such that the balance of such net proceeds, being up to 20 per cent. of such net proceeds may be used to pay dividends and distributions to the Obligor's shareholders, or may otherwise be returned to the Obligor's shareholders, provided that, nothing in this Condition shall restrict the Obligor from:
  - (i) using any other source of funds to pay dividends, distributions or other amounts to the Obligor's shareholders;
  - (ii) distributing any percentage of the net proceeds of any Asset Sale (in excess of 20 per cent.) to its shareholders if the Obligor holds an amount in Cash and Cash Equivalents at least equal to the sum of: (x) the aggregate outstanding face amount of the Certificates at the time of the relevant Asset Sale (as such amount may be reduced from time to time); and (y) the remaining scheduled Periodic Distribution Amounts up to (and including) the Scheduled Dissolution Date at the time of the relevant Asset Sale (as the aggregate amount of such remaining scheduled Periodic Distribution Amounts may be reduced from time to time); and
  - (iii) distributing any percentage of the net proceeds of any Asset Sale (in excess of 20 per cent.) to its shareholders if, and to the extent that, the Obligor will be in compliance with the Distribution Financial Conditions (as defined below) after taking into account the proposed distribution.

**"Distribution Financial Conditions"** means:

- (i) the ratio of EBITDA to Net Finance Expense for the immediately preceding Measurement Period being at least 1.5:1; and
- (ii) the ratio of Total Indebtedness to Total Assets at the end of the immediately preceding Measurement Period being not more than 0.4:1.

## 6. TRUST

### 6.1 Trust Assets

Pursuant to the Declaration of Trust, the Trustee has declared that it will hold certain assets (the "**Trust Assets**"), consisting of:

- (a) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, interests, benefits and entitlements in, to and under, the Usufruct over the relevant Wakala Assets;
- (c) all of the Trustee's rights, title, interests, benefits and other entitlements in, to and under, the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement) (excluding: (A) any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents to which it is a party; and (B) the covenant given to the Trustee pursuant to clause 15.1 of the Declaration of Trust); and
- (d) all moneys standing to the credit of the Transaction Account,

and all proceeds of the foregoing, upon trust absolutely for the Certificateholders *pro rata* according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and these Conditions.

### 6.2 Application of Proceeds from Trust Assets

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the moneys standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Declaration of Trust));
- (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (c) *third*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount; and
- (d) *fourth*, only if such payment is made on a Dissolution Date, payment of the residual amount (if any) to the Obligor in its capacity as Servicing Agent as an incentive fee payment for its performance under the Service Agency Agreement.

## 7. TRUSTEE COVENANTS

The Trustee covenants that for so long as any Certificate is outstanding it shall not (without the prior written consent of the Delegate):

- (a) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of Shari'a or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as provided in the Transaction Documents;
- (b) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other

than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);

- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (d) except as provided in Condition 19, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) except as provided in the Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (f) have any subsidiaries or employees;
- (g) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Certificates and the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
  - (i) as contemplated, provided for or permitted in the Transaction Documents;
  - (ii) in connection with the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

## 8. PERIODIC DISTRIBUTIONS

### 8.1 Periodic Distribution Amount

Profit shall accrue at 4.750 per cent. per annum and such profit shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date in respect of the Return Accumulation Period ending on such date (each such profit distribution being referred to in these Conditions as a "**Periodic Distribution Amount**"). There will be a short first Return Accumulation Period in respect of the period from, and including, 1 October 2018 to, but excluding, 29 March 2019. The Trustee shall distribute to Certificateholders, out of amounts transferred to the Transaction Account, Periodic Distribution Amounts, *pro rata* to their respective holdings on each Periodic Distribution Date in arrear in accordance with these Conditions. Subject to Condition 8.2 and Condition 9, the Periodic Distribution Amount payable on each Periodic Distribution Date shall be U.S.\$23.75 per U.S.\$1,000 in face amount of the Certificates, provided, however, that the Periodic Distribution Amount payable on the first Periodic Distribution Date shall be U.S.\$23.49 per U.S.\$1,000 in face amount of the Certificates.

8.2 **Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date**

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of:

- (a) 4.750 per cent. per annum;
- (b) the face amount of the Certificate; and
- (c) the Day Count Fraction for such period, with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards. For these purposes, "**Day Count Fraction**" means, the actual number of days in the period divided by 360 (the number of days in such period to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Return Accumulation Period in which the Relevant Period falls (including the first day but excluding the last)).

8.3 **Cessation of Accrual**

No further amounts will be payable on any Certificate from and including: (a) a Dissolution Date (other than a Total Loss Dissolution Date), unless default is made in payment of the Dissolution Distribution Amount or, as the case may be, Optional Dissolution Distribution Amount and no Sale Agreement has been executed pursuant to the Purchase Undertaking or the Sale Undertaking, as the case may be, relating to the redemption of the Certificates in full, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 8 to the earlier of: (x) the Relevant Date; and (y) the date on which a Sale Agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be, relating to the redemption of the Certificates in full; and (b) the date on which a Total Loss Event occurs.

9. **PAYMENT**

9.1 **Payments in respect of Certificates**

Subject to Condition 9.2, payment of any Periodic Distribution Amount and the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount, will be made by the Principal Paying Agent in U.S. dollars by wire transfer in same day funds to the Registered Account (as defined below) of each Certificateholder. Payments of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount, will only be made against surrender of the Certificate at the specified offices of any of the Paying Agents. The Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount and each Periodic Distribution Amount will be paid on the due date to the holder shown on the Register at the close of business on the Record Date.

For the purposes of these Conditions, a Certificateholder's "**Registered Account**" means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollar, details of which appear on the Register at the close of business on the relevant Record Date.

9.2 **Payments subject to Applicable Laws**

Payments will be subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 11) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the holders of the Certificates in respect of such payments.

### 9.3 **Payment only on a Payment Business Day**

Where payment is to be made by transfer to a Registered Account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated by the Principal Paying Agent on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount, if later, on the Payment Business Day on which the Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or if the Certificateholder is late in surrendering its Certificate (if required to do so).

If the amount of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount actually paid.

### 9.4 **Agents**

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein and in the Declaration of Trust) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any Certificateholder.

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement.

The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents **provided that**:

- (a) it will at all times maintain a Principal Paying Agent;
- (b) it will at all times maintain a Registrar (which may be the Principal Paying Agent); and
- (c) it will at all times maintain a Paying Agent (which may be the Principal Paying Agent) having its specified office in a jurisdiction within Europe.

Notice of any termination or appointment and of any changes in the specified offices shall be given by the Trustee to the Certificateholders in accordance with Condition 18.

## 10. **CAPITAL DISTRIBUTIONS OF THE TRUST**

### 10.1 **Dissolution on the Scheduled Dissolution Date**

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the Dissolution Distribution Amount on the Scheduled Dissolution Date.

Upon payment in full of the Dissolution Distribution Amount, the Trust will be dissolved by the Trustee on the Scheduled Dissolution Date and the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

### 10.2 **Early Dissolution for Tax Reasons**

Upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale Undertaking, the Certificates shall be redeemed by the Trustee in whole, but not in part, on the date specified in the Exercise Notice (an "**Early Tax Dissolution Date**"), on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (which notice shall be irrevocable), at the Dissolution Distribution Amount, if it is determined by the Obligor that a Tax Event occurs, where "**Tax Event**" means:

- (a) (i) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Signing Date; and (ii) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (b) (i) the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document to which it is a party as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Abu Dhabi or any political subdivision or, in each case, any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Signing Date; and (ii) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given:

- (i) unless a duly completed Exercise Notice has been received by the Trustee from the Obligor in accordance with the Sale Undertaking; and
- (ii) earlier than 90 days prior to the earliest date on which (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (b) above) the Obligor would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Transaction Document was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10.2, the Trustee or, as the case may be, the Obligor shall deliver to the Delegate:

- (A) a certificate signed by, or by two Authorised Signatories on behalf of, the Trustee or, as the case may be, the Obligor stating that the obligation referred to in paragraph (a) or (b) above cannot be avoided by the Trustee, or as the case may be, the Obligor, taking reasonable measures available to it, and
- (B) an opinion of independent legal or tax advisers of recognised standing to the effect that the Trustee or, as the case may be, the Obligor, has or will become obliged to pay such additional amounts as a result of such change of amendment.

Upon the expiry of any such notice given in accordance with this Condition 10.2, and payment in full of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust and the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

### 10.3 **Dissolution at the option of the Certificateholders (Change of Control Put Option)**

- (a) If a Change of Control Event occurs, the Trustee will, upon the holder of any Certificate giving notice to the Trustee in accordance with Condition 18 (a "**Change of Control Put Notice**") within the Change of Control Put Period, redeem such Certificate on the Change of Control Put Option Date at the Change of Control Amount.

If the holder of every Certificate outstanding delivers a Change of Control Put Notice within the Change of Control Put Period to the Trustee in accordance with Condition 18 (unless prior to the giving of the relevant Change of Control Put Notice, the Trustee has given notice of redemption under Condition 10.2 or Condition 10.4) the Trustee will: (i) redeem the Certificates at the Dissolution Distribution Amount on the Change of Control Put Option Date; and (ii) dissolve the Trust.

Promptly upon the Obligor becoming aware that a Change of Control Event has occurred, it shall give notice to the Trustee. The Trustee shall, upon receipt of such notice from the Obligor, promptly give notice to the Certificateholders (a "**Change of Control Notice**") in accordance with Condition 18 specifying the nature of the Change of Control Event.

- (b) If the holders of 75 per cent. or more of the aggregate face amount of Certificates then outstanding deliver Change of Control Put Notices in accordance with Condition 10.3(a), provided that the Trustee has received an Exercise Notice from the Obligor under the Sale Undertaking obliging the Trustee to redeem the Certificates (the "**Change of Control Call Option**"), the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (such notice to be given within 30 days of the Change of Control Put Option Date), redeem all (but not some only) of the remaining outstanding Certificates at the Dissolution Distribution Amount on the Change of Control Put Option Date. Upon payment in full of such amounts to the Certificateholders: (i) the Trust will be dissolved; (ii) the Certificates shall cease to represent undivided ownership interests in the Trust Assets; and (iii) no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.
- (c) To exercise the option described in Condition 10.3(a), the holder of this Certificate must, if this Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deposit this Certificate with the Registrar or any Transfer Agent at its specified office, together with a duly completed Change of Control Put Notice in the form obtainable from the Registrar within the relevant period. No Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

#### 10.4 **Dissolution at the option of the Obligor (Make Whole Amounts)**

Upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale Undertaking, the Certificates shall be redeemed by the Trustee in whole, but not in part, on the date specified in the Exercise Notice (an "**Optional Dissolution Date**"), on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (which notice shall be irrevocable), at the Optional Dissolution Distribution Amount,

**provided, however, that** no such notice of redemption shall be given:

- (a) unless a duly completed Exercise Notice has been received by the Trustee from the Obligor in accordance with the Sale Undertaking; and
- (b) redemption shall fall on a Periodic Distribution Date.

Upon the expiry of any such notice given in accordance with this Condition 10.4, and payment in full of the Optional Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust and the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

#### 10.5 **Dissolution following a Total Loss Event**

Following the occurrence of a Total Loss Event (and unless the Usufruct over the Wakala Assets has been replaced in accordance with the terms of the Service Agency Agreement), the proceeds of the insurances (including any Total Loss Shortfall Amount) will be immediately credited to the Transaction Account and will be used by the Trustee to: (i) redeem all (but not some only) of the Certificates at the Dissolution Distribution Amount on the Total Loss Dissolution Date; and (ii) dissolve the Trust. Upon such redemption and dissolution of the Trust, the Certificates will cease to represent undivided ownership interests in the Trust Assets, no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

*Under the Service Agency Agreement, the Servicing Agent irrevocably undertakes to the Trustee, that, in relation to the Usufruct over the Wakala Assets, the Servicing Agent will:*

- (i) *be responsible for ensuring that the Usufruct over the Wakala Assets are properly insured to the extent consistent with general industry practice by prudent owners of similar assets and, accordingly, shall effect such insurances in respect of the Usufruct over the Wakala Assets (the "**Insurances**"), through brokers and with such reputable insurance companies in good financial standing, including against a Total Loss Event. The Servicing Agent undertakes to ensure that the aggregate of the insured amount relating to a Total Loss Event corresponding to the Usufruct over the Wakala Assets will, at all times, be at least equal to the Full Reinstatement Value;*
- (ii) *promptly make a claim in respect of each loss relating to the Usufruct over the Wakala Assets in accordance with the terms of the Insurances; and*
- (iii) *ensure that, in the event of a Total Loss Event occurring, all the proceeds of the Insurances against a Total Loss Event are in an amount equal to the Full Reinstatement Value and are paid in U.S. dollars directly into the Wakala Collection Account by no later than the 30<sup>th</sup> day after the occurrence of the Total Loss Event and that the relevant insurer(s) will be directed accordingly.*

*If the Servicing Agent fails to comply with the terms of Clause 3.2 of the Service Agency Agreement (as detailed immediately above) and the Usufruct over the Wakala Assets is not replaced as further described below and as a result of such breach the amount (if any) credited to the Wakala Collection Account is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited to the Wakala Collection Account being the "**Total Loss Shortfall Amount**"), then the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is neither attributable to its negligence nor its failing to comply with the terms of the Service Agency Agreement relating to insurance) irrevocably and unconditionally undertakes to pay (in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly to the Transaction Account by no later than close of business in London on the 31<sup>st</sup> day after the Total Loss Event has occurred. Subject to paying such Total Loss Shortfall Amount, there will be no further claim against the Servicing Agent for failing to comply with its insurance obligations. Any such breach will not, however, constitute an Obligor Event.*

*By no later than 30<sup>th</sup> day after the occurrence of a Total Loss Event, the Obligor will be obliged to use all reasonable endeavours to identify the Usufruct over the further Eligible Wakala Asset(s) ("**Replacement Wakala Assets**") which are at least of an equal Value prior to the occurrence of the Total Loss Event to the Usufruct over relevant Wakala Assets which have suffered a Total Loss Event. Any such breach will not, however, constitute an Obligor Event.*

*If the Trustee receives notification from the Obligor that Replacement Wakala Assets are available on or before the 30<sup>th</sup> day after the occurrence of the Total Loss Event, the Trustee shall pursuant to a separate sale agreement substantially in the form, mutatis mutandis, of the Supplemental Purchase Agreement purchase such Replacement Wakala Assets from the Obligor by way of payment by the Servicing Agent on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the Obligor in consideration of the sale and grant by the Obligor of the Replacement Wakala Assets for the Purchase Price (as set out in the Supplemental Purchase Agreement).*

#### 10.6 **Dissolution Following a Dissolution Event**

Upon the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date and the Trust dissolved as more particularly specified in Condition 14.

#### 10.7 **No Other Dissolution**

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 10, Condition 13 and Condition 14.

## 11. TAXATION

All payments in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, the United Arab Emirates or the Emirate of Abu Dhabi, or any political subdivision thereof or any authority therein or thereof having power to tax ("**Taxes**"), unless the withholding or deduction of such Taxes is required by law. In such event, the Trustee will pay additional amounts as shall be necessary in order that the net amounts received by the Certificateholder after such withholding or deduction shall equal the respective amounts due and payable to any Certificateholder which would have otherwise been receivable in the absence of such withholding or deduction; except that no such additional amount shall be payable in relation to any payment to any Certificateholder:

- (a) who is liable for such Taxes in respect of such Certificate by reason of having some connection with the Cayman Islands, the United Arab Emirates or the Emirate of Abu Dhabi, other than the mere holding of such Certificate; or
- (b) where the definitive Certificate is required to be presented for payment and is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to an additional amount on such 30<sup>th</sup> day assuming that day to have been a Payment Business Day.

In these Conditions, references to the "**Dissolution Distribution Amount**", "**Optional Dissolution Distribution Amount**" or any "**Periodic Distribution Amount**" payable in respect of a Certificate shall be deemed to include any additional amounts payable under this Condition 11. In addition, in these Conditions "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Delegate, as the case may be, on or prior to such due date, the date on which the full amount of such moneys having been so received, notice to that effect is duly given to Certificateholders by the Trustee in accordance with Condition 18.

*The Transaction Documents provide that payments thereunder by the Obligor to the Trustee shall be made without withholding or deduction for, or on account of, any present or future taxes, unless the withholding or deduction of the taxes is required by law and, in such case, provide for the payment by the Obligor of all additional amounts as will result in the receipt by the Trustee of such amount as would have been received by it if no withholding or deduction had been made.*

*Further, in accordance with the Declaration of Trust, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 11, the Obligor unconditionally and irrevocably undertakes to (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such amounts as are necessary so that the amount receivable by the Delegate (after any withholding or deduction for or on account of tax) equals any and all additional amounts required to be paid by it in respect of the Conditions pursuant to this Condition 11.*

## 12. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be prescribed and become void unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 9.

## 13. PURCHASE AND CANCELLATION OF CERTIFICATES

### 13.1 Purchases

The Obligor and/or any Subsidiary of the Obligor may at any time purchase Certificates at any price in the open market or otherwise.

13.2 **Cancellation of Certificates held by the Obligor and/or any of its Subsidiaries**

Certificates purchased by or on behalf of the Obligor or any Subsidiary of the Obligor may in the Obligor's sole discretion be surrendered for cancellation in accordance with the terms of the Declaration of Trust and the Agency Agreement. Any Certificates so surrendered for cancellation may not be reissued or resold.

14. **DISSOLUTION EVENTS**

Upon the occurrence and continuation of any of the following events (the "**Dissolution Events**"):

- (a) default is made in the payment of:
  - (i) any Periodic Distribution Amount and such default continues for a period of 14 days from the due date for payment; or
  - (ii) the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount and such default continues for a period of seven days from the due date for payment; or
- (b) the Trustee does not perform or comply with, any of its other obligations under the Conditions or any of the Transaction Documents to which it is a party and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Delegate on the Trustee of written notice requiring the same to be remedied; or
- (c) any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 30 days; or
- (d) the Trustee is (or is, or could be, deemed by law or a court to be) adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any part of (or a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of any creditors in respect of any of its debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or a particular type of) the debts of the Trustee; or
- (e) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations; or
- (f) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under the Certificates and the Transaction Documents to which it is a party; (ii) to ensure that those duties, obligations and undertakings are legally binding and enforceable; or (iii) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or
- (g) it is or will become unlawful for the Trustee to perform or comply with any one or more of its duties, obligations and undertakings under any of the Certificates or the Transaction Documents to which it is a party or any of the duties, obligations or undertakings of the Trustee under the Certificates or the Transaction Documents to which it is a party are not, or cease to, be legal, valid, binding and enforceable; or

- (h) the Trustee repudiates or does or causes to be done any act or thing evidencing an intention to repudiate any Certificate or any Transaction Document to which it is a party; or
- (i) any event occurs which under the laws of the Cayman Islands or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (c), (d) or (e) above; or
- (j) an Obligor Event (as defined below) occurs,

the Delegate, upon receiving express notice in writing thereof, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 18 with a request to such holders to indicate if they wish the Certificates to be redeemed and the Trust to be dissolved. If so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders, the Delegate shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Trustee, the Obligor and the Certificateholders (a "**Dissolution Notice**") in accordance with Condition 18 that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable.

Upon receipt of such Dissolution Notice, the Trustee (failing which, subject to being indemnified and/or pre-funded to its satisfaction, the Delegate) shall deliver an Exercise Notice to the Obligor under the Purchase Undertaking. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof, to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Exercise Notice (the relevant "**Dissolution Event Redemption Date**") and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of these Conditions,

"**Obligor Event**" shall mean each of the following events:

- (a) if default is made by the Obligor (acting in any capacity) in the payment of: (A) an amount in the nature of profit payable by it pursuant to any Transaction Document to which it is a party and the default continues for a period of fourteen (14) Business Days; or (B) an amount in the nature of principal payable by it pursuant to any Transaction Document to which it is a party and the default continues for a period of seven (7) Business Days; or
- (b) if the Obligor (acting in any capacity) fails to perform or observe any one or more of its other obligations under the Transaction Documents to which it is a party, which failure is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not, in the opinion of the Delegate, remedied within the period of thirty (30) days following the service by the Delegate on the Obligor of notice requiring the same to be remedied, except that a failure by the Obligor (acting in its capacity as Servicing Agent) to comply with its obligations set out in clauses 3.2 or 3.4 of the Service Agency Agreement will not constitute an Obligor Event; or
- (c) if any Indebtedness or Sukuk Obligation of the Obligor or any Material Subsidiary is not paid when due nor within any originally applicable grace period or any such Indebtedness or Sukuk Obligation is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described) provided, however, that it shall not constitute an Obligor Event under this paragraph (c) unless the aggregate amount of all such Indebtedness and Sukuk Obligations shall be more than U.S.\$40,000,000 (or its equivalent in any other currency or currencies); or

- (d) if a secured party takes possession of, or a receiver, manager or similar officer is appointed over, all or substantially all of the undertaking or assets of the Obligor and its Subsidiaries taken as a whole; or
- (e) if the Obligor or any of its Material Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, nationalisation, dissolution, administration or re-organisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of all or substantially all of its revenues and assets, except for the purposes of and followed by a Permitted Reorganisation; or
- (f) if the Obligor or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, except for the purposes of and followed by a Permitted Reorganisation; or
- (g) if the Obligor or any of its Material Subsidiaries is (or is deemed by a court or any applicable jurisdiction to be) insolvent or bankrupt or unable to pay its debts or any class of its debts as the same fall due, or stops, suspends or threatens to stop or suspend payment of all or any class of its debts, commences negotiations with its creditors as a whole or any one or more classes of its creditors with a view to the general readjustment or rescheduling of its debts or any class of its debts or proposes or makes a general assignment for the benefit of or an arrangement or composition with its creditors in respect of such debts; or
- (h) if any expropriation, attachment, sequestration, distress or execution made pursuant to a court order or judgment or arising by virtue of any law or regulation affects any asset or assets of the Obligor or any of the Obligor's Material Subsidiaries having an aggregate value of at least U.S.\$40,000,000 (or its equivalent in any other currency or currencies) and is not discharged within 30 days; or
- (i) if the Obligor or any of the Obligor's Material Subsidiaries fails to comply with or pay any sum which amount shall not be less than U.S.\$40,000,000 (or its equivalent in any other currency or currencies) due from it under any final non-appealable judgment or any final non-appealable order made or given by any court of competent jurisdiction and such failure continues for a period of 60 days next following the service by the Delegate on the Obligor of notice requiring the same to be paid/remedied; or
- (j) if: (i) the Obligor or any liquidator of the Obligor repudiates or disclaims any responsibility under any Transaction Document to which it is a party; or (ii) at any time it is or becomes unlawful for the Obligor to perform or comply with any or all of its obligations under or in respect of the Transaction Documents to which it is a party or any of the material obligations of the Obligor thereunder are not or cease to be legal, valid and binding obligations; or
- (k) if any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events described in (e) and (g) above,

provided, however, that, in the case of paragraph (b) above, such event will only constitute an Obligor Event if the Delegate has certified in writing to the Trustee and the Obligor that such event, in its opinion, is materially prejudicial to the interests of Certificateholders.

## 15. **ENFORCEMENT AND EXERCISE OF RIGHTS**

- 15.1 If, following the occurrence of a Dissolution Event and delivery of a Dissolution Notice, any amount payable in respect of the Certificates has not been paid in full (notwithstanding the provisions of Condition 14), the Trustee or the Delegate, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, may take one or more of the following steps:

- (a) enforce the provisions of the Transaction Documents against the Obligor; and/or
- (b) take such other actions or steps or institute such proceedings as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

15.2 No Certificateholder shall be entitled to proceed directly against the Trustee or to direct the Trustee to proceed against the Obligor unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing. The Delegate and the Certificateholders shall only be entitled to deal with the Trust Assets as expressly permitted by the Transaction Documents and the sole right of the Delegate and the Certificateholders against the Trustee or the Obligor shall be to enforce their respective obligations under the Transaction Documents.

## 16. REALISATION OF TRUST ASSETS

16.1 Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action, step or proceeding to enforce or to realise the Trust Assets or take any action, step or proceeding against the Trustee and/or the Obligor under any Certificate or any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates; or (iii) (in the case of the Trustee only) by the Delegate, and in any such case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

16.2 Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

16.3 The foregoing provisions of this Condition 16 are subject to this Condition 16.3. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 6.2, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such unpaid sums shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

## 17. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the costs and expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered to the Registrar before replacements will be issued.

## 18. NOTICES

All notices to Certificateholders will be valid if:

- (a) published in a daily newspaper having general circulation in London (which is expected to be the Financial Times) approved by the Delegate; or
- (b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

Any notice shall be deemed to have been given on the day (being a day other than a Saturday or Sunday) after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

*So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the relevant notice may be delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.*

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with evidence of entitlement to the relevant Certificates, with the Principal Paying Agent.

19. **MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

19.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust or any other Transaction Document. Such a meeting shall be convened by the Trustee on written requisition in the English language by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more Eligible Persons (as defined in the Declaration of Trust) present holding or representing in aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more Eligible Persons whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, *inter alia*: (i) to modify any date for payment in respect of the Certificates; (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates; (iii) to alter the currency of payment or denomination of the Certificates; (iv) to amend Condition 8; (v) to change any of the Trustee's and the Obligor's respective covenants set out in, and the Obligor's obligations to make payment under, the Conditions and the Transaction Documents to which they a party, respectively; (vi) to modify the provisions concerning the quorum required at any meeting of Certificateholders or to alter the majority required to pass an Extraordinary Resolution; (vii) to sanction any such scheme or proposal or substitution as is described in paragraphs 5.9(i) and 5.9(j) of Schedule 4 to the Declaration of Trust; or (viii) to amend the above list or the proviso to paragraph 4.6 of Schedule 4 to the Declaration of Trust (each, a "**Reserved Matter**"), in which case the quorum shall be two or more Eligible Persons holding or representing in aggregate not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires: (i) a majority in favour consisting of not less than 75 per cent. of the votes cast; (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (a "**Written Resolution**"); or (iii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an "**Electronic Consent**"). Any Extraordinary Resolution, if duly passed, will be binding on all Certificateholders, whether or not they were present at the meeting at which such resolution was passed and whether or not they voted.

19.2 The Declaration of Trust provides that a Written Resolution or an Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

- 19.3 The Delegate may (but shall not be obliged to), without the consent or sanction of the Certificateholders: (i) agree to any modification to these Conditions, any provisions of the Transaction Documents or to the Trustee's memorandum and articles of association which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (ii) agree to any modification (other than in respect of a Reserved Matter) of these Conditions, any provisions of the Transaction Documents or the Trustee's memorandum and articles of association, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or the other Transaction Documents; or (iii) determine that any Dissolution Event shall not be treated as such, provided in the case of paragraphs (ii) and (iii) that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least one-quarter of the outstanding aggregate face amount of the Certificates.
- 19.4 In connection with the exercise by it of any of its powers, authorities and discretions under the Declaration of Trust (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of Certificateholders as a class and shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Obligor, the Delegate or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.
- 19.5 Any modification, waiver, authorisation or determination shall be binding on Certificateholders and, unless the Delegate otherwise decides, shall as soon as practicable thereafter be notified by the Trustee to the Certificateholders in accordance with Condition 18.

## 20. INDEMNIFICATION AND LIABILITY OF THE DELEGATE

- 20.1 The Trustee will in the Declaration of Trust irrevocably and unconditionally with effect from the date of the Declaration of Trust appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event and subject to its being indemnified and/or secured and/or prefunded to its satisfaction to exercise all of the rights of the Trustee under the Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together the "**Delegation**" of the "**Relevant Powers**"), **provided that** no obligations, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation, **provided further that** in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, authority or discretion to hold any of the Trust Assets, to dissolve any of the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate (save as provided in the Declaration of Trust). The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

- 20.2 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so by an Extraordinary Resolution or in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates then outstanding, and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- 20.3 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Trustee or the Obligor under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Trustee or the Obligor but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.
- 20.4 The Delegate may rely (without liability to any person) on any certificate or report of the auditors or insolvency officials (as applicable) of the Trustee or the Obligor or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such certificate or report may be relied upon by the Delegate as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials (as applicable) of the Trustee, the Obligor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.
- 20.5 Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee or delegate, in the case of the Trustee (having regard to the provisions of the Declaration of Trust conferring on it any powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them (as applicable) may be guilty in relation to their duties under the Declaration of Trust.
- 20.6 The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event has occurred or exists and, unless and until it shall have received express notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to any person for so doing).

21. **FURTHER ISSUES**

The Trustee shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional Certificates having the same terms and conditions as the outstanding Certificates on terms and conditions which are the same in all respects, save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that the same shall be consolidated and form a single series with the outstanding Certificates. Any additional Certificates which are to form a single series with the outstanding Certificates previously constituted by the Declaration of Trust shall be constituted by a Supplemental Declaration of Trust. References in these Conditions to the Certificates include (unless the context requires otherwise) any other certificates issued pursuant to this Condition and forming a single series with the Certificates.

22. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any Person under the Contracts (Rights of Third Parties) Act 1999 (the "Act") to enforce any term of these Conditions, but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

23. **GOVERNING LAW AND DISPUTE RESOLUTION**

23.1 **Governing Law**

The Declaration of Trust and the Certificates, including any non-contractual obligations arising out of or in connection with, the Declaration of Trust and the Certificates, shall be governed by, and construed in accordance with, English law.

23.2 **Arbitration**

Subject to Condition 23.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust and the Certificates (including any dispute, claim, difference or controversy regarding its existence, validity, interpretation, performance, breach or termination of the Declaration of Trust and the Certificates or this Condition 23.2 or the consequences of their nullity or any dispute relating to any non-contractual obligations arising out of or in connection with it) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the arbitration rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 23. For these purposes:

- (a) the seat of arbitration shall be London, England;
- (b) there shall be three arbitrators, each of whom shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA (as defined in the Rules); and
- (c) the language of the arbitration shall be English.

23.3 **Option to litigate**

Notwithstanding Condition 23.2, the Delegate may, in the alternative, and at its sole discretion, by notice in writing to the Trustee or the Obligor:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 23.5 and, subject as provided below, any arbitration commenced under Condition 23.2 in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

23.4 **Notice to Terminate**

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (b) his entitlement to be paid his proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

**23.5 Effect of Exercise of Option to Litigate**

In the event that a notice pursuant to Condition 23.3 is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England at the option of the Delegate, shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and the Obligor submits to the exclusive jurisdiction of such courts;
- (b) each of the Trustee and the Obligor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 23.5 is for the benefit of the Delegate only. As a result, and notwithstanding paragraph (a) above, to the extent allowed by law, the Delegate may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

**23.6 Service of Process**

Each of the Trustee and the Obligor irrevocably appoints Maples and Calder of 11<sup>th</sup> Floor, 200 Aldersgate Street, London to receive for it and on its behalf, service of process in respect of any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee or the Obligor, as the case may be). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Trustee and the Obligor irrevocably agrees to appoint a substitute process agent, and shall immediately notify the other party of such appointment. Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.

**23.7 Waiver of Immunity**

The Obligor has agreed in the Declaration of Trust, to the extent that the Obligor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Obligor or its assets or revenues, not to claim and has irrevocably and unconditionally waived such immunity to the fullest extent permitted by the laws of such jurisdiction. Further, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings. However, notwithstanding the foregoing, the Obligor expressly disclaims whether Article 247 of the United Arab Emirates Federal Law No. 11 of 1992 regarding the Law of Civil Procedure will apply to its assets, revenues or property and the provisions of this Condition 23.7 shall be read subject to Article 247.

**23.8 Waiver of Interest**

- (a) Each of the Trustee and the Obligor has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith, whether as a result of any judicial award or by operation of any applicable law or otherwise. Each party is required to waive any rights it may have to claim or receive such interest and agrees that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.

- (b) For the avoidance of doubt, nothing in this Condition 23.8 shall be construed as a waiver of rights in respect of Wakala Portfolio Revenues, the Expected Wakala Portfolio Revenues Amount, Required Amounts, Periodic Distribution Amounts, Instalment Profit Amounts, Profit Amounts, Exercise Price, Change of Control Exercise Price, Dissolution Distribution Amounts, Optional Dissolution Distribution Amounts, Deferred Sale Price or profit or principal of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions or any other document or agreement, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

## GLOBAL CERTIFICATE

*The Global Certificate contains certain provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.*

### **Form of the Certificates**

The Certificates will be represented by beneficial interests in a Global Certificate in registered form. The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and will be registered in the name of a nominee for the Common Depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive Individual Certificates (as defined below).

### **Holders**

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the "**Registered Holder**"). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the "**Accountholders**") (in which regard any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Trustee and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions Certificateholder and holder of Certificates and related expressions shall be construed accordingly. In addition, holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

### **Cancellation**

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

### **Payments**

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made to or to the order of, the person shown on the Register as the registered holder of the Global Certificate at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the due date for payment (where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January). Upon payment of any amount in respect of the Certificates represented by the Global Certificate, the details of such payment shall be entered by the Registrar in the Register.

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Distribution Amount, Optional Dissolution Distribution Amount and Periodic Distribution Amounts in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of

participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

### **Notices**

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system, as the case may be, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders or otherwise to the holder of the Global Certificate rather than by publication as required by the Conditions except that, so long as the Certificates are listed, traded or quoted on any stock exchange or securities market, notices shall also be published in accordance with the rules of the relevant listing authority, stock exchange, securities market and/or quotation system. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

### **Registration of Title**

The Registrar will not register title to the Certificates in a name other than that of the relevant nominee for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount, Dissolution Distribution Amount or Optional Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

### **Transfers**

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

### **Exchange for Individual Certificates**

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (i) a Dissolution Event (as defined in the Conditions) has occurred; or (ii) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available. In the event of the occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Individual Certificates.

In this Prospectus, "**Individual Certificate**" means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in Part 1 of the Schedule to the Declaration of Trust.

## **USE OF PROCEEDS**

The proceeds of the issue of the Certificates will be applied by the Trustee in the following proportion: (i) not less than 51 per cent. to the Obligor as the Purchase Price for the purchase of the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio; and (ii) the remaining being not more than 49 per cent., for the purchase and subsequent sale of commodities to the Obligor pursuant to the Murabaha Agreement. The Obligor shall use the Purchase Price and the funds received from its on-sale of the commodities for its general corporate purposes and to partially fund the purchase price payable to Aldar in respect of the properties acquired from it.

## DESCRIPTION OF THE TRUSTEE

### General

The Trustee is an exempted company with limited liability incorporated on 2 May 2018 under the Companies Law (2016 Revision) of the Cayman Islands with company registration number 336488. The Trustee has been established for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents to which it is a party. The registered office of the Trustee is MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands and its telephone number is +1 345 945 7099.

### Share Capital

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 par value each, 250 of which have been issued. All of the issued shares (the "**Shares**") are fully-paid and are held by MaplesFS Limited as share trustee (in such capacity, the "**Share Trustee**") under the terms of the Share Declaration of Trust under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

### Business of the Trustee

The Trustee has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the Certificates to be issued. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 2 May 2018.

### Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

### Directors of the Trustee

The Directors of the Trustee are as follows:

<b>Name:</b>	<b>Principal Occupation:</b>
John Curran	Assistant Vice President, Fiduciary at Maples Fund Services (Middle East) Limited
Cleveland Stewart	Senior Vice President at MaplesFS Limited

The business address of John Curran is c/o Maples Fund Services (Middle East) Limited, Liberty House, 6<sup>th</sup> Floor, Office 616, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Cleveland Stewart is c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

The Trustee's Articles of Association provide that the board of directors of the Trustee will consist of at least one director.

## **Conflicts**

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

## **The Administrator**

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator has agreed to perform in the Cayman Islands, the UAE and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and to provide certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services as published at <http://www.maplesfiduciaryservices.com/terms> (the "**Registered Office Terms**"). In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such appointments upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party and, in the case of the Corporate Services Agreement, with a copy to any applicable rating agency.

The Trustee Administrator will be subject to the overview of the Trustee's board of directors. The Trustee Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.

## **The AML Services Provider**

Maples Compliance Services (Cayman) Limited will provide certain services to the Trustee in connection with the Trustee's obligations under the Cayman AML Regulations (in such capacity, the "**AML Services Provider**") pursuant to the terms of an AML Services Agreement to be entered into between the Trustee and the AML Services Provider (the "**AML Services Agreement**"). Under the terms of the AML Services Agreement, the AML Services Provider, either by itself or through an affiliate, will provide the services prescribed under the AML Services Agreement until termination of the AML Services Agreement. The terms of the AML Services Agreement provide that either the Trustee or the AML Services Provider may terminate such agreement upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreement. In addition, the AML Services Agreement provides that either party shall be entitled to terminate such agreement by giving at least one month's notice in writing to the other party. In consideration of the foregoing, the AML Services Provider will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The AML Services Provider will be subject to the overview of the Trustee's Board of Directors.

The AML Services Provider is an affiliate of the Administrator and its principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

## SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Carve-Out Financial Statements and should also be read in conjunction with "Financial review".

See also "Presentation of financial and other information" for a discussion of the nature of carve-out financial statements and the sources of the numbers contained in this section.

Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flow and financial position as at, and for the six months ended, 30 June 2018 and 30 June 2017 (save for the financial position) and as at, and for the years ended, 31 December in each of 2017, 2016 and 2015. Given that Aldar Investments did not exist during these periods or at these dates, all such references should be construed as being references to the performance of the assets and liabilities the subject of the Carve-Out Financial Statements.

All information in this section as at 30 June 2018 and for each of the six months ended 30 June 2018 and 30 June 2017 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year.

### CARVE OUT STATEMENT OF FINANCIAL POSITION DATA

The table below shows Aldar Investments' carve out statement of financial position data as at 30 June 2018 and as at 31 December in each of 2017, 2016 and 2015.

	As at 30 June	As at 31 December		
	2018	2017	2016	2015
		<i>(AED thousands)</i>		
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment .....	2,090,289	2,164,505	2,300,456	2,443,906
Intangible assets .....	1,331	782	528	408
Investment properties .....	13,962,141	14,007,611	13,548,635	13,433,318
Other financial assets .....	68,077	—	—	—
<b>Total non-current assets .....</b>	<b>16,121,838</b>	<b>16,172,898</b>	<b>15,849,619</b>	<b>15,877,632</b>
<b>Current assets</b>				
Inventories .....	88,168	91,079	90,975	91,377
Trade and other receivables .....	312,766	285,915	289,306	410,039
Cash and bank balances .....	118,709	180,084	221,143	235,433
<b>Total current assets .....</b>	<b>519,643</b>	<b>557,078</b>	<b>601,424</b>	<b>736,849</b>
<b>Total assets .....</b>	<b>16,641,481</b>	<b>16,729,976</b>	<b>16,451,043</b>	<b>16,614,481</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Net investment by the Parent .....	10,591,904	10,197,130	10,303,411	10,070,257
Hedging reserve .....	68,077	(5,748)	—	—
<b>Total equity .....</b>	<b>10,659,981</b>	<b>10,191,382</b>	<b>10,303,411</b>	<b>10,070,257</b>
<b>Non-current liabilities</b>				
Non-convertible sukuk .....	—	—	2,749,189	2,745,405
Bank borrowings .....	1,666,330	1,820,273	1,615,434	2,236,801
Lease liability .....	206,635	225,478	246,828	—
Provisions for employees' end of service benefit .....	14,439	14,133	14,301	13,551
Other financial liability .....	—	5,748	—	—
<b>Total non-current liabilities .....</b>	<b>1,887,404</b>	<b>2,065,632</b>	<b>4,625,752</b>	<b>4,995,757</b>
<b>Current liabilities</b>				
Non-convertible sukuk .....	2,763,936	2,762,570	9,983	9,983
Bank borrowings .....	575,238	815,507	634,824	400,162
Lease liability .....	21,055	20,331	9,871	—
Advances and security deposits .....	192,175	193,669	171,013	167,338

	As at 30 June	As at 31 December		
	2018	2017	2016	2015
			<i>(AED thousands)</i>	
Trade and other payables .....	541,692	680,885	696,189	970,984
<b>Total current liabilities</b> .....	<b>4,094,096</b>	<b>4,472,962</b>	<b>1,521,880</b>	<b>1,548,467</b>
<b>Total liabilities</b> .....	<b>5,981,500</b>	<b>6,538,594</b>	<b>6,147,632</b>	<b>6,544,224</b>
<b>Total equity and liabilities</b> .....	<b>16,641,481</b>	<b>16,729,976</b>	<b>16,451,043</b>	<b>16,614,481</b>

## CARVE OUT STATEMENT OF INCOME DATA

The table below shows Aldar Investments' carve out statement of income data for each of the six months ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June	
	2018	2017
	<i>(Unaudited)</i>	
	<i>(AED thousands)</i>	
Revenue .....	918,447	915,612
Costs of revenue .....	(314,692)	(316,072)
<b>Gross profit</b> .....	<b>603,755</b>	<b>599,540</b>
Selling and marketing expenses .....	(3,673)	(5,194)
General and administrative expenses:		
Staff costs .....	(26,493)	(28,930)
Depreciation and amortisation .....	(58,785)	(60,240)
(Provisions, impairments and write downs)/reversal, net .....	(7,789)	2,337
Others .....	(4,752)	(6,589)
Fair value loss on investment properties, net .....	(190,804)	(39,842)
Finance costs .....	(115,038)	(107,862)
<b>Profit for the period</b> .....	<b>196,421</b>	<b>353,220</b>

The table below shows Aldar Investments' carve out statement of income data for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	<i>(AED thousands)</i>		
Revenue .....	1,878,678	1,958,744	1,943,074
Costs of revenue .....	(655,617)	(681,539)	(734,769)
<b>Gross profit</b> .....	<b>1,223,061</b>	<b>1,277,205</b>	<b>1,208,305</b>
Selling and marketing expenses .....	(8,846)	(9,195)	(6,499)
General and administrative expenses:			
Staff costs .....	(58,873)	(57,476)	(56,895)
Depreciation and amortisation .....	(121,014)	(122,861)	(126,883)
Provisions, impairments and write downs, net .....	(42,835)	(31,514)	(144,400)
Others .....	(12,055)	(8,528)	(6,900)
Gain on disposal of investment properties .....	3,835	14,409	32,376
Fair value (loss)/gain on investment properties, net .....	(456,193)	(127,072)	1,168,023
Finance income .....	10,062	—	—
Finance costs .....	(218,285)	(208,842)	(216,638)
<b>Profit for the year</b> .....	<b>318,857</b>	<b>726,126</b>	<b>1,850,489</b>

## CARVE OUT STATEMENT OF COMPREHENSIVE INCOME DATA

The table below shows Aldar Investments' carve out statement of comprehensive income data for each of the six months ended 30 June 2018 and 30 June 2017.

	<b>Six months ended 30 June</b>	
	<i>(Unaudited)</i>	
	<b>2018</b>	<b>2017</b>
	<i>(AED thousands)</i>	
Profit for the period.....	196,421	353,220
<i>Other comprehensive income (loss) to be reclassified to the income statement in subsequent periods:</i>		
Changes in fair value of cash flow hedges .....	73,825	(23,855)
<b>Other comprehensive income/(loss) for the period</b> .....	<b>73,825</b>	<b>(23,855)</b>
<b>Total comprehensive income for the period</b> .....	<b>270,246</b>	<b>329,365</b>

The table below shows Aldar Investments' carve out statement of comprehensive income data for each of 2017, 2016 and 2015.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(AED thousands)</i>		
Profit for the year.....	318,857	726,126	1,850,489
<i>Other comprehensive loss to be reclassified to the income statement in subsequent periods:</i>			
Changes in fair value of cash flow hedges .....	(5,748)	—	—
<b>Other comprehensive loss for the year</b> .....	<b>(5,748)</b>	<b>—</b>	<b>—</b>
<b>Total comprehensive income for the year</b> .....	<b>313,109</b>	<b>726,126</b>	<b>1,850,489</b>

## CARVE OUT STATEMENT OF CASH FLOWS DATA

The table below summarises Aldar Investments' carve out statement of cash flows data for each of the six months ended 30 June 2018 and 30 June 2017.

	<b>Six months ended 30 June</b>	
	<i>(Unaudited)</i>	
	<b>2018</b>	<b>2017</b>
	<i>(AED thousands)</i>	
Net cash generated from operating activities .....	373,497	421,012
Net cash used in investing activities.....	(130,620)	(144,799)
Net cash used in financing activities .....	(304,420)	(374,538)
Cash and cash equivalents at 1 January.....	180,084	216,082
Cash and cash equivalents at 30 June.....	118,541	117,757

The table below summarises Aldar Investments' carve out statement of cash flows data for each of 2017, 2016 and 2015.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(AED thousands)</i>		
Net cash generated from operating activities .....	1,128,013	1,063,885	778,444
Net cash used in investing activities.....	(919,733)	(64,791)	(316,023)
Net cash used in financing activities .....	(244,278)	(1,013,415)	(542,351)
Cash and cash equivalents at 1 January.....	216,082	230,403	310,333
Cash and cash equivalents at 31 December.....	180,084	216,082	230,403

## SELECTED RATIOS

The table below shows selected ratios for Aldar Investments as at, and for the six months ended, 30 June 2018 and for the six months ended 30 June 2017 and as at, and for the years ended, 31 December in each of 2017, 2016 and 2015. The financial ratios set out below are all APMs.

	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
<b>Operating ratios</b>					
<b>Weighted average unexpired lease terms<sup>(1)</sup>:</b>					
Retail property portfolio (years).....	3.7	—	4.1	—	—
Residential property portfolio (years).....	4.6	—	3.9	—	—
Commercial property portfolio (years).....	4.7	—	5.4	—	—
<b>Occupancy rates<sup>(2)</sup>:</b>					
Retail property portfolio (per cent.).....	89	86	94	88	85
Residential property portfolio (per cent.).....	91	90	91	92	98
Commercial property portfolio (per cent.).....	89	93	87	100	100
Hospitality properties (per cent.).....	74	77	78	76	79
<b>Financial ratios</b>					
<b>Gross profit margins<sup>(3)</sup></b>					
Investment properties (per cent.).....	80.8	81.1	80.3	80.9	77.9
Hospitality (per cent.).....	13.4	15.3	20.7	21.0	27.4
Total (per cent.).....	65.7	65.5	65.1	62.7	62.2
Carve-Out Adjusted EBITDA <sup>(4)</sup> (AED thousand).....	561,048	561,334	1,137,003	1,218,484	1,165,542
Loan to value ratio <sup>(5)</sup> (per cent.).....	31.2	N/A	33.4	31.6	34.0
Tangible net worth <sup>(6)</sup> (AED billion).....	10.7	N/A	10.2	10.3	10.1

<sup>(1)</sup> Calculated based on value rather than area. Equivalent data as at 31 December 2016 and 31 December 2015 is not available.

<sup>(2)</sup> Calculated as leased area divided by total available area, in each case as at 31 December or 30 June, as the case may be, and expressed as a percentage.

<sup>(3)</sup> Calculated as gross profit for the relevant business segment divided by gross revenue for the relevant business segment, in each case as shown in note 25.1 to the Annual Carve-Out Financial Statements and note 16 to the Interim, Carve-Out Financial Statements. The total gross profit margin is calculated as gross profit divided by gross revenue.

<sup>(4)</sup> Calculated as profit for the period before finance costs, finance income, depreciation and amortisation, impairments and write downs, and fair value gain or loss on investment properties.

<sup>(5)</sup> Calculated as total borrowings outstanding divided by the total value of Aldar Investments' asset management portfolio which is the sum of the fair value of its investment properties and the book value of its property and equipment. This APM is included because Aldar Investments' policy is to maintain this ratio below 40 per cent.

<sup>(6)</sup> Calculated as total assets less total liabilities. This APM is included because Aldar Investments has covenanted in certain of its borrowings to maintain a minimum tangible net worth of AED 4 billion.

## CARVE-OUT ADJUSTED EBITDA

Carve-Out Adjusted EBITDA has been calculated as profit for the period/year adjusted to add back or subtract, as the case may be, finance costs, finance income, depreciation, amortisation, impairment charges of property and equipment and fair value loss or gain on investment properties, all as recorded in the Carve-Out Financial Statements. Carve-Out Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

The table below shows a reconciliation of Aldar Investments' Carve-Out Adjusted EBITDA to its profit for each of the six months ended 30 June 2018 and 30 June 2017 and for each of 2017, 2016 and 2015.

	Six months ended 30		Year ended 31 December		
	June		2017	2016	2015
	2018	2017			
<b>Profit for the period/year</b> .....	196,421	353,220	318,857	726,126	1,850,489
Add/(subtract):					
Depreciation and amortization	58,785	60,420	121,014	122,861	126,883
Finance costs.....	115,038	107,862	218,285	208,842	216,638
Finance income	-	-	(10,062)	-	-
Impairment of property and equipment.....	-	-	32,716	33,583	139,555
Fair value loss/(gain) on investment properties.....	190,804	39,842	456,193	127,072	(1,168,023)
<b>Adjusted EBITDA</b> .....	<b>561,048</b>	<b>561,334</b>	<b>1,137,003</b>	<b>1,218,484</b>	<b>1,165,542</b>

## FINANCIAL REVIEW

*The following discussion and analysis should be read in conjunction with the information set out in "Presentation of financial and other information", "Selected financial information" and the Carve-Out Financial Statements.*

*The discussion of Aldar Investments' financial condition and results of operations is based upon the Carve-Out Financial Statements which have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. Aldar Investments' actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Cautionary note regarding forward-looking statements" and "Risk factors".*

*Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flow and financial position as at, and for the six months ended, 30 June 2018 and 30 June 2017 (save for the financial position) and as at, and for the years ended, 31 December in each of 2017, 2016 and 2015. Given that Aldar Investments did not exist during these periods or at these dates, all such references should be construed as being references to the performance of the assets and liabilities the subject of the Carve-Out Financial Statements. Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business.*

*See "Presentation of financial and other information" for a discussion of the nature of carve-out financial statements and the source of the numbers presented in this section.*

*All information in this section as at 30 June 2018 and for each of the six months ended 30 June 2018 and 30 June 2017 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year.*

## OVERVIEW

Aldar Investments is an indirect wholly-owned subsidiary of Aldar and was established on 29 May 2018 as part of a corporate reorganisation undertaken by Aldar to improve its corporate and capital structure. As part of this reorganisation, Aldar transferred the assets managed by its asset management business to Aldar Investments, together with AED 1.0 billion of existing drawn bank borrowings and AED 3.8 billion of existing committed but, as of the date of this Prospectus, undrawn debt facilities. This business had total assets of AED 16.6 billion as at 30 June 2018 and principally comprised yielding investment properties and operating businesses.

Aldar has prepared the Carve-Out Financial Statements which illustrate the performance of the assets which comprised its asset management business over the three and half year period ended 30 June 2018. When preparing the Carve-Out Financial Statements, Aldar included all assets and liabilities directly associated with its asset management business, including borrowings (such as Aldar's U.S.\$750 million non-convertible sukuk). Notwithstanding this, a significant proportion of the debt included within the Interim Carve-Out Financial Statements has not been transferred to Aldar Investments. See "*Borrowings*" below. In addition, Aldar has made an AED 3 billion revolving facility available to Aldar Investments as part of the reorganisation.

Aldar Investments currently owns and operates a portfolio of 19 retail properties, 4,800 residential units in nine separate developments, eight commercial properties and eight hospitality assets (comprising seven hotels and one serviced apartment building) with a view to growing the income from, and optimising the value of, these assets.

Aldar Investments has two main sources of revenue:

- rental income from the tenants of its investment properties, which amounted to 76.3 per cent. of its revenue (excluding service charges) in the six months ended 30 June 2018 and to 72.9 per cent. in 2017, 72.2 per cent. in 2016 and 67.1 per cent. in 2015; and
- income from the guests who stay in its hospitality properties, which made up the balance of Aldar Investments' revenue (excluding service charges) in each period.

Aldar Investments' investment properties are leased under contracts with terms ranging from one year to 30 years. This gives it a significant degree of visibility on future revenue from committed lease payments, which amounted to AED 2,355 million as at 30 June 2018, AED 2,346 million as at 31 December 2017, AED 1,978 million as at 31 December 2016 and AED 2,623 million as at 31 December 2015, with the fall in 2016 reflecting the impact of lower occupancy and lower lease rates on Aldar Investments' residential and commercial properties.

Aldar Investments is currently focusing on maximising the performance and value of its portfolio of properties, pursuing portfolio growth opportunities through acquisitions and, where appropriate, monetising lower yielding assets and reinvesting capital in higher yielding assets and/or assets where Aldar Investments believes it can drive value creation. Aldar Investments also intends to acquire the Aldar Properties Expected to be Acquired from Aldar.

As at 30 June 2018, Aldar Investments' total assets amounted to AED 16.6 billion, of which investment properties comprised AED 14.0 billion, or 84.3 per cent., and property and equipment, the major component of which is Aldar Investments' hospitality properties, comprised AED 2.1 billion, or 12.6 per cent. In 2017, Aldar Investments' revenue (excluding service charge which is both a revenue and a cost of revenue item) was AED 1,769 million compared to AED 1,842 million in 2016 and AED 1,832 million in 2015 and its profit for the year was AED 319 million in 2017 compared to AED 726 million in 2016 and AED 1,850 million in 2015. Aldar Investments' Carve-Out Adjusted EBITDA was AED 1,137 million in 2017 compared to AED 1,218 million in 2016 and AED 1,166 million in 2015. In the six months ended 30 June 2018 and 30 June 2017, Aldar Investments' revenue (excluding service charge) was AED 865 million and AED 862 million, respectively, and its profit for the period was AED 196 million and AED 353 million, respectively. Aldar Investments' Carve-Out Adjusted EBITDA was AED 561 million in the six months ended 30 June 2018 and AED 561 million in the six months ended 30 June 2017.

## REVENUE RECOGNITION

Aldar Investments early adopted IFRS 15 'Revenue from contracts with customers' with effect from 1 January 2015. Under IFRS 15, Aldar Investments recognises revenue from contracts with customers based on a five-step model:

- Step 1: identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3: determine the transaction price: The transaction price is the amount of consideration to which Aldar Investments expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, Aldar Investments allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which Aldar Investments expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: recognise revenue when (or as) Aldar Investments satisfies a performance obligation.

Aldar Investments satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) Aldar Investments' performance does not create an asset with an alternate use to Aldar Investments and Aldar Investments has as an enforceable right to payment for performance completed to date.
- (b) Aldar Investments' performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (c) The customer simultaneously receives and consumes the benefits provided by Aldar Investments' performance as Aldar Investments performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When Aldar Investments satisfies a performance obligation by delivering the promised goods or services it creates a contract asset equal to the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. Aldar Investments assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to Aldar Investments and the revenue and costs, if applicable, can be measured reliably.

In relation to its investment properties and prior to 2016 and the early adoption of IFRS 16, Aldar Investments categorised the leases where it acted as lessor as either operating leases or finance leases, with the vast majority being operating leases. Aldar Investments recognised lease revenue from its operating leases on a straight-line basis over the relevant lease term whilst finance lease income was allocated to accounting periods so as to reflect a constant periodic rate of return on Aldar Investments' net investment in the relevant lease. Aldar Investments early adopted IFRS 16 'Leases' for its annual period commencing 1 January 2016. IFRS 16 substantially carries forward the lessor accounting requirements of the superseded IAS 17. Accordingly, Aldar Investments continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Aldar Investments' hospitality income comprises revenue from rooms, food and beverages and other services provided and is recognised in accordance with IFRS 15 as described above.

## **PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS**

The following is a discussion of the principal factors that have affected, or are expected to affect, Aldar Investments' results of operations.

### **Revenue**

#### ***Revenue from investment properties***

Aldar Investments' revenue is principally derived from rental payments from the tenants of its investment properties. This revenue stream amounted to 76.3 per cent. of its revenue (excluding service charges) in the six months ended 30 June 2018 compared to 74.8 per cent. in the six months ended 30 June 2017 and was 72.9 per cent. in 2017, 72.2 per cent. in 2016 and 67.1 per cent. in 2015. The balance of Aldar Investments' revenue is derived from payments from the guests who stay in its hospitality properties in each period. Aldar Investments' revenue from its investment properties (excluding service charges) was AED 659 million in the six months ended 30 June 2018, AED 645 million in the six months ended 30 June 2017, AED 1,289 million in 2017, AED 1,330 million in 2016 and AED 1,228 million in 2015. For a discussion of the reasons for the changes in the amount of Aldar Investments' revenue from investment properties in each year, see "*Results of operations—Six months ended 30 June 2018 compared to six months ended 30 June 2017—Gross profit*" and "*Results of operations—Comparison of 2017, 2016 and 2015—Gross profit*" below.

Aldar Investments' investment properties are leased under contracts with terms ranging from one year to 30 years. This gives it a significant degree of visibility on future revenue from committed lease payments. The table shows the amounts and timing of Aldar Investments' committed future lease inflows as at 30 June 2018 and as at 31 December in each of 2017, 2016 and 2015.

	As at 30 June	As at 31 December		
	2018	2017	2016	2015
		<i>(AED thousands)</i>		
Within one year.....	615,114	627,045	535,268	621,612
In the second to fifth years.....	1,133,471	1,179,352	1,020,158	1,590,836
After five years.....	606,669	539,467	422,722	410,795
<b>Total.....</b>	<b>2,355,254</b>	<b>2,345,864</b>	<b>1,978,148</b>	<b>2,623,243</b>

### ***Revenue from hospitality properties***

Aldar Investments' revenue from hospitality properties reflects payments from its guests for room use and other services provided at its hospitality properties. This revenue stream amounted to 23.7 per cent. of Aldar Investments' revenue (excluding service charges) in the six months ended 30 June 2018 compared to 25.2 per cent. in the six months ended 30 June 2017 and to 27.1 per cent. in 2017, 27.8 per cent. in 2016 and 32.9 per cent. in 2015. Aldar Investments' revenue from its hospitality properties was AED 205 million in the six months ended 30 June 2018, AED 218 million in the six months ended 30 June 2017, AED 480 million in 2017, AED 512 million in 2016 and AED 603 million in 2015. For a discussion of the reasons for the decline in the amount of Aldar Investments' revenue from hospitality properties in each year, see "*Results of operations—Six months ended 30 June 2018 compared to six months ended 30 June 2017—Gross profit*" and "*Results of operations—Comparison of 2017, 2016 and 2015—Gross profit*" below.

### **Changes in the fair value of Aldar Investments' investment properties**

Aldar Investments' investment properties comprise its portfolio of retail, residential and commercial properties which it leases to tenants. Aldar Investments' investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, Aldar Investments' investment properties are measured at fair value on each reporting date. The determination of the fair value of each investment property requires significant judgment and is based on a number of key estimates, see "*Critical accounting judgments and key sources of estimation uncertainty*" below.

The fair value of Aldar Investments' investment properties is determined by independent real estate valuation experts mainly using the income capitalisation approach under which the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

Under the residual value method, which is used for some properties, the independent real estate valuation expert is required to use estimates, such as future cash flows from assets (for example selling and leasing rates and future revenue streams) and appropriate rates of return. These estimates are based on local market conditions existing at the end of the relevant reporting period.

Gains or losses arising from changes in the fair value of the investment property concerned are recorded as gains or losses in the fair value of investment properties in the income statement for the period concerned. Once a determination of the fair value of an investment property has been made, changes in the fair value may occur for a number of reasons, including changes in market conditions (in particular market rental rates and demand for similar properties) and changes in the methodology used by management to determine fair value. As at 30 June 2018, Aldar Investments had investment properties valued at AED 13,962 million on its balance sheet.

The determination of the fair value of investment property is based on certain assumptions made by Aldar Investments' management, which are subject to uncertainty and might differ materially from other valuations and the realisable value of such property. In addition, the continuing volatility in the global financial system and in the real estate industry has contributed to a significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 30 June 2018, 31 December 2017, 31 December 2016 and 31 December 2015, the valuers used their market knowledge and professional judgement and did not rely solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than that which exists in a more active market in estimating market values of investment property. See "*Risk factors—Risks Relating to Aldar Investments' investment properties and operating businesses—Real estate valuation is inherently subjective and uncertain, and real estate investments are illiquid*".

The table below shows the net changes in fair value of Aldar Investments' investment properties in each of the six months ended 30 June 2018 and 30 June 2017 and in each of 2017, 2016 and 2015.

	<b>Six months ended 30 June</b>				
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Change in fair value.....	(190,804)	(39,842)	(456,193)	(127,072)	1,168,023

*(AED thousands)*

The changes in fair value recorded by Aldar Investments in the six months ended 30 June 2018 and in each of 2017, 2016 and 2015 principally reflected the outcome of the independent valuations undertaken. The negative changes in valuation in the six months ended 30 June 2018 and in 2017 and 2016 were driven by:

- an internal assessment of the potential value impact of certain Yas Mall tenant support measures taken in the six months ended 30 June 2018;
- continued market softness across Aldar Investments' residential, office, retail and hospitality asset portfolios in 2017; and
- moderate market softness for Aldar Investments' residential portfolio, community retail and hospitality assets in 2016.

The positive change in valuation in 2015 was principally driven by the addition of new residential units and the completion of Yas Mall (which opened in November 2014) and strong performance across Aldar Investments' residential and commercial portfolios (including the successful leasing of key assets such as al rayanna and The Gate Towers & Arc), offset by softer hospitality performance.

These changes have had a significant impact on Aldar Investments' reported profit for each year.

It is possible that Aldar Investments could record significant fair value losses or gains in future periods as a result of the development of property rental rates and prices in Abu Dhabi over which it has no control or for other reasons.

In particular, in periods when market conditions are particularly challenging leading to pressure on rental pricing and non-renewal of leases of Aldar Investments' investment properties, this could result in lower profit and fair value losses in relation to those properties. To the extent that conditions experienced to date in 2018 remain poor, it is possible that Aldar Investments could experience some or all of these consequences in 2018. Changes in the fair value of Aldar Investments' investment properties do not represent cash inflows or outflows.

#### **Depreciation of, and impairment charges in relation to, Aldar Investments' hospitality properties**

Aldar Investments' hospitality properties are classified as property and equipment. As a result, they are recorded in its statement of financial position at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the hospitality property concerned. Subsequent costs related to the property are included in its carrying value (or recognised as a separate asset) only when it is probable that future economic benefits associated with the costs will flow to Aldar Investments and the costs can be reliably measured. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

Aldar Investments uses the straight line method to depreciate its hospitality properties over a period of 20 to 30 years.

The table below shows the depreciation and impairment charges in respect of Aldar Investments' hospitality properties in each of the six months ended 30 June 2018 and 30 June 2017 and in each of 2017, 2016 and 2015 and the carrying value of those properties as at 31 December in each of 2017, 2016 and 2015.

	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	<i>(AED thousands)</i>				
Depreciation.....	(55,070)	(56,473)	(104,290)	(105,534)	(110,915)
Impairment.....	—	—	(32,716)	(33,583)	(139,555)
Carrying amount.....	2,014,293	2,145,758	2,106,470	2,243,148	2,378,359

For a discussion of the reasons for the impairment charges made in respect of Aldar Investments' hospitality properties in each year, see "*—Results of operations—Comparison of 2017, 2016 and 2015—General and administrative expenses*" below.

It is possible that Aldar Investments could record significant impairment charges in future periods as a result of adverse developments in the Abu Dhabi hospitality property market over which it has no control or for other reasons. In particular, in periods when market conditions are particularly challenging leading to reduced occupancy and prices at its hospitality properties, this could result in lower profit and increased impairment charges in respect of Aldar Investments' hospitality properties. To the extent that conditions experienced to date in 2018 remain poor, it is possible that Aldar Investments could experience some or all of these consequences in 2018.

Depreciation and impairment charges in respect of Aldar Investments' hospitality properties do not represent cash inflows or outflows.

## RECENT DEVELOPMENTS

On 7 May 2018, Aldar announced the acquisition of a portfolio of real estate assets worth AED 3.7 billion from TDIC. The portfolio includes 14 operating assets within a range of sectors, including retail, residential, commercial and hospitality, and a portfolio of projects under development and land plots. The sale is expected to complete in the second half of 2018 and the current intention is that Aldar Investments will acquire from Aldar those income generating assets acquired by Aldar from TDIC that complement Aldar Investments' existing portfolio. The acquisition by Aldar Investments is expected to be funded through a combination of debt, including the revolving loan provided by Aldar, and equity.

## SIGNIFICANT ACCOUNTING POLICIES

The Carve-Out Financial Statements have been prepared in accordance with IFRS. For a discussion of the accounting policies applied by Aldar Investments generally, see note 3 to the Annual Carve-Out Financial Statements.

## CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing Aldar Investments' financial statements, management will be required to make certain estimates, judgments and assumptions. These will affect the reported amounts of Aldar Investments' assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management expects to base its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and to evaluate the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Carve-Out Financial Statements, see note 4 to the Annual Carve-Out Financial Statements and note 4 to the Interim Carve-Out Financial Statements. This note identifies:

- the determination of transaction prices in contracts with customers;
- the determination of the discount rate used for the initial measurement of lease liability where Aldar Investments is a lessee;
- the classification of properties as investment properties; property and equipment; and/or properties held for sale; and

- the determination that Aldar Investments is a going concern,

as the critical judgments and:

- the determination of the fair value of investment properties;
- the determination of whether hospitality properties are impaired;
- the determination of whether trade and other receivables are impaired,

as the key sources of estimation uncertainty.

## RESULTS OF OPERATIONS

### Six months ended 30 June 2018 compared to six months ended 30 June 2017

#### Gross profit

Aldar Investments' gross profit represents the difference between its revenue and cost of revenue. Aldar Investments' revenue is derived from (i) the letting of its investment properties and (ii) the operation of its hospitality properties. Its cost of revenue in the periods under review comprised (i) for both investment and hospitality properties, direct staff costs, housekeeping and facilities management, utility costs, security, and repairs and maintenance and (ii) for its hospitality properties, direct costs such as food and beverages, and the fees which it pays its hotel management companies. As Aldar Investments has no employees, its future costs of revenue will include amounts paid under the Asset Management and Services Agreement in respect of direct staff costs.

The table below shows the breakdown of Aldar Investments' revenue and cost of revenue in each of the six months ended 30 June 2018 and 30 June 2017.

	Investment properties		Hospitality		Total	
	(AED thousands)	(% of total)	(AED thousands)	(% of total)	(AED thousands)	(% of total)
<b>Six months ended 30 June 2018</b>						
Revenue excluding service charge	659,384	76.3	205,196	23.7	864,580	100.0
Revenue from service charge .....	53,867	100.0	—	—	53,867	100.0
<b>Gross revenue</b> .....	<b>713,251</b>	<b>77.7</b>	<b>205,196</b>	<b>22.3</b>	<b>918,447</b>	<b>100.0</b>
Cost of revenue excluding service charge .....	(83,101)	31.9	(177,724)	68.1	(260,825)	100.0
Service charge expenses .....	(53,867)	100.0	—	—	(53,867)	100.0
<b>Gross profit</b> .....	<b>576,283</b>	<b>95.4</b>	<b>27,472</b>	<b>4.6</b>	<b>603,755</b>	<b>100.0</b>
<b>Six months ended 30 June 2017</b>						
Revenue excluding service charge	644,824	74.8	217,588	25.2	862,412	100.0
Revenue from service charge .....	53,200	100.0	—	—	53,200	100.0
<b>Gross revenue</b> .....	<b>698,024</b>	<b>76.2</b>	<b>217,588</b>	<b>23.8</b>	<b>915,612</b>	<b>100.0</b>
Cost of revenue excluding service charge .....	(78,494)	29.9	(184,378)	70.1	(262,872)	100.0
Service charge expenses .....	(53,200)	100.0	—	—	(53,200)	100.0
<b>Gross profit</b> .....	<b>566,330</b>	<b>94.5</b>	<b>33,210</b>	<b>5.5</b>	<b>599,540</b>	<b>100.0</b>

#### Revenue

Aldar Investments' total revenue (excluding service charge) for the six months ended 30 June 2018 amounted to AED 865 million compared to AED 862 million in the corresponding period of 2017.

The increase of AED 2.2 million, or 0.3 per cent., in the six months ended 30 June 2018 compared to the six months ended 30 June 2017 reflected:

- an increase of AED 15 million, or 2.3 per cent., in revenue (excluding service charge) from investment properties, which principally resulted from additional assets contributing revenue to the portfolio; and
- a fall of AED 12 million, or 5.7 per cent., in hospitality revenue, which principally resulted from seasonality and room rate competition.

### Cost of revenue

Aldar Investments' cost of revenue (excluding service charge) for the six months ended 30 June 2018 amounted to AED 261 million compared to AED 263 million for the corresponding period in 2017.

The fall of AED 2 million, or 0.8 per cent., in the 2018 period compared to the 2017 period reflected:

- an increase of AED 5 million, or 6.0 per cent., in cost of revenue (excluding service charge) from investment properties; and
- a fall of AED 7 million, or 3.9 per cent., in cost of hospitality revenue, which is related to the decrease in revenue across Aldar Investments' hospitality properties.

### Gross profit

Reflecting the above factors, Aldar Investments' gross profit was AED 604 million in the six months ended 30 June 2018 and AED 600 million in the corresponding period of 2017, an increase of AED 4 million, or 0.7 per cent. Aldar Investments' gross profit margin was 65.7 per cent. in the six months ended 30 June 2018 compared to 65.5 per cent. in the corresponding period of 2017. The gross profit margins for the investment properties business and the hospitality business were 80.8 per cent. and 13.4 per cent, respectively, in the 2018 period compared to 81.1 per cent. and 15.3 per cent, respectively, in the 2017 period.

### Selling and marketing expenses

Aldar Investments' selling and marketing expenses relate to advertising (principally brand awareness campaigns and advertisements targeted at particular investment or hospitality properties) and exhibitions and sponsorships (aimed at promoting Aldar Investments' investment and hospitality properties).

The table below shows the breakdown of Aldar Investments' selling and marketing expenses in each of the six months ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June			
	2018		2017	
	(AED thousands)	(% of total)	(AED thousands)	(% of total)
Advertising .....	3,122	85.0	4,796	92.3
Exhibitions and sponsorships.....	551	15.0	398	7.7
<b>Total selling and marketing expenses .....</b>	<b>3,673</b>	<b>100.0</b>	<b>5,194</b>	<b>100.0</b>

Aldar Investments' selling and marketing expenses for the six months ended 30 June 2018 amounted to AED 4 million compared to AED 5 million for the corresponding period in 2017. The AED 1.5 million fall in selling and marketing expenses in the 2018 period principally reflected lower advertising expenses.

### General and administrative expenses

Aldar Investments' general and administrative expenses comprise depreciation and amortisation costs which principally relate to its hospitality properties, all of which are classified as property and equipment and are depreciated on a straight line basis over 20-30 years, staff costs, provisions, impairments and write downs, net of recoveries, and other general and administrative expenses.

The table below shows the breakdown of Aldar Investments' general and administrative expenses in each of the six months ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June			
	2018		2017	
	(AED thousands)	(% of total)	(AED thousands)	(% of total)
Depreciation and amortisation .....	58,785	60.1	60,240	64.5
<i>Of which, hospitality properties .....</i>	<i>55,070</i>	<i>56.3</i>	<i>56,473</i>	<i>60.4</i>
Staff costs .....	26,493	27.1	28,930	31.0
Provisions, impairments and write downs/(reversal), net .....	7,789	8.0	(2,337)	(2.5)
Others .....	4,752	4.8	6,589	7.0
<b>Total general and administrative expenses .....</b>	<b>97,819</b>	<b>100.0</b>	<b>93,422</b>	<b>100.0</b>

Aldar Investments' general and administrative expenses for the six months ended 30 June 2018 amounted to AED 98 million compared to AED 93 million for the corresponding period in 2017.

The AED 4 million, or 4.7 per cent., increase in general and administrative expenses in the six months ended 30 June 2018 principally reflected an AED 8 million provision in the six months ended 30 June 2018 compared to an AED 2 million reversal in the six months ended 30 June 2017, offset by small falls in each of the other categories of general and administrative expenses in the six months ended 30 June 2018 compared to the six months ended 30 June 2017.

***Fair value loss on investment properties, net***

See "Principal factors affecting results of operations—Change in the fair value of Aldar Investments' investment properties" for a description of the accounting treatment for Aldar Investments' investment properties.

Aldar Investments' investment properties generated a fair value loss of AED 191 million in the six months ended 30 June 2018 compared to a fair value loss of AED 40 million in the corresponding period in 2017. This increased loss in the 2018 period principally reflected a fair value loss of AED 150 million based on an internal assessment of the potential value impact of certain Yas Mall tenant support measures taken.

***Finance costs***

Aldar Investments did not record any finance income in either of the six month periods.

The table below shows Aldar Investments' finance cost in each of the six months ended 30 June 2018 and 30 June 2017.

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>(AED thousands)</i>	
Finance cost on borrowings .....	110,265	102,751
Unwinding finance cost on operating lease liability .....	4,773	5,111
<b>Total net finance cost</b> .....	<b>115,038</b>	<b>107,862</b>

Aldar Investments' finance cost was AED 115 million in the six months ended 30 June 2018 compared to AED 108 million in the corresponding period of 2017. The AED 7 million, or 6.7 per cent., increase in the 2018 period principally reflected a drawdown in the 2018 period under an existing facility.

Aldar Investments' finance costs may be materially different in future periods reflecting the fact that it will not assume all of the borrowings included in the Interim Carve-Out Financial Statements. See "—Borrowings" below.

***Profit for the period***

Reflecting the above factors and principally the fair value changes in its investment properties, Aldar Investments' profit for the period was AED 196 million in the six months ended 30 June 2018 compared to AED 353 million in the corresponding period of 2017. Excluding the fair value changes, Aldar Investments' profit for the period in the six months ended 30 June 2018 would have been AED 387 million compared to AED 393 million in the corresponding period of 2017.

***Other comprehensive income/(loss)***

Aldar Investments' only comprehensive income/(loss) item is the fair value changes in its cash flow hedges entered into to swap floating rates of interest under borrowings entered into by it in mid-2016 for fixed rates of interest. These fair value changes amounted to an income of AED 74 million in the six months ended 30 June 2018 and a loss of AED 24 million in the six months ended 30 June 2017. Although these swap arrangements relate to borrowings which were not transferred from Aldar to Aldar Investments, it is intended that the benefit of these swap arrangements is passed down from Aldar to Aldar Investments through a back-to-back interest rate swap with matching terms.

## Comparison of 2017, 2016 and 2015

### Gross profit

The table below shows the breakdown of Aldar Investments' revenue and cost of revenue in each of 2017, 2016 and 2015.

	Investment properties		Hospitality		Total	
	(AED thousand)	(% of total)	(AED thousand)	(% of total)	(AED thousand)	(% of total)
<b>2017</b>						
Revenue excluding service charge	1,288,767	72.9	479,840	27.1	1,768,607	100.0
Revenue from service charge .....	110,071		—		110,071	
<b>Gross revenue</b> .....	<b>1,398,838</b>	<b>74.5</b>	<b>479,840</b>	<b>25.5</b>	<b>1,878,678</b>	<b>100.0</b>
Cost of revenue excluding service charge .....	(165,117)	30.3	(380,429)	69.7	(545,546)	100.0
Service charge expenses .....	(110,071)		—		(110,071)	
<b>Gross profit</b> .....	<b>1,123,650</b>	<b>91.9</b>	<b>99,411</b>	<b>8.1</b>	<b>1,223,061</b>	<b>100.0</b>
<b>2016</b>						
Revenue excluding service charge	1,329,589	72.2	512,120	27.8	1,841,709	100.0
Revenue from service charge .....	117,035		—		117,035	
<b>Gross revenue</b> .....	<b>1,446,624</b>	<b>73.9</b>	<b>512,120</b>	<b>26.1</b>	<b>1,958,744</b>	<b>100.0</b>
Cost of revenue excluding service charge .....	(159,762)	28.3	(404,742)	71.7	(564,504)	100.0
Service charge expenses .....	(117,035)		—		(117,035)	
<b>Gross profit</b> .....	<b>1,169,827</b>	<b>91.6</b>	<b>107,378</b>	<b>8.4</b>	<b>1,277,205</b>	<b>100.0</b>
<b>2015</b>						
Revenue excluding service charge	1,228,469	67.1	603,498	32.9	1,831,967	100.0
Revenue from service charge .....	111,107		—		111,107	
<b>Gross revenue</b> .....	<b>1,339,576</b>	<b>68.9</b>	<b>603,498</b>	<b>31.1</b>	<b>1,943,074</b>	<b>100.0</b>
Cost of revenue excluding service charge .....	(185,497)	29.7	(438,165)	70.3	(623,662)	100.0
Service charge expenses .....	(111,107)		—		(111,107)	
<b>Gross profit</b> .....	<b>1,042,972</b>	<b>86.3</b>	<b>165,333</b>	<b>13.7</b>	<b>1,208,305</b>	<b>100.0</b>

### Revenue

Aldar Investments' total revenue (excluding service charge) for 2017 amounted to AED 1,769 million compared to AED 1,842 million for 2016 and AED 1,832 million for 2015.

#### 2017 compared to 2016

The fall of AED 73 million, or 4.0 per cent., in 2017 compared to 2016 reflected:

- a fall of AED 41 million, or 3.1 per cent., in revenue (excluding service charge) from investment properties, which principally resulted from lower average occupancy and lower average lease rates in respect of Aldar Investments' retail and residential investment properties; and
- a fall of AED 32 million, or 6.3 per cent., in hospitality revenue, which principally resulted from a fall in the average daily rate and in the revenue per available room (**RevPAR**) across Aldar Investments' hospitality properties.

In each case, the negative trends reflected deteriorating market conditions in Abu Dhabi. See "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*".

#### 2016 compared to 2015

The increase of AED 10 million, or 0.5 per cent., in 2016 compared to 2015 reflected:

- an increase of AED 101 million, or 8.2 per cent., in revenue (excluding service charge) from investment properties, which is net of the negative effects of lower occupancy and rates and principally reflected three factors: the ramp up of the leasing of Yas Mall which opened in November 2014 and increased its revenue by AED 46 million in 2016 compared to 2015; the

addition of Daman House (a commercial property) in December 2015 which had an AED 28 million full year impact in 2016; and the addition of 200 residential units at Reem Island in the second quarter of 2015 (which had a full year impact in 2016) and accounted for most of the balance of the increase; and

- a fall of AED 91 million, or 15.1 per cent., in hospitality revenue, which principally resulted from a fall in the average daily rate and in the RevPAR across Aldar Investments' hospitality properties, again reflecting deteriorating market conditions in the Abu Dhabi hospitality market.

#### *Cost of revenue*

Aldar Investments' cost of revenue (excluding service charge) for 2017 amounted to AED 546 million compared to AED 565 million for 2016 and AED 624 million for 2015.

#### *2017 compared to 2016*

The fall of AED 19 million, or 3.4 per cent., in 2017 compared to 2016 reflected:

- an increase of AED 5.3 million, or 3.4 per cent., in cost of revenue (excluding service charge) from investment properties; and
- a fall of AED 24.3 million, or 6.0 per cent., in cost of hospitality revenue, which is related to the decrease in revenue across Aldar Investments' hospitality properties.

Aldar Investments' cost of revenue in 2016 was also impacted by its early adoption of IFRS 16. See "*Presentation of financial and other information—Presentation of financial information—Comparability of information*".

#### *2016 compared to 2015*

The fall of AED 59 million, or 9.5 per cent., in 2016 compared to 2015 reflected:

- a fall of AED 26 million, or 13.9 per cent., in cost of revenue (excluding service charge) from investment properties, which principally reflected a reduction in utilities costs at Yas Mall and a new facilities management contract for Aldar Investments' residential properties with a significantly lower cost per square foot than the previous contract; and
- a fall of AED 33 million, or 7.6 per cent., in cost of hospitality revenue, which is related to the decrease in revenue across Aldar Investments' hospitality properties.

Aldar Investments' cost of revenue in 2016 was also impacted by its early adoption of IFRS 16. See "*Presentation of financial and other information—Presentation of financial information—Comparability of information*".

#### *Gross profit*

Reflecting the above factors, Aldar Investments' gross profit was AED 1,223 million in 2017, AED 1,277 million in 2016 and AED 1,208 million in 2015, a fall of AED 54 million, or 4.2 per cent., in 2017 compared to 2016 and an increase of AED 69 million, or 5.7 per cent., in 2016 compared to 2015. Aldar Investments' gross profit margin was 69.2 per cent. in 2017 compared to 69.3 per cent. in 2016 and 66.0 per cent. in 2015. The gross profit margins for the investment properties business and the hospitality business were 80.3 per cent. and 20.7 per cent, respectively, in 2017 compared to 80.9 per cent. and 21.0 per cent, respectively, in 2016 and 77.9 per cent. and 27.4 per cent, respectively, in 2015. The improvement in the investment property gross profit margin in 2016 was principally driven by the fact that the direct cost base of the investment properties is mostly fixed so significant increases in investment property revenue generally result in an improved gross profit margin. The decline in the hospitality gross profit margin in 2016 was principally driven by a softening of average daily rates and falls in food and beverage income, which reflected reduced corporate demand, lower oil prices, reduced Government spending and a stronger dollar.

### *Selling and marketing expenses*

The table below shows the breakdown of Aldar Investments' selling and marketing expenses in each of 2017, 2016 and 2015.

	2017		2016		2015	
	(AED thousand)	(% of total)	(AED thousand)	(% of total)	(AED thousand)	(% of total)
Advertising .....	7,781	88.0	8,688	94.5	6,499	100.0
Exhibitions and sponsorships.....	1,065	12.0	507	5.5	—	—
<b>Total selling and marketing expenses...</b>	<b>8,846</b>	<b>100.0</b>	<b>9,195</b>	<b>100.0</b>	<b>6,499</b>	<b>100.0</b>

Aldar Investments' selling and marketing expenses for 2017 amounted to AED 9 million compared to AED 9 million for 2016 and AED 6 million for 2015.

#### *2017 compared to 2016*

The AED 0.3 million fall in selling and marketing expenses in 2017 principally reflected an AED 1 million, or 10.4 per cent., fall in advertising offset by an AED 558 thousand increase in exhibitions and sponsorships expense.

#### *2016 compared to 2015*

The AED 3 million, or 41.5 per cent., increase in selling and marketing expenses in 2016 principally reflected an AED 2 million, or 33.7 per cent., increase in advertising coupled with an AED 507 thousand expense related to exhibitions and sponsorships in 2016 compared to no similar expense in 2015.

### *General and administrative expenses*

The table below shows the breakdown of Aldar Investments' general and administrative expenses in each of 2017, 2016 and 2015.

	2017		2016		2015	
	(AED thousand)	(% of total)	(AED thousand)	(% of total)	(AED thousand)	(% of total)
Depreciation and amortisation .....	121,014	51.5	122,861	55.7	126,883	37.9
<i>Of which, hospitality properties.....</i>	<i>104,290</i>	<i>44.4</i>	<i>105,534</i>	<i>47.9</i>	<i>110,915</i>	<i>33.1</i>
Staff costs .....	58,873	25.1	57,476	26.1	56,895	17.0
Provisions, impairments and write downs, net.....	42,835	18.2	31,514	14.3	144,400	43.1
Others .....	12,055	5.1	8,528	3.9	6,900	2.1
<b>Total general and administrative expenses.....</b>	<b>234,777</b>	<b>100.0</b>	<b>220,379</b>	<b>100.0</b>	<b>335,078</b>	<b>100.0</b>

Aldar Investments' general and administrative expenses for 2017 amounted to AED 235 million compared to AED 220 million for 2016 and AED 335 million for 2015.

#### *2017 compared to 2016*

The AED 14 million, or 6.5 per cent., increase in general and administrative expenses in 2017 principally reflected an increase of AED 11 million, or 35.9 per cent., in provisions, impairments and write downs, net, which in turn principally reflected a provision for impairment in respect of trade receivables of AED 10.1 million in 2017 compared to a provision reversal of AED 2.1 million in 2016. The balance of the line item reflected impairment charges made in 2017 and 2016 in respect of Aldar Investments' hospitality properties. These charges amounted to AED 32.7 million in 2017 and AED 33.6 million in 2016. In each year the recoverable value of Aldar Investments' hospitality properties is reviewed. In 2017, the review was based on the discounted cash flow method using a yield of 7.5 per cent. to 9.0 per cent. whereas in 2016 the yield used was 7.75 per cent. to 10.0 per cent.

#### *2016 compared to 2015*

The AED 115 million, or 34.2 per cent., fall in general and administrative expenses in 2016 principally reflected an AED 112 million, or 78.1 per cent., fall in net provisions, impairment and write downs. Aldar Investments' provision in respect of its hospitality properties in 2015 was AED 140 million, driven by a

review of the recoverable value of the hospitality properties based on the discounted cash flow method using a significantly higher yield of 11.0 per cent. to 12.75 per cent. In addition, in 2015 Aldar Investments recorded an AED 5 million provision for impairment in respect of trade receivables.

In 2017, Aldar Investments conducted a sensitivity analysis for all its hospitality properties. The analysis was conducted on both a RevPAR and a discount rate and exit yield basis. Based on this sensitivity analysis, as of 31 December 2017:

- an increase in the RevPAR by 10 per cent. would have resulted in an AED 402 million, or 19.5 per cent., increase in the recoverable value, whilst a decrease in the RevPAR by 10 per cent. would have resulted in an AED 401 million, or 19.4 per cent., decrease in the recoverable value; and
- a decrease in the discount rate and exit yield by 50 basis points would have resulted in an AED 148 million, or 7.2 per cent., increase in the recoverable value, whilst an increase in the discount rate and exit yield by 50 basis points would have resulted in an AED 130 million, or 6.3 per cent., decrease in the recoverable value.

#### ***Gain on disposal of investment properties***

In each of 2017, 2016 and 2015, Aldar Investments recorded gains on the disposal of investment properties. These gains related to the disposal of residential units in Sun & Sky Towers in 2017 for a gain of AED 4 million and in 2016 for a gain of AED 14 million and residential units in Sun & Sky Towers and in Al Zeina in 2015 for gains of AED 27 million and AED 5 million, respectively.

#### ***Fair value (loss)/gain on investment properties, net***

See "*Principal factors affecting results of operations—Change in the fair value of Aldar Investments' investment properties*" for a description of the accounting treatment for Aldar Investments' investment properties. The table shows the key assumptions used in valuing Aldar Investments' investment properties in 2017, 2016 and 2015.

	2017	2016	2015
	<i>(Range in per cent.)</i>		
Targeted internal rate of return .....	9 – 15	9 – 15	12 – 17
Rental yield.....	7 – 12	7 – 12	7 – 12

Based on the valuations undertaken, Aldar Investments' investment properties showed a decline in fair value of AED 456 million in 2017 and AED 127 million in 2016 and an increase in fair value of AED 1,168 million in 2015. Aldar Investments' fair value loss on investment properties in 2016 was also impacted by its early adoption of IFRS 16. See "*Presentation of financial and other information—Presentation of financial information—Comparability of information*".

In 2017, Aldar Investments conducted a sensitivity analysis for the seven largest assets in its investment property portfolio. The analysis was conducted on both a rental rates and a capitalisation/discount rates basis. Based on this sensitivity analysis, as of 31 December 2017:

- an increase in rental rates by 10 per cent. would have resulted in an AED 833 million, or 7.7 per cent., increase in the valuation, whilst a decrease in rental rates by 10 per cent. would have resulted in an AED 850 million, or 7.9 per cent., decrease in the valuation; and
- a decrease in the capitalisation/discount rate by 50 basis points would have resulted in an AED 654 million, or 6.1 per cent., increase in the valuation, whilst an increase in the capitalisation/discount rate by 50 basis points would have resulted in an AED 611 million, or 5.7 per cent., decrease in the valuation.

#### ***Finance income and costs***

Aldar Investments' finance income amounted to AED 10 million in 2017 and represented interest on an outstanding balance due from a related party. Aldar Investments did not record any finance income in 2016 or 2015. Aldar Investments records finance cost on its borrowings and, following its implementation

of IFRS 16 from 1 January 2016, in relation to an operating lease liability. The table below shows Aldar Investments' finance cost in each of 2017, 2016 and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<i>(AED thousands)</i>		
Finance cost on borrowings .....	208,061	197,937	216,638
Unwinding finance cost on operating lease liability .....	10,224	10,905	—
<b>Total finance cost</b> .....	<b><u>218,285</u></b>	<b><u>208,842</u></b>	<b><u>216,638</u></b>

Aldar Investments' finance cost was AED 218 million in 2017 compared to AED 209 million in 2016 and AED 217 million in 2015. The AED 9 million, or 4.3 per cent., increase in 2017 principally reflected an increase of AED 10 million, or 5.5 per cent., in finance cost of borrowings which resulted from increases in the rate payable on loans at variable rates and the addition of new loans in 2017.

The AED 8 million, or 3.6 per cent., fall in 2016 principally reflected an AED 19 million fall in finance cost on borrowings which was mainly due to the fact that Aldar Investments' average outstanding bank debt over 2016 was lower than in 2015 and which was offset by an AED 11 million unwinding cost on an operational lease liability incurred in 2016 compared to no such cost being incurred in 2015. This unwinding cost arose as a result of Aldar Investments' early adoption of IFRS 16. See "*Presentation of financial and other information—Presentation of financial information—Comparability of information*".

### ***Profit for the year***

Reflecting the above factors and principally the fair value changes in its investment properties, Aldar Investments' profit for the year was AED 319 million in 2017 compared to AED 726 million in 2016 and AED 1,850 million in 2015. Excluding the fair value changes, Aldar Investments' profit for the year in 2017 would have been AED 775 million, compared to AED 853 million in 2016 and AED 682 million in 2015.

### ***Other comprehensive loss***

Aldar Investments' only comprehensive loss item was an AED 6 million negative fair value change in 2017 in its cash flow hedges entered into to swap floating rates of interest under borrowings entered into by it in mid-2016 for fixed rates of interest. Although these swap arrangements relate to borrowings which were not transferred from Aldar to Aldar Investments, it is intended that the benefit of these swap arrangements is passed down from Aldar to Aldar Investments through a back-to-back interest rate swap with matching terms.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

Aldar Investments' financing requirements are primarily to fund asset acquisitions. Aldar Investments typically seeks to fund its expenditures and working capital needs from cash flow from operations.

Aldar Investments has committed credit facilities of AED 4.8 billion made up of AED 1.8 billion bank credit facilities and an AED 3.0 billion committed revolving credit facility with Aldar. As at the date of this Prospectus AED 1.0 billion was drawn against these facilities. Aldar Investments is also in the process of concluding an additional AED 0.5 billion committed bank facility due 2023. Aldar Investments intends to draw a further AED 1.3 billion under the bank facilities and AED 0.95 billion under the Aldar facility shortly after the date of this Prospectus to achieve outstanding indebtedness of AED 6.0 billion, which corresponds to 37.4 per cent. of the total value of its asset management portfolio as at 30 June 2018 based on an illustrative issuance of U.S.\$750 million of Certificates.

Aldar Investments expects that the level of its outstanding borrowings will remain in line with its debt policy which requires that its total debt expressed as a percentage of the total value of its asset management portfolio should be between 35 and 40 per cent.

Although Aldar Investments is not subject to any externally imposed capital requirements, it is subject to financial covenants under certain of its financings, which may limit its ability to undertake additional financings. These covenants include observing a minimum level of tangible net worth and a minimum collateral cover ratio.

## Cash flow

The table below summarises Aldar Investments' cash flow from operating activities, investing activities and financing activities for each of the six months ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June	
	2018	2017
	<i>(Unaudited)</i> <i>(AED thousands)</i>	
Net cash generated from operating activities .....	373,497	421,012
Net cash used in investing activities.....	(130,620)	(144,799)
Net cash used in financing activities .....	(304,420)	(374,538)
Cash and cash equivalents at 1 January.....	180,084	216,082
Cash and cash equivalents at 30 June.....	118,541	117,757

The table below summarises Aldar Investments' cash flow from operating activities, investing activities and financing activities for each of 2017, 2016 and 2015.

	2017	2016	2015
	<i>(AED thousands)</i>		
Net cash generated from operating activities .....	1,128,013	1,063,885	778,444
Net cash used in investing activities.....	(919,733)	(64,791)	(316,023)
Net cash used in financing activities .....	(244,278)	(1,013,415)	(542,351)
Cash and cash equivalents at 1 January.....	216,082	230,403	310,333
Cash and cash equivalents at 31 December.....	180,084	216,082	230,403

### *Cash flow from operating activities*

Aldar Investments' net cash generated from operating activities was AED 373 million in the six months ended 30 June 2018 compared to AED 421 million in the corresponding period of 2017. Aldar Investments' cash flow from operations before working capital changes principally reflects its profit for the period adjusted to reflect its fair value gain or loss on investment properties, its depreciation and amortisation, its finance costs and its impairment provisions in respect of property and equipment. Principally reflecting these factors, Aldar Investments' operating cash flows before working capital changes were relatively constant at AED 559 million in the six months ended 30 June 2018 compared to AED 561 million in the corresponding period of 2017. Aldar Investments' principal working capital changes in the six months ended 30 June 2018 were a negative change of AED 144 million in trade and other payables. In the six months ended 30 June 2017, Aldar Investments' principal working capital changes were a negative change of AED 125 million in trade and other payables.

Aldar Investments' net cash generated from operating activities was AED 1,128 million in 2017 compared to AED 1,064 million in 2016 and AED 778 million in 2015. Aldar Investments' cash flow from operations before working capital changes principally reflects its profit for the year adjusted to reflect its fair value gain or loss on investment properties, its depreciation and amortisation, its finance costs and its impairment provisions in respect of property and equipment. Principally reflecting these factors, Aldar Investments' operating cash flows before working capital changes were relatively constant at AED 1,157 million in 2017 compared to AED 1,206 million in 2016 and AED 1,142 million in 2015. Aldar Investments' principal working capital changes in 2017 were a negative change of AED 26 million in trade and other payables and a positive change of AED 23 million in advances and security deposits. In 2016, Aldar Investments' principal working capital changes were a negative change of AED 275 million in trade and other payables and a positive change of AED 123 million in trade and other receivables and, in 2015, Aldar Investments' principal working capital changes were a negative change of AED 268 million in trade and other payables and a positive change of AED 133 million in trade and other receivables.

### *Cash flow used in investing activities*

Aldar Investments' net cash used in investing activities was AED 131 million in the six months ended 30 June 2018 compared to AED 145 million in the corresponding period of 2017. In the six months ended 30 June 2018, the principal investment made was AED 115 million spent on the Al Jimi Mall extension. In the six months ended 30 June 2017, the principal investments made were AED 33 million spent on the Al Jimi Mall extension and AED 99 million spent on the construction of the Repton School.

Aldar Investments' net cash used in investing activities was AED 920 million in 2017 compared to AED 65 million in 2016 and AED 316 million in 2015. In 2017, the principal investments made aggregated AED 906 million, of which AED 609 million was spent on the acquisition of a commercial property, International Tower, AED 158 million was spent on the Al Jimi Mall extension and AED 121 million was spent on the construction of the Repton School. Aldar Investments also received AED 15 million from the sale of residential units in Sun & Sky Towers in 2017.

In 2016, Aldar Investments' principal investment made was AED 90 million which was spent on the Al Jimi Mall extension and the construction of the Repton School. Aldar Investments also received AED 49 million from the sale of residential units in Sun & Sky Towers in 2016.

In 2015, Aldar Investments' principal investments made aggregated AED 337 million, of which AED 330 million was spent on the acquisition of Daman House, a commercial property, and the balance was spent on the Al Jimi Mall extension and the construction of the Repton School. Aldar Investments also received AED 65 million from the sale of residential units in Sun & Sky Towers and in Al Zeina in 2015.

### *Cash flow used in financing activities*

Aldar Investments' net cash used in financing activities was AED 304 million in the six months ended 30 June 2018 compared to AED 375 million in the corresponding period of 2017. In the six months ended 30 June 2018, Aldar Investments had an outflow of AED 400 million representing repayment of borrowings and an outflow of AED 103 million in finance costs paid. These outflows were partially offset by an inflow of AED 198 million in net investment by the Parent (which principally represents expense allocation and general financing provided by Aldar). In the six months ended 30 June 2017, Aldar Investments had outflows of AED 201 million in net investment by the Parent, AED 97 million in finance costs paid and AED 76 million representing borrowings repaid in the period.

Aldar Investments' net cash used in financing activities was AED 244 million in 2017 compared to AED 1,013 million in 2016 and AED 542 million in 2015. In 2017, Aldar Investments had an outflow of AED 425 million in net investment by the Parent (which principally represents expense allocation and general financing provided by Aldar) and an outflow of AED 192 million in finance costs paid. This was offset by a cash inflow of AED 372 million representing net new borrowings in the year.

In 2016, Aldar Investments had an outflow of AED 432 million in net investment by the Parent. Aldar Investments also had outflows of AED 389 million (representing net borrowings repaid) and AED 192 million in finance costs paid.

In 2015, Aldar Investments repaid AED 2,230 million in borrowings and paid AED 205 million in finance costs. These outflows were offset by an inflow of AED 1,893 million in net investment by the Parent.

### **BORROWINGS**

Aldar Investment has a conservative debt policy that targets an outstanding debt ratio of between 35 and 40 per cent. of the total value of its asset management portfolio.

As at 30 June 2018, the borrowings shown in the Interim Carve-Out Financial Statements comprised:

- AED 2.2 billion outstanding bank borrowings, comprising seven bilateral secured term loan facilities and two secured Islamic facilities (which are described further below); and
- U.S.\$750 million (equivalent to AED 2.76 billion) unsecured sukuk issued in December 2013, which has a profit rate of 4.348 per cent. and is due for repayment in December 2018. This borrowing is not being transferred to Aldar Investments as part of the reorganisation.

The table below shows certain information in relation to Aldar Investments' bank borrowings as at 30 June 2018 and as at 31 December in each of 2017, 2016 and 2015.

	As at 30 June	As at 31 December		
	2018	2017	2016	2015
			<i>(AED thousands)</i>	
1. Government loan <sup>(1)</sup> .....	—	—	163,009	244,515
2. Term loan due December 2017 <sup>(2)</sup> .....	—	—	312,500	625,000

	As at 30 June	As at 31 December		
	2018	2017	2016	2015
			<i>(AED thousands)</i>	
3. Term loan due November 2018 <sup>(3)</sup> .....	407,389	807,389	959,472	959,472
4. Term loan due June 2019 <sup>(4)</sup> .....	160,000	160,000	160,000	160,000
5. Term loan due July 2019 <sup>(5)</sup> .....	600,000	600,000	600,000	600,000
6. Lease facility due December 2019 <sup>(6)</sup> .....	80,000	80,000	80,000	80,000
7. Term loan due August 2021 <sup>(7)</sup> .....	500,000	500,000	—	—
8. Term loan due August 2023 <sup>(8)</sup> .....	5,000	5,000	5,000	—
9. Term loan due August 2023 <sup>(9)</sup> .....	500,000	500,000	—	—
Unamortised borrowing cost .....	(18,670)	(24,727)	(36,955)	(38,181)
Accrual for interest and profit costs .....	7,849	8,118	7,232	6,157
<b>Total bank borrowings</b> .....	<b>2,241,568</b>	<b>2,635,780</b>	<b>2,250,258</b>	<b>2,636,963</b>

(1) This loan carried interest at one-year U.S. dollar LIBOR plus 0.35 per cent.

(2) This loan carried interest at three-month EBOR plus 1.0 per cent.

(3) This loan carries interest at three-month LIBOR plus 1.4 per cent. and is wholly-classified as a current liability.

(4) This loan carries interest at relevant EIBOR plus 1.4 per cent.

(5) This loan carries interest at relevant EIBOR plus 1.3 per cent.

(6) This loan carries interest at relevant EIBOR plus 1.4 per cent.

(7) This loan carries interest at relevant EIBOR plus 1.25 per cent.

(8) This loan carries interest at relevant EIBOR plus 1.8 per cent.

(9) This loan carries interest at relevant EIBOR plus 1.3 per cent.

### Facilities retained or prepaid by Aldar

In November 2013, Aldar signed a term loan facility with First Abu Dhabi Bank PJSC for AED 1.25 billion repayable in four equal instalments commencing December 2014 (referred to as loan 1 in the table above). This loan was secured by the assignment of First Abu Dhabi Bank PJSC receivables and the balance was fully repaid in December 2017.

In November 2013, Aldar signed a term loan facility for U.S.\$750 million (AED 2.75 billion) of which U.S.\$375 million was prepaid in 2015 and the remaining U.S.\$375 million is repayable in quarterly instalments until November 2018 (referred to as loan 3 in the table above). The balance as at 30 June 2018 was U.S.\$111 million (AED 407 million).

In July 2014, Aldar signed a number of bilateral facilities with banks for AED 3 billion. The facilities comprised (i) AED 1.8 billion of committed revolving facilities with a tenor of three years and (ii) AED 1.2 billion of term facilities with a tenor of five years (referred to as loans 4, 5 and 6 in the table above). In December 2015, Aldar renegotiated the terms of the revolving credit facilities increasing the revolving facility amounts from AED 1.8 billion to AED 1.98 billion and extending the maturity until 31 March 2021 with an option to extend the maturity for a further two years. As at 30 June 2018, the revolving credit facilities remained committed and undrawn and therefore do not appear in the table above. The term facilities were also subsequently increased to AED 1.4 billion.

### Facilities transferred to Aldar Investments

In August 2016, Aldar signed new bilateral term facilities with banks for AED 1.8 billion to refinance its existing loans due to mature at the end of 2018. The new facilities comprised:

- an AED 400 million facility with a tenor of 10 years (which is not included in the table above as no amounts were drawn under it as at 30 June 2018);
- an AED 500 million facility with a tenor of five years (referred to as loan 7 in the table above); and
- two facilities with a combined amount of AED 900 million and a tenor of seven years (as at 30 June 2018, one drawing had been made under each facility and those drawings are referred to as loans 8 and 9 in the table above).

AED 1.0 billion of these facilities transferred to Aldar Investments (loans 7 and 9 in the table above) have been converted to US dollar loans with a value of USD 272 million and interest rates based on USD Libor. All the facilities transferred are secured and have bullet maturities. As at 30 June 2018, AED 1.0 billion was drawn and the balance remained committed and undrawn.

The security provided to the lenders under the facilities transferred to Aldar Investments consists of mortgages over certain operating assets. The assets secured against these facilities had a total value of AED 3.2 billion as at 30 June 2018. The borrowings transferred to Aldar Investments have minimum collateral coverage ratios and a net worth covenant that requires it to maintain a minimum tangible net worth of AED 4.0 billion.

### **New revolving facility**

In addition, Aldar Investments has entered into a committed revolving credit facility of AED 3.0 billion with Aldar. The facility bears interest at EIBOR plus one per cent. and has a tenor of seven years. Each loan made must be repaid in full, and may be redrawn, at the end of each six month interest period. As of the date of this Prospectus no amounts have been drawn under this facility, however AED 0.95 billion is expected to be drawn shortly after the date of this Prospectus subject to the final value of the Certificates issued.

### **New term loan facility**

Aldar Investments is in the process of signing a further bank term loan facility for AED 0.5 billion with a tenor of five years. This term loan facility will be secured with a mortgage over an operating asset and bear interest at EIBOR plus one per cent. Aldar Investments expects to complete and draw this facility in full shortly after the date of this Prospectus.

Aldar Investments intends to maintain a level of outstanding indebtedness in line with its debt policy of between 35 and 40 per cent. of the total value of its asset management portfolio. Aldar Investments intends to have outstanding indebtedness of AED 6.0 billion, which corresponds to 37.4% of the total value of its asset management portfolio as at 30 June 2018. Based on an illustrative issuance of USD 750 million of Certificates, the outstanding indebtedness of AED 6.0 billion is broken down as follows:

- (i) USD 750 million in Certificates;
- (ii) AED 1.8 billion bank term loans transferred from Aldar;
- (iii) AED 0.5 billion bank term loan under the new five year facility referred to above; and
- (iv) AED 0.95 billion drawn under the 3.0 billion committed revolving credit facility provided by Aldar.

The table below shows the maturity profile of Aldar Investments' outstanding borrowings as at 30 June 2018.

	<b>As at 30 June 2018</b>	
	<i>(AED thousands)</i>	<i>(per cent.)</i>
Due within 12 months <sup>(1)</sup> .....	3,331,213	66.6
Due from one year to five years .....	1,170,753	23.4
Due after five years .....	503,538	10.0
<b>Total borrowings</b> .....	<b>5,005,504</b>	<b>100.0</b>

<sup>(1)</sup> Comprises a sukuk and a term loan due November 2018, neither of which are being transferred to Aldar Investments in the reorganisation.

Aldar has entered into an interest rate swap contract in relation to certain of its borrowings designed to hedge its exposure to movements in interest rates. This contract is designated as a cash flow hedge and gives rise to movements in Aldar's hedging reserve and can also impact its statement of comprehensive income. As at 30 June 2018, the notional amount of this derivative included in the Interim Carve-Out Financial Statements was AED 2,867 million and it resulted in a positive change in fair value of AED 74 million recorded in the statement of comprehensive income for the six months ended 30 June 2018. Although this swap arrangement relates to borrowings which were not transferred from Aldar to Aldar Investments, it is intended that the benefit of this swap arrangement is passed down from Aldar to Aldar Investments through a back-to-back interest rate swap with matching terms.

## Capital expenditure and other commitments

As at 31 December in each of 2017, 2016 and 2015, Aldar Investments' contracted but not yet incurred capital expenditure amounted to AED 160 million, AED 420 million and AED 11 million, respectively. The committed capital expenditure as at 31 December 2017 relates to the Al Jimi Mall extension, which is expected to be completed by the end of 2018.

No assurance can be given as to the actual amounts of capital expenditure that may be incurred in future periods. The timing and amount of capital expenditure is highly dependent on market conditions, the progress of projects, new opportunities that may arise and a range of other factors outside Aldar Investments' control.

As at 31 December 2017, Aldar Investments had issued letters of credit and a bank guarantee in an aggregate amount of AED 200,000.

## ANALYSIS OF CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

Aldar Investments' principal non-cash assets are its investment properties, its property and equipment (which includes its hospitality assets) and its trade and other receivables, which together amounted to AED 16,365 million, or 98.3 per cent., of Aldar Investments' total assets at 30 June 2018.

### Investment properties

The fair value of Aldar Investments' investment properties was AED 13,962 million, or 83.4 per cent. of its total assets, as at 30 June 2018 compared to AED 14,007 million, or 83.8 per cent. of its total assets as at 31 December 2017, AED 13,549 million, or 82.3 per cent. of its total assets, as at 31 December 2016 and AED 13,433 million, or 80.9 per cent. of its total assets, as at 31 December 2015. The AED 459 million, or 3.4 per cent., higher value at 31 December 2017 compared to 31 December 2016 principally reflected additions during the year of AED 902 million (see —"Liquidity and capital resources—Cash flow—Cash flow used in investing") less an AED 456 million decrease in fair value of the portfolio during the year. In the six months ended 30 June 2018 and in the year ended 31 December 2016, the fair value of the portfolio remained relatively flat, decreasing by 0.3 per cent. and increasing by 0.9 per cent., respectively.

### Property and equipment

The value of Aldar Investments' property and equipment was AED 2,090 million, or 12.6 per cent. of its total assets, as at 30 June 2018 compared to AED 2,165 million, or 12.9 per cent. of its total assets, as at 31 December 2017, AED 2,300 million, or 13.9 per cent. of its total assets, as at 31 December 2016 and AED 2,444 million, or 14.7 per cent. of its total assets, as at 31 December 2015. Aldar Investments' property and equipment principally comprises its hospitality properties and the changes in value in each year principally reflect the impact of modest additions less depreciation and impairment charges.

### Trade and other receivables

As at 30 June 2018, Aldar Investments' trade and other receivables amounted to AED 313 million, or 1.9 per cent. of its total assets, compared to AED 286 million, or 1.7 per cent. of its total assets, as at 31 December 2017, AED 289 million, or 1.7 per cent. of its total assets, as at 31 December 2016 and AED 410 million, or 2.4 per cent. of its total assets, as at 31 December 2015. Aldar Investments' trade and other receivables principally comprise amounts due from tenants in its investment properties.

The table shows Aldar Investments' trade and other receivables as at 30 June 2018 and as at 31 December in each of 2017, 2016 and 2015.

	<u>As at 30 June</u>	<u>As at 31 December</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
		<i>(AED thousands)</i>		
Trade receivables .....	231,187	169,936	158,877	116,053
Less: provision for impairment .....	(33,751)	(37,527)	(27,408)	(29,477)
	<u>197,436</u>	<u>132,409</u>	<u>131,469</u>	<u>86,576</u>
Advances and prepayments .....	68,680	66,360	85,837	73,419
Accrued income .....	14,903	42,869	10,997	36,410

	<u>As at 30 June</u>	<u>As at 31 December</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Other receivables .....	31,747	<i>(AED thousands)</i>		
		44,277	61,003	213,634
<b>Total trade and other receivables .....</b>	<b><u>312,766</u></b>	<b><u>285,915</u></b>	<b><u>289,306</u></b>	<b><u>410,039</u></b>

As at 30 June 2018, 37.3 per cent. of Aldar Investments' trade receivables were due from its top five customers compared to 25 per cent. as at 31 December 2017, 14 per cent. as at 31 December 2016 and 9 per cent. as at 31 December 2015.

The table below shows the ageing of Aldar Investments' unimpaired trade receivables as at 30 June 2018 and as at 31 December in each of 2017, 2016 and 2015.

	<u>As at 30 June</u>	<u>As at 31 December</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Ageing of unimpaired trade receivables		<i>(AED thousands)</i>		
Not past due .....	176,733	90,989	104,884	79,522
Past due more than 180 days but not impaired .....	20,633	41,420	26,585	7,054
<b>Total unimpaired trade receivables .....</b>	<b><u>197,336</u></b>	<b><u>132,409</u></b>	<b><u>131,469</u></b>	<b><u>86,576</u></b>

In percentage terms, 14.6 per cent. of Aldar Investments' trade receivables were impaired as at 30 June 2018 compared to 22.1 per cent. as at 31 December 2017, 17.3 per cent. as at 31 December 2016 and 25.4 per cent. as at 31 December 2015. In addition, 8.9 per cent. of its unimpaired trade receivables as at 30 June 2018 were past due by more than 180 days compared to 24.31 per cent. as at 31 December 2017, 16.7 per cent. as at 31 December 2016 and 6.1 per cent. as at 31 December 2015. The significant increases in Aldar Investments' impaired and past due but not impaired trade receivables, both in absolute amounts and as a percentage of the total portfolio, principally reflect declining market conditions. The increase in trade receivables as at 30 June 2018 from 31 December 2017 is due to billing for advanced rent that remained unpaid pending the conclusion of lease renewal discussions. See "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' businesses is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*".

## **RELATED PARTY TRANSACTIONS**

Aldar Investments' principal related party transactions are with its direct and indirect shareholders and its and Aldar's directors and executive management and entities controlled by any of them. These transactions include all those within the line item "Net investment by the Parent" (which had balances of AED 10,592 million as at 30 June 2018, AED 10,197 million as at 31 December 2017, AED 10,303 million as at 31 December 2016 and AED 10,070 million as at 31 December 2015), and rental income (amounting to AED 50 million in the six months ended 30 June 2018, AED 140 million in 2017, AED 100 million in 2016 and AED 102 million in 2015) and a comparatively small amount of other receivables from the Government and project management income derived from both Aldar and the Government. The carve-out asset management business also had borrowings from banks controlled by the Government, which amounted to AED 1,660.1 million as at 31 December 2017. Further information on Aldar Investments' related party transactions is set out in note 21 to the Carve-Out Financial Statements and note 14 to the Interim Carve-Out Financial Statements.

## **DISCLOSURES ABOUT RISK**

Aldar Investments is exposed to a number of risks and takes steps to mitigate certain of these risks as described in note 23 to the Annual Carve-Out Financial Statements.

## DESCRIPTION OF ALDAR INVESTMENTS

*Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flow and financial position as at, and for the six months ended, 30 June 2018 and 30 June 2017 (save for the financial position) and as at, and for the years ended, 31 December in each of 2017, 2016 and 2015. Given that Aldar Investments did not exist during these periods or at these dates, all such references should be construed as being references to the performance of the assets and liabilities the subject of the Carve-Out Financial Statements. Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business.*

### OVERVIEW

Aldar Investments is an indirect wholly-owned subsidiary of Aldar and was established on 29 May 2018 as part of a corporate reorganisation undertaken by Aldar to improve its corporate and capital structure and develop an entity with a focused platform for its real estate investments. As part of this reorganisation, Aldar has transferred the assets managed by its asset management business to Aldar Investments, together with AED 1.0 billion of existing drawn bank borrowings and AED 3.8 billion of existing committed but, as of the date of this Prospectus, undrawn debt facilities. This business had total assets of AED 16.6 billion as at 30 June 2018 and principally comprised yielding investment properties and operating businesses.

Aldar has prepared the Carve-Out Financial Statements which illustrate the performance of the assets which comprised its asset management business over the three and half year period ended 30 June 2018. When preparing the Carve-Out Financial Statements, Aldar included all assets and liabilities directly associated with its asset management business, including borrowings (such as Aldar's U.S.\$750 million non-convertible sukuk). Notwithstanding this, a significant proportion of the debt included within the Carve-Out Financial Statements has been prepaid or is being retained by Aldar. In addition, Aldar has made an AED 3 billion revolving facility available to Aldar Investments as part of the reorganisation.

Aldar Investments currently owns and manages a portfolio of 19 retail properties, 4,800 residential units in nine separate developments, eight commercial properties and eight hospitality assets (comprising seven hotels and one serviced apartment building) with a view to maximising the income from, and optimising the value of, these assets.

Aldar Investments' strategy centres around maximising the performance and value of its portfolio of properties through proactive asset management, pursuing portfolio growth opportunities through acquisitions and, where appropriate, monetising lower yielding assets and reinvesting capital in higher yielding assets and/or assets where Aldar Investments believes it can drive value creation through its asset management capabilities. Aldar Investments also intends to acquire the Aldar Properties Expected to be Acquired from Aldar.

On a consolidated basis, Aldar is the leading listed property developer and real estate asset manager in Abu Dhabi in terms of total assets and by share of the off-plan residential development market. Aldar was established, and listed on the Abu Dhabi Securities Exchange, in 2005 to undertake development projects primarily in Abu Dhabi. Aldar is 29.8 per cent. owned by Mubadala, which is a wholly-owned Abu Dhabi government entity. Aldar continues to be an important strategic partner to the Abu Dhabi government, having completed a wide variety of large scale infrastructure projects and developments, including key infrastructure on Yas Island, Al Raha Beach and Reem Island, the World Trade Centre mixed-use development, the Ferrari World theme park, the Yas Waterworld Park, Yas Marina and Yas Marina Circuit. Aldar has several major projects which it is undertaking on behalf of the Abu Dhabi government, including the mixed-used Abu Dhabi Plaza development in Astana (Kazakhstan), West Yas, a residential development on Yas Island, and twofour54, a media and entertainment free-zone on Yas Island.

Aldar Investments' total assets as at 30 June 2018 amounted to AED 16.6 billion and its revenue and profit for 2017 were AED 1,879 million and AED 319 million, respectively. Aldar Investments' Carve-Out Adjusted EBITDA was AED 1,137 million in 2017. Aldar Investments' revenue and profit for the six months ended 30 June 2018 were AED 918 million and AED 196 million, respectively, and its Carve-Out Adjusted EBITDA was AED 561 million in the same period.

## STRATEGY

Aldar Investments' strategy is to deliver attractive total returns to shareholders through:

- investing in a diversified portfolio of real estate assets in the UAE;
- maximising the performance and value of its portfolio of assets through proactive asset management, including anticipating tenant needs and sector trends to increase occupancies and generate competitive rental rates. In particular, Aldar Investments aims to respond to market fluctuations and both sector and economic risks and to modify its asset strategies in response in order to optimise value and position each asset to maximise revenues. It also seeks to optimise its tenant mix, ensure sustainable pricing, take advantage of down-sizing and right-sizing opportunities and employ innovative re-purposing and other asset enhancement initiatives. Further, it aims to manage its cost structure through efficiency initiatives and energy audits, to proactively manage key tenant/client relationships and to implement tenant/client retention policies and customer satisfaction programmes. In doing so, it will also aim to mitigate liability and risk from within the portfolio;
- operating real estate assets to the highest professional standards in accordance with best practice and current legislation. This will ensure Aldar Investments attracts and retains tenants/clients of its choice as well as serve to differentiate Aldar Investments' class-leading real estate assets in the region as a benchmark for operating standards and safety;
- pursuing portfolio investment opportunities through the acquisition of new assets. Prior to the creation of Aldar Investments, Aldar had announced an investment plan to support further growth of its asset management portfolio through a combination of acquisitions and developments. Aldar Investments' acquisition strategy is in line with this investment plan and Aldar Investments expects to continue to acquire properties or units in properties that Aldar is developing and may develop in the future, as well as properties and units sold by third party developers, owners and investors. These acquisitions are expected to be funded through a combination of debt (including amounts drawn under the revolving facility provided to Aldar Investments by Aldar) and equity, in line with Aldar Investments' debt policy, see "*Financial review—Liquidity and capital resources—Borrowings*" for a discussion of both the Aldar revolving facility and Aldar Investments' debt policy; and
- monetising lower yielding assets to crystallise value and redeploying capital in higher yielding assets and/or assets where Aldar Investments believes that it can drive investment returns through its asset management capabilities. Aldar Investments will also actively assess opportunities to expand its asset base beyond its existing, more traditional real estate asset classes to ensure it leverages key real estate market trends.

## STRENGTHS

Aldar Investments believes that its principal strengths are:

### **Aldar Investments is Abu Dhabi's leading real estate asset manager of investment properties**

Aldar Investments enjoys market leadership in Abu Dhabi in terms of the number of assets owned and managed across the retail, residential, commercial and hospitality segments. As a pure asset management company, Aldar Investments benefits from a significant portfolio of investment properties that deliver a stable and recurring revenue stream, see "*—Aldar Investments has a high quality portfolio of strategically located, income producing assets, in a range of asset classes, which deliver a diversified revenue stream*" below.

Aldar Investments has and expects to have very limited exposure to development activity, which it expects to relate principally to the extension and/or development of existing properties. Aldar Investments' policy is that the fair value of any development activity (measured as investment properties under development and capital work in progress in relation to its hospitality properties) should not exceed 20 per cent. of the total value of its asset management portfolio. As at 30 June 2018, the value of its development activity equalled less than 1 per cent. of the total value of its asset management portfolio and principally comprised the extension and renovation of an existing retail asset, Al Jimi Mall.

**Aldar Investments has a high quality portfolio of strategically located, income producing assets, in a range of asset classes which deliver a diversified revenue stream**

Aldar Investments' revenue principally comprises lease income from a high quality, well-diversified portfolio of investment properties (comprising retail, residential and commercial properties), as well as income from its operating business (comprising hospitality properties). Aldar Investments' revenue amounted to AED 1,879 million in 2017, of which 36.3 per cent. comprised revenue from retail properties, 30.3 per cent. comprised revenue from residential properties, 7.9 per cent. comprised revenue from commercial properties and 25.5 per cent. comprised hospitality revenue. Aldar Investments believes that this revenue diversification provides a balanced exposure to the key asset classes within Abu Dhabi.

In addition, in the case of its residential portfolio, approximately 35 per cent. of the units are leased on a multi-year basis, with lease terms ranging from three to 30 years to corporate and bulk tenants which have built-in annual rental escalations. This reduces earnings volatility and provides significant revenue visibility through the real estate cycle and also supports occupancy performance.

Aldar Investments also believes that a significant portion of its cash flow from its investment property portfolio is predictable due to the amount of contractual base rent in its tenancy agreements, the lack of tenant termination clauses and the post-dated cheques that it requires from its tenants covering future contractual rental payments. See "*Financial review—Principal factors affecting results of operations—Revenue—Revenue from investment properties*".

**Aldar Investments' business is supported by a resilient Abu Dhabi macro-economic backdrop and supportive real estate dynamics**

Abu Dhabi is the richest and largest of the seven Emirates in the UAE and the city of Abu Dhabi is also the capital of the UAE federation. Abu Dhabi's economy is driven by its oil and gas production and Abu Dhabi had approximately 6 per cent. of the world's proven oil reserves (which were 1,483 billion barrels according to OPEC as at 31 December 2016) and approximately 3 per cent. of the world's natural gas reserves (which were 199,444 billion standard cubic metres according to OPEC at 31 December 2017). Abu Dhabi reported real GDP growth of 4.4 per cent. in 2015 and 2.7 per cent. in 2016 and its nominal GDP per capita was approximately U.S.\$68,000 in 2016 (based on the SCAD population estimate as at 30 June 2016), making it one of the highest in the world (using comparative data from the IMF's World Economic Database April 2018).

There was a significant decline in international oil prices between mid-2014 and the end of 2016, which had a negative effect on Abu Dhabi's economy, see "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' businesses is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*". As a result, the Abu Dhabi government, along with many other governments in the GCC, implemented fiscal reforms designed to boost the economy, including, in June 2018, the announcement of an AED 50 billion three-year package of measures designed to stimulate the economy, make it easier to do business in Abu Dhabi, create jobs and boost tourism. Aldar Investments believes that Abu Dhabi's economy is well placed to benefit both from improving oil prices since the start of 2017 and the benefits expected to be delivered by the fiscal reforms implemented.

Aldar Investments believes that there are clear signs of strength in the Abu Dhabi property market, demonstrated through strong off-plan development sales and robust occupancy across its diverse property portfolio, which, despite some declines, has remained resilient in recent years.

In recent years, the Abu Dhabi real estate market has demonstrated a 'flight-to-quality' which has benefited Aldar Investments' real estate portfolio, which is predominantly geared towards the premium segment of the market. As at 30 June 2018, Aldar Investments' retail portfolio occupancy was 89 per cent., including Yas Mall at 89 per cent., its residential portfolio occupancy was 91 per cent., its commercial portfolio occupancy was 89 per cent. and its hospitality property occupancy was 74 per cent. In comparison, JLL (in its publication: *The Abu Dhabi Real Estate Market Q2 2018*) quoted vacancy rates of 23 per cent. and 15 per cent. for commercial and retail property, respectively, in Abu Dhabi in the second quarter of 2018 and a hospitality occupancy rate of 76 per cent. for the year to May 2018. The JLL publication did not report residential occupancy or vacancy rates.

### **Aldar Investments' management team have a proven track record of acquiring, stabilising and maturing new assets**

Over the period from 31 December 2014, Aldar's asset management business has significantly increased the asset management business' gross profit, principally through the addition and management of new assets into the portfolio. The most significant recent additions to the portfolio were Yas Mall (which opened in November 2014) and the addition of approximately 3,000 residential units following the completion of The Gate Towers & Arc and al rayyana, both in 2014.

Yas Mall, which opened with approximately 50 per cent. of the tenants trading from the opening day, reached over 90 per cent. trading occupancy in its first 12 months, supported by strong retail delivery and execution by the on-site management team.

The absorption of both al rayyana and The Gate Towers & Arc residential units into the market was supported by a well-executed leasing strategy. Initial expectations were to fill out the approximately 3,000 units over an 18-month period, although this was successfully achieved within six months, supported by a leasing strategy to build out a significant bulk component as well as high demand for high quality residential units with a good selection of amenities.

At the end of 2015, the Aldar Investments management team formulated an investment plan to further grow the business' asset base, in line with Aldar's asset-management strategy. Pursuant to this plan, the following acquisitions have been made:

- Daman House, a high-quality commercial office building located in the Capital Gate District of Abu Dhabi Island was completed in 2014 and acquired by Aldar in December 2015; and
- International Tower, a high-quality commercial office building also located in the Capital Gate District of Abu Dhabi Island was completed in 2012 and acquired by Aldar in December 2017.

On 7 May 2018, Aldar announced the acquisition of a portfolio of real estate assets worth AED 3.7 billion from TDIC. The portfolio includes a portfolio comprising operating assets within a range of sectors, including retail, residential, commercial, hospitality and district cooling assets, and a portfolio comprising projects under development and land plots. In line with Aldar Investments' investment strategy, the current intention is that Aldar Investments will acquire from Aldar those income generating assets acquired from TDIC that complement Aldar Investments' existing portfolio.

In addition, Repton School, a purpose-built secondary school, was completed in 2017 and is leased to its operator, Repton School LLC, under a 20-year lease, with an option for the tenant to extend it for a further 15 years.

Aldar Investments also intends to acquire a number of the Aldar Properties Expected to be Acquired over the next 12 months, with the balance being acquired in 2020 and 2021.

Aldar Investments' revenue and gross profit are expected to grow over the next few years, driven by the stabilisation of new asset additions as well as the transfer of the Aldar Properties Expected to be Acquired and any other assets that Aldar Investments may acquire.

### **Aldar Investments has prudent debt and cash-based dividend policies in place**

Aldar Investments has a conservative debt policy that targets an outstanding debt ratio of between 35 and 40 per cent. of the total value of its asset management portfolio. Aldar Investments believes that this is a conservative approach that ensures sufficient flexibility and support throughout the real estate cycle, whilst also allowing delivery of a consistent yield to its shareholder.

As at 30 June 2018 and based on the Interim Carve-Out Financial Statements, Aldar Investments' debt was split between floating rate bank loans and fixed rate debt securities, with 44.8 per cent. of Aldar Investments' gross debt being in the form of bank loans and 55.2 per cent. being in the form of a U.S.\$750 million fixed rate sukuk maturing in December 2018. Not all of this debt is being transferred to Aldar Investments in the reorganisation. See "*Financial review—Borrowings*".

The weighted average maturity of Aldar Investments' outstanding debt at 30 June 2018 was 1.3 years. The maturity profile reflects the sukuk which matures in December 2018 and which was not transferred to Aldar Investments as part of the reorganisation.

Aldar Investments intends to maintain a level of outstanding indebtedness in line with its debt policy of between 35 and 40 per cent. of the total value of its asset management portfolio. Aldar Investments intends to have outstanding indebtedness of AED 6.0 billion, which corresponds to 37.4% of the total value of its asset management portfolio as at 30 June 2018. Based on an illustrative issuance of USD 750 million of Certificates with a five year tenor, the outstanding indebtedness of AED 6.0 billion is broken down as follows:

- (i) USD 750 million in Certificates;
- (ii) AED 1.8 billion bank term loans transferred from Aldar;
- (iii) AED 0.5 billion bank term loan under the new five year facility; and
- (iv) AED 0.95 billion drawn under the 3.0 billion committed revolving credit facility provided by Aldar.

On the basis of the level of indebtedness described above, Aldar Investments' outstanding debt would have a weighted average maturity of 5.4 years as at the date of this Prospectus.

Aldar Investments' dividend policy is that between 65 per cent. and 80 per cent. of its distributable free cash flow should be distributed to its shareholder. Distributable free cash flow is defined as cash after deducting interest expense, maintenance costs and other overhead items.

#### **CORPORATE STRUCTURE AND SHAREHOLDERS**

The chart below summarises the corporate relationship between Aldar Investments and Aldar and one of Aldar's subsidiaries that provides property management services to Aldar Investments.



Aldar's major shareholders are Mubadala Investment Company, which owned 29.8 per cent. of Aldar's shares as at 31 August 2018 and Al Saraya Investment Company LLC, which owned 7.6 per cent. of Aldar's shares as at 31 August 2018. Apart from these entities, Aldar is not aware of any other shareholder which owns more than 5 per cent. of its shares.

## BUSINESS

### Introduction

Aldar Investments owns and manages a portfolio of retail, residential and commercial properties as well as hotels and a serviced apartment building. The objective of the entity is to maximise the income from, and optimise the value of, these assets.

This portfolio of assets is organised into two main segments:

- investment properties, which comprises the retail, residential and commercial properties; and
- operating businesses, which comprises the hospitality properties.

The table below summarises Aldar Investments' property portfolio as at 30 June 2018 and, in the case of the fair value, revenue and gross profit columns, for the year ended 31 December 2017.

	No. of properties <sup>(1)</sup>	No. of units / keys	Total GLA (sqm)	Occupancy <sup>(2)</sup> (%)	Fair value	Revenue	Gross profit
					As at 30 June 2018		
					<i>(AED million)</i>		
Retail.....	19	—	373,000	89	6,785	679	528
Residential.....	9	4,812	—	91	5,093	573	468
Commercial <sup>(3)</sup> .....	8	—	157,000	89	2,226	147	128
<b>Investment properties.....</b>	<b>36</b>		<b>530,000</b>	<b>—</b>	<b>14,104</b>	<b>1,399</b>	<b>1,124</b>
Hospitality <sup>(4)</sup> .....	8	2,370	—	74	2,068	480	99
<b>Total.....</b>	<b>44</b>		<b>530,000</b>	<b>—</b>	<b>16,172</b>	<b>1,879</b>	<b>1,223</b>

<sup>(1)</sup> In some cases Aldar Investments owns an entire property. In others, it simply owns a proportion of the units within a property. In some cases, Aldar Investments only has leasehold title to a property.

<sup>(2)</sup> Calculated as leased area divided by total available area as at 30 June 2018 and expressed as a percentage.

<sup>(3)</sup> Comprises office buildings and Repton School.

<sup>(4)</sup> Comprises seven hotels and one serviced apartment property.

### Investment properties portfolio

#### Retail

Aldar Investments owns a total of 19 retail developments comprising super-regional destination and community malls, community retail developments (which offer residents key amenities such as supermarkets, hairdressers, restaurants and dry cleaners) and two purpose-built big box retail stores (comprising an IKEA store and an ACE Hardware store) which it leases, principally under leases with terms ranging from three to 10 years. The aggregate GLA of these properties as at 30 June 2018 was 373,000 m<sup>2</sup> and, as at the same date, trading occupancy across the portfolio was 86 per cent.

Aldar Investments' major retail investment properties, which represented 92 per cent. of the total fair value of Aldar Investments' retail portfolio as at 31 December 2017, are:

- **Yas Mall**, a super-regional mall with a GLA of 221,000 m<sup>2</sup> and 10,000 car parking bays. The anchor tenants in Yas Mall are Tryano, Carrefour, Debenhams, Vox Cinemas and Marks & Spencer. The property is a freehold. As at 30 June 2018, 89 per cent. of the GLA in Yas Mall was occupied and trading. Yas Mall is the largest shopping mall in Abu Dhabi, based on GLA. As a super-regional mall, Yas Mall has been designed to be a destination shopping experience and it is also strategically located close to major leisure attractions such as the Formula 1 race track, the Ferrari World theme park, the Yas Waterworld park and the Warner Brothers theme park (which opened in July 2018), which all help or are expected to help drive significant customer footfall. The majority of Aldar Investments' hospitality properties are also located near to Yas Mall to benefit from, and attract non-resident customers to, the mall. Yas Mall opened in November 2014

and, between 2015 and 2017, its footfall grew from 18 million visitors per year to 20 million. In 2017, Yas Mall generated 75 per cent. of the total revenue of Aldar Investments' retail properties and 27 per cent. of Aldar Investments' total revenue. As at 31 December 2017, Yas Mall's fair value was 73 per cent. of the total fair value of all of Aldar Investments' retail properties and 31 per cent. of the total fair value of all of Aldar Investments' properties.

The table below shows certain financial and operating information for Yas Mall for each of 2017, 2016 and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Rental income (AED million) .....	505	523	462
GLA trading occupancy rate as at 31 December (per cent.) .....	94	92	87

- **Al Jimi Mall**, a destination mall located in Al Ain, with a GLA of 44,000 m<sup>2</sup> and 1,300 car parking bays. The anchor tenants are Carrefour, Home Centre, Centrepoint and Magic Planet. The property is a 75-year leasehold, expiring in 2075. Al Jimi Mall is currently undergoing refurbishment and expansion which will increase its GLA to 75,000 m<sup>2</sup>. The expansion is expected to complete in late 2018 at a total cost of AED 455 million, of which AED 346 million had been spent as at 30 June 2018.
- **IKEA**, completed in 2011 and leased to an Al Futtaim group company for a period of 10 years to March 2021, is located next to Yas Mall and has a GLA of 35,600 m<sup>2</sup>. IKEA is located in a retail park next to Aldar Investments' **ACE Hardware** store, which was completed in 2012 and is also leased to an Al Futtaim group company, for a period of 10 years to August 2026. ACE Hardware has a GLA of 5,800 m<sup>2</sup>.
- **Shams Boutik**, a community mall located in the podium between Sun & Sky Towers on Reem Island, with a GLA of 13,700 m<sup>2</sup> and 643 car parking bays. The mall is linked by bridge to **Gate Boutik** and **Arc Boutik**, two other community malls located at the Gate Towers on Reem Island, with GLAs of 15,000 m<sup>2</sup> and 2,600 m<sup>2</sup>, respectively, and a combined total of 603 car parking bays. All three malls are freehold properties.

Yas Mall and Al Jimi Mall account for 59 per cent. and 12 per cent., respectively, of Aldar Investments' total retail GLA and its purpose-built retail stores account for a further 11 per cent. The remaining 18 per cent. comprises community retail facilities.

As at 30 June 2018, 19 per cent. of Aldar Investments' retail leases by GLA had terms of over five years, 24 per cent. had terms of between three and five years and 57 per cent. had terms of three years or less. The weighted average unexpired lease term across Aldar Investments' retail portfolio was 3.7 years as at 30 June 2018.

In addition to the key assets described above, Aldar Investments owns a portfolio of retail assets located within key residential communities developed by Aldar. These assets are individually small, but collectively represented 17.8 per cent. of Aldar Investments' total retail GLA as at 30 June 2018. The retail offering within these communities also has non-financial benefits to the business, in that it typically supports the attractiveness of Aldar Investments' key residential assets through a strong retail presence.

Aldar Investments currently expects to acquire:

- Remal Mall, a community mall based in Al Ain with 47,000 m<sup>2</sup> GLA; and
- three retail properties with an aggregate GLA of 10,000 m<sup>2</sup> from Aldar as part of Aldar's acquisition of those properties from TDIC, see "*Financial review—Recent developments*".

## *Residential*

Aldar Investments owns a total of 4,812 residential units in nine separate developments as at 30 June 2018. At the same date, 91 per cent. of these units had been leased. The residential developments in which Aldar Investments' units are located, all of which contain leisure facilities and key service retail outlets, comprise:

- al rayyana, a low-rise development of 33 buildings located adjacent to the Abu Dhabi National Golf Course, comprising 1,537 one, two and three bedroom apartments and a community centre including retail facilities with a GLA of 2,400 m<sup>2</sup> and a mosque. Aldar Investments owns all of the residential units and all of the retail GLA in this development on a freehold basis. Aldar Investments has leased approximately 20 per cent. of the residential units to a French government-related company under a 30-year lease which expires in August 2042. This development was completed in 2013.
- The Gate Towers & Arc, a high-rise development located at Shams Abu Dhabi on Reem Island. The development comprises three 65-storey towers capped with a penthouse bridge, and a 22-storey standalone building in the shape of an arc with a total of 3,533 residential units, including 21 penthouses and 16 townhouses. Aldar Investments owns 1,584 residential units in this building on a freehold basis. Aldar Investments also owns two community malls, Gate Boutik and Arc Boutik, that are located in this development. This development was completed in 2013.
- Sun & Sky Towers, which forms part of Shams Abu Dhabi on Reem Island. The 74-storey Sky Tower consists of a mix of residential and commercial units, while the 65-storey Sun Tower is entirely residential. Sky Tower comprises a total of 474 residential units and 80,000 m<sup>2</sup> of commercial GLA and Sun Tower comprises 680 residential units which consist of a mix of one, two, three and four bedroom units and six penthouse units. Aldar Investments owns 321 residential units and 11,600 m<sup>2</sup> of commercial GLA across both towers on a freehold basis. This development was completed in 2011. Aldar Investments also owns Shams Boutik, a community mall that is located in this development on a podium that is common to both towers.
- Al Murjan, a 23-storey building with 252 residential apartments, 1,000 m<sup>2</sup> of retail GLA and 1,500 m<sup>2</sup> of commercial office space located in the centre of Abu Dhabi Island. Al Murjan sits within a master planned development (Danet, Abu Dhabi) that offers landscaped gardens and boulevards as well as cafes, restaurants and a five-storey mall. This development was completed in 2011 and Aldar Investments owns all of the residential units, retail GLA and commercial space within the building on a freehold basis.
- Al Muneera and Al Zeina, which are two separate residential community developments in close proximity to each other within the Al Raha Beach area. Aldar Investments collectively owns 232 residential units in these developments on a freehold basis, comprising studio, one and two bedroom apartments. Al Muneera has 3,300 m<sup>2</sup> of retail GLA and Al Zeina has 7,700 m<sup>2</sup> of retail GLA. Aldar Investments owns all of the retail GLA across both developments. Both developments were completed between 2010 and 2012.
- Sas Al Nakhl, a gated residential community comprising 588 villas of three, four and five bedrooms, together with 700 m<sup>2</sup> of retail GLA. The compound is situated at Abu Dhabi/Al Ain Road, close to Abu Dhabi International Airport. The development was completed in 2009 and is operated by Aldar Investments under a lease that expires in February 2028, when it will be handed back to International Capital Trading, the land owner.
- Khalidiya Village, a gated residential community in central Abu Dhabi comprising 150 modern villas of four, five and six bedrooms together with a small retail component, located close to the Abu Dhabi Corniche. The development is operated by Aldar Investments under a lease that expires in September 2021, when it will be handed back to International Capital Trading, the land owner.
- Al Oyoum Village, a residential gated community located on the outskirts of Al Ain, adjacent to Al Ain Sports Club, comprising 148 units of three, four, and five bedroom villas and minimal retail facilities. The development is operated by Aldar Investments under a lease that expires in July 2056, when it will be handed back to Al Ain Sport and Cultural Club, the land owner.

The completion of the transfer from Aldar to Aldar Investments of three residential leasehold assets, Sas Al Nakhl, Khalidiya Village and Al Oyoum Village, is subject to the consent of the registered owners of each such development. Such consent has been requested and Aldar Investments expects to receive such consent by the end of 2018. The purchase price in respect of such properties will only be payable by Aldar Investments once the consent has been received and other formalities for the completion transfer have been satisfied. The aggregate value of such properties is approximately AED 667 million, representing approximately 4.0 per cent. of Aldar Investments' total assets. As the Carve-Out Financials have been prepared in respect of Aldar's entire asset management business, the Carve-Out Financial Statements include these three residential assets.

The breakdown of Aldar Investments' residential units by type is 7 per cent. studio, 30 per cent. one bed, 32 per cent. two bed, 21 per cent. three bed and 10 per cent. four bed villas and townhouses. Almost all of Aldar Investments' residential properties are located in Abu Dhabi city, with only a small proportion in Al Ain.

As at 30 June 2018, 22 per cent. of Aldar Investments' residential leases by number of units had terms of more than three years and 78 per cent. had terms of less than three years, primarily reflecting one-year rolling individual tenant lease contracts. See "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—Aldar Investments is subject to risks associated with the expiration of leases entered into by some of its tenants*". As at the same date, approximately 35 per cent. of Aldar Investments' residential leases by number of units were bulk leases, with the balance being individual leases. The weighted average unexpired lease term across Aldar Investments' residential portfolio was 4.6 as at 30 June 2018.

Aldar Investments expects to acquire:

- The Bridges, which comprises up to 636 residential units, ranging from studio to three-bedroom apartments. The project is currently under development by Aldar and is expected to be completed in 2020.
- Water's Edge, where up to 507 residential units, ranging from studio to three-bedroom apartments. This project is currently under development by Aldar and is expected to be complete in 2021.

In addition, Aldar Investments also currently expects to acquire 272 residential units in two properties from Aldar as part of Aldar's acquisition of those properties from TDIC, see "*Financial review—Recent developments*".

### **Commercial**

Aldar Investments owns commercial space in eight separate developments (predominantly Grade A and Grade B office space) which it leases, principally on three- to ten-year leases. The GLA of the portfolio as at 30 June 2018 was 157,000 m<sup>2</sup> and, as at the same date, 87.6 per cent. of this commercial office space was leased. Aldar Investments' three major commercial properties, which represented 80 per cent. of the fair value of Aldar Investments' total commercial property portfolio as at 31 December 2017, are:

- **HQ Building**, which is an iconic circular building on the Al Raha Beach development. The Grade A office building comprises 23 floors, or 48,000 m<sup>2</sup> GLA, of commercial office space. The tenant mix includes Abu Dhabi government departments and other major companies, such as ABB and Rolls Royce. There are four basement levels of car parking, catering for 1,200 cars. This development was completed in 2010.
- **International Tower**, which is a Grade A office building in the Capital Gate district. The building has 39,000 m<sup>2</sup> of commercial office space, which is leased to tenants that include The Wood Group, AECOM and ADSIC, the government department responsible for information security. This development was completed in 2012 and was acquired by Aldar, as part of its investment plan, in December 2017 for AED 658 million.
- **Daman House**, which is a Grade B+ office building in the Capital Gate district. The building has 23,000 m<sup>2</sup> of commercial office space, which is leased to Daman, a healthcare insurance provider and an Abu Dhabi government-related tenant, on a 10-year lease, which expires in 2024. The

development was completed in 2014 and was acquired by Aldar, as part of its investment plan, in December 2015 for AED 330 million.

As at 30 June 2018, Abu Dhabi government tenants accounted for 43 per cent. of Aldar Investments' total commercial GLA, Abu Dhabi government-related tenants accounted for 29 per cent., international tenants accounted for 10 per cent., local businesses accounted for 7 per cent. and the balance was vacant.

Aldar Investments' commercial portfolio predominantly comprises Grade A and Grade B buildings, with Grade A offices accounting for 55 per cent. of the commercial portfolio, Grade B accounting for 32 per cent. of the portfolio and other (Repton School) accounting for 13 per cent. of the portfolio.

The weighted average unexpired lease term across Aldar Investments' commercial portfolio was 4.7 years as at 30 June 2018.

Aldar Investments owns, and includes within its commercial portfolio, the Repton School with 20,000 m<sup>2</sup> of GLA, which is leased to the operator under a 20-year lease expiring in 2037. Aldar Investments also expects to acquire 85,000 m<sup>2</sup> of commercial GLA, principally comprising two office buildings (Mamoura and Baniyas Tower B), from Aldar. See "*Financial review—Recent developments*".

## **Operating businesses portfolio**

### ***Hospitality properties***

Aldar Investments owns seven hotels and one serviced apartment building which are held under management with a total of 2,370 keys. Aldar Investments' hospitality properties comprise:

- ***Yas Hotel***, which prior to 1 July 2018 was operated by Viceroy Hotels and Resorts and since that date has been operated by Marriott International, is a five-star hotel overlooking the Yas Marina motor racing circuit. The hotel was completed in 2009 and has 499 rooms, 11 food and beverage outlets and 15 meeting and event venues. Whilst remaining open, it is currently being redesigned in accordance with W Hotel's brand standards and its lobby and pool facilities are also being upgraded.
- ***Yas Crowne Plaza***, which is operated by the Intercontinental Hotels Group, is a four-star hotel located at Yas Plaza next to the Yas Links Golf Course. It was completed in 2009 and has 428 rooms, five food and beverage outlets and six meeting and event venues.
- ***Yas Radisson Blu***, which is operated by the Rezidor Hotel Group, is a four-star hotel located at Yas Plaza. It was completed in 2009 and has 397 rooms, four food and beverage outlets and eight meeting and event venues.
- ***Yas Rotana***, which is operated by Rotana Hotels and Resorts, is a four-star hotel located at Yas Plaza. It was completed in 2009 and has 308 rooms, six food and beverage outlets and six meeting and event venues.
- ***Yas Park Inn***, which is operated by the Rezidor Hotel Group, is a three-star hotel located at Yas Plaza. It was completed in 2009 and has 204 rooms, three food and beverage outlets and two meeting and event venues.
- ***Yas Centro***, which is operated by Rotana Hotels and Resorts, is a three-star hotel located at Yas Plaza. It was completed in 2009 and has 259 rooms, three food and beverage outlets and three meeting and event venues.
- ***Yas Staybridge Suites***, which comprises deluxe serviced apartments operated by the Intercontinental Hotels Group. It is located at Yas Plaza next to Yas Links Golf Course. It was completed in 2009 and has 164 rooms and one food and beverage outlet.
- ***Tilal Liwa Hotel***, which is a 111 room, four-star hotel located in Abu Dhabi's Western Region. The hotel was completed in 2010 and is currently operated by a third party hotel operator under the Danat Hotels brand. The hotel has three food and beverage outlets, five meeting and event venues, an outdoor pool and a full range of amenities.

Hospitality properties on Yas Island accounted for 95 per cent. of Aldar Investments' room keys as at 30 June 2018. Yas Island benefits from its strategic location close to Abu Dhabi International Airport as well as proximity to major retail and leisure venues on the island (including Yas Mall, Yas Waterworld, Ferrari World, Yas Marina, Yas Links and Yas Beach) as well as government-led projects (such as the Warner Brothers theme park, which opened in July 2018, and SeaWorld Abu Dhabi, which is currently scheduled to open in 2022).

The distribution of Aldar Investments' room keys by type is 21 per cent. five star, 52 per cent. four star, 20 per cent. three star and 7 per cent. serviced apartments.

In the six months ended 30 June 2018, the average occupancy rate across Aldar Investments' hospitality portfolio was 74 per cent. The majority of Aldar Investments' hotels are in the three and four star category, which Aldar Investments believes is a less saturated market segment in Abu Dhabi than the five star segment. Aldar Investments' five star hotel is located on Yas Island close to major tourist attractions and the Yas Mall and principally seeks to attract high-end tourists.

Aldar currently expects to acquire two hospitality properties, the Westin Abu Dhabi Golf Resort & Spa and the Eastern Mangroves Hotel & Spa by Anantara, with an aggregate of 394 keys from Aldar as part of Aldar's acquisition of those properties from TDIC.

Tourism has been and remains a key strategic sector for Abu Dhabi government investment. Abu Dhabi has witnessed strong growth in hotel visitor numbers in recent years, for example the number of hotel guests increased from 4.1 million in 2015 to 4.9 in 2017 according to the Abu Dhabi Department of Culture and Tourism. Aldar Investments believes that this growth has been and is being supported by the delivery of key tourism infrastructure (such as Abu Dhabi's airport expansion project which is currently scheduled for completion in 2019, the establishment of a cruise ship terminal at Mina Zayed and major investments on both Saadiyat and Yas islands) and Abu Dhabi government-led marketing into key markets. The opening of the Louvre Abu Dhabi in November 2017 on Saadiyat Island supported strong growth in tourist numbers during the first quarter of 2018 and the opening of the Warner Brothers World theme park in July 2018 on Yas Island is also expected to support tourism growth in Abu Dhabi.

### **Investment property portfolio management**

Aldar Investments' portfolio management activities comprise the full suite of the real estate asset management lifecycle including asset positioning, revenue and cost optimisation, pricing strategy, asset performance monitoring, analysing assets for investment and divestitures as well as oversight of leasing, property management and facilities management. All of these activities are undertaken on Aldar Investments' behalf by Aldar in accordance with the Asset Management and Services Agreement, through separate asset management teams that oversee Aldar Investments' investment properties and, where relevant, its hospitality assets (see "*Management and Employees – Employees*"). Each asset is assigned to a senior asset director within the relevant team who has principal responsibility for the management of the asset.

Aldar Investments takes a cradle to grave view on each asset with the objective of optimising value, generating synergies and cross-selling opportunities within the portfolio as a whole. A robust leasing strategy focused on long term revenue maximisation is supported by data centric monitoring to mitigate risk and find innovative sources of additional revenue and cost rationalisations.

Aldar Investments measures every service provider engaged with an asset against the highest industry standards and is continuously looking to implement best in class practices across operations, customer service and revenue collection. Asset performance is continuously scrutinised for improvements and against market benchmarks.

Through continuous monitoring of the portfolio, Aldar Investments makes informed decisions on divestitures of assets which may no longer be a good fit allowing it to recycle capital effectively. Conversely, Aldar Investments' standing in the sector gives it a front row view to every deal in the market, allowing it to analyse and selective deploy capital on new acquisitions.

### **Active asset management**

Aldar Investments focuses on asset management to enhance the value of its properties. In accordance with the Asset Management and Services Agreement, detailed business planning is conducted for each

property which allows asset performance to be reviewed and constantly monitored, with monthly updates on key performance indicators ("**KPIs**") in order to increase asset values, and address potential problems that may arise in any of the properties. Performance reviews, site visits and on-going supervision by the asset management team allows Aldar Investments to make proactive strategic decisions with respect to its properties.

Leasing is a core activity of Aldar Investments' operations. The asset management team manages the leasing of Aldar Investments' retail centres, commercial and residential properties. In the case of residential leasing, the team's primary focus is on initial leasing and bulk tenants, as individual tenant renewals are managed by the relevant residential property manager. The team is responsible for: (i) conducting rent negotiations, re-leasing and renewals; (ii) managing tenant relationships; (iii) administering leases, re-sizing and re-allocating existing space to maximise asset value; (iv) monitoring tenant mix, store sizes, store locations, sales and tenant credit risk; and (v) customer satisfaction management.

In accordance with the Asset Management and Services Agreement, a full time specialised health and safety consultant manager is responsible for health and safety at Aldar Investments' retail, residential and commercial properties and advises the asset management team on health and safety issues.

### *Retail Properties*

Aldar Investments seeks to continuously strengthen the market position of its retail properties by maintaining a high quality tenant base, high occupancy rates and high footfall to maximise its tenants' sales and, as a result, Aldar Investments' rental income. Aldar Investments focuses on increasing the value and performance of its retail for the long term. To achieve that, the asset management team concentrates on maximising revenue and actively implements asset management strategies, including refurbishment, redevelopment and extensions, while also focusing on repositioning, tenant engineering, tenant mix reviews, marketing and customer relations management. Aldar Investments believes that the implementation of these strategies will increase per capita spending levels in its retail properties and, as a result, its retail tenants' turnover and profitability. The asset management team also manages promotional activities and events in Aldar Investments' shopping malls on a regular basis, with a view to increasing footfall and developing and maintaining customer loyalty. One of Aldar Investments' major priorities is securing strong links with tenants and maintaining sustainable rental levels.

The asset management team analyses Aldar Investments' commercial standing and relationships with its retail and commercial tenants. This is done by monitoring the sales turnover of its tenants, based on information and schedules provided by its tenants either through co-operation and agreement or through contractual arrangements, as well as rental levels and payment history. Using scientifically captured data, the asset managers analyse trends and variances to make informed decisions on value optimisation. Regular risk assessments are carried out in relation to Aldar Investments' assets and their management, and action is quickly taken to mitigate and limit risks should any be identified. Aldar Investments believes that active asset management is essential to create and enhance additional market value, and it is committed to actively pursuing asset management strategies, and to expanding its expertise in this area in the future.

Aldar Investments' retail leasing strategy is to identify and secure a profitable, attractive and sustainable tenant mix, taking into account the location characteristics and the target customer base of the relevant retail property. Aldar Investments attempts to secure a diverse mix of tenants and to mitigate excess financial exposure to any particular tenant. Aldar Investments also attempts to secure brands and concepts that are new to the market as well as lease contracts with entertainment service providers in order to attract more consumers and increase footfall at its larger shopping malls. Aldar Investments believes that securing anchor tenants at its shopping malls facilitates securing tenants for smaller retail units and food court units, as well-known anchor tenants attract a significant level of consumer footfall.

Aldar Investments' retail leases may require its tenants to pay it quarterly base rent or a base rent plus a variable turnover rent based on the tenant's actual turnover for the period, whichever is higher. Aldar Investments believes this mechanism enables it to build stable long-term relationships with its tenants and to benefit from the success of its tenants. Aldar Investments believes that these lease contracts contribute to higher overall occupancy rates, lower turnover of tenants and, ultimately, higher rental income.

### *Commercial Properties*

Aldar Investments' commercial portfolio is predominantly geared towards commercial office space. The office letting strategy is to maintain high quality office space and build long-term relationships with corporate and Government tenants. This is demonstrated through the stable and high occupancy levels and low exit on renewals of these clients throughout the portfolio. External advisors identify tenants for most of Aldar Investments' office properties, under the supervision of the asset directors who manage relations with its external advisors. The team also receives feedback from tenants regarding market rates and trends and conducts extensive market research to ensure they have an understanding of current market trends and leasing rates in both the grade A and grade B office sectors. Aldar Investments targets initial lease terms for its commercial properties of not less than three years and ideally between five and seven years.

### *Residential properties*

The asset management team's role in relation to Aldar Investments' residential properties includes:

- developing the overall residential portfolio strategy and individual asset plans, including asset enhancement initiatives;
- undertaking feasibility studies for residential asset acquisitions, disposals and restructuring;
- ensuring yield management, including monitoring residential asset targets and taking appropriate corrective actions where necessary;
- agreeing service level agreements and KPIs with property management and facility management service providers and managing and monitoring those providers against their KPIs;
- analysing all performance reports prepared by the service providers; and
- conducting site visits and inspections, developing residential community event plans and recommending potential residential asset improvement initiatives.

Aldar Investments' residential leasing strategy focuses on diversifying the tenant mix between individuals, who generally have one-year renewable leases, and multi-year bulk tenancy agreements with corporates.

### *Standard lease terms*

In the UAE, the market practice is to use short-form standard contracts for tenancies. Aldar Investments has a standard lease contract which includes the following provisions:

- *Lease term:* this is typically a renewable one-year period for residential individual tenant leases and renewable periods of three to 30 years for bulk residential leases. For offices, lease terms are generally between three and five years initially, renewable for periods between three and seven years. For retail properties, lease terms are typically from five to 10 years for anchor tenants and typically three to five years for smaller properties. In many of its residential developments, Aldar Investments' strategy is to seek to let a proportion of the development on bulk tenancies, which generally have longer terms but are lower yielding, with the balance being let on individually negotiated tenancies once an initial critical mass has been achieved. In its retail malls, Aldar Investments seeks to attract anchor tenants on generally longer term leases as this helps to attract other tenants.
- *Rent:* this is typically required to be paid on a periodic basis and in advance and many tenants are required to pay by post-dated cheque, as any failure to honour a cheque is a criminal offence in the UAE.
- *Service charges:* service charges include the costs incurred in managing, cleaning, maintaining and repairing the leased property and any property in common use, costs of utilities and other costs. These are typically paid by the landlord for residential assets and by tenants for commercial and retail assets, except in some leases where recoverable service charges from the tenants are also capped.

- *Promotion fund*: the tenant in certain retail malls and other similar premises may be obliged to pay for the promotion of premises and for special occasion and seasonal decorations.
- *Assignment, sub-letting and other transfers*: the tenant cannot assign, sublet, transfer or otherwise deal with the premises, without the prior written consent of the landlord.
- *Default provisions*: these include events of default for non-payment of rent by the tenant, breach of any other term of the lease which is not remedied within a defined period and bankruptcy of the tenant. If an event of default occurs, the landlord may terminate the lease and re-let the property.

### ***Overseeing property management***

Aldar's strategy is to control the property management function across all residential, retail and commercial assets it manages to drive asset level performance.

The asset management team actively supervises the property management services for all Aldar Investments' investment properties. The property managers are responsible for, among other things (i) property accounting; (ii) cleaning, maintenance, security and landscaping of any common areas; (iii) utility cost management and (iv) asset-level marketing. Cleaning, maintenance, security and landscaping activities are outsourced to external professionals. Aldar Investments is currently able to charge its tenants for a major part of the property management expenses in its retail and commercial properties. Aldar Investments also strives to achieve greater efficiency through the use of new technologies and aims to achieve expense optimisation for its tenants and decrease their occupancy costs per square metre without compromising the quality of the services provided.

Residential and commercial property management is currently outsourced to Khidmah LLC, a property management operator that is majority-owned by Aldar, under the direct supervision of the asset management team. Khidmah's duties include:

- ensuring each property is well maintained and managing the activities of the facility management service provider;
- ensuring resolution of all issues raised by tenants;
- managing the overall tenant relationship, including customer service, call centre and complaint handling;
- co-ordinating unit handovers, office fit-outs and move-ins while dealing with snagging issues;
- managing all lease renewals and ensuring rent collections;
- preparing performance reports, covering financial, operational, call centre and other aspects, for the asset management team; and
- running, and providing input into, community events and executing asset improvement initiatives, in each case as delegated to it by the asset management team.

### ***Hospitality asset management***

Aldar Investments does not operate its hospitality assets. Instead, it employs reputable international operators through hotel management agreements to manage the day-to-day operation of these assets.

Aldar Investments' asset management approach in relation to its hospitality properties includes monitoring room pricing, targeted capital improvements to enhance and/or expand the facilities offered and active oversight of the on-property management teams. In accordance with the Asset Management and Services Agreement, the hospitality experts in the asset management team collaborate with and/or provide input to the hotel management companies on the development of each property's business plan, ongoing budgeting and capital expenditure programme in order to implement the above strategies. The team also closely monitors the monthly performance of Aldar Investments' hospitality properties and conducts regular physical inspections. See "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—Aldar Investments' objectives may conflict from time to time with*

*the objectives of one or more of its hotel management companies, which may adversely impact the operation and profitability of one or more of Aldar Investments' hospitality properties".*

Aldar Investments' agreements with its hotel managers have initial terms ranging from 15 to 20 years, and typically can be extended either at the management company's option or automatically, subject to notice to terminate.

The agreements typically provide that the management company will receive a range of fees that may include one or more of a lump sum consulting fee, a fee expressed as a percentage of the property's gross operating revenue and/or an incentive fee expressed as a percentage of the property's gross operating profit.

Under the agreements, the management company typically is responsible for the payment, on Aldar Investments' behalf, of any relevant property taxes, repair and maintenance costs, utilities, insurance and employment-related expenses. The management company is typically delegated the power to maintain the property in good repair and condition and make all necessary routine repairs and minor alterations that it considers appropriate, as well as more significant improvements subject to Aldar Investments' approval.

The agreements also typically require the management companies to furnish services that they generally make available to other hotels and resorts managed by them, including the instalment and operation of computer systems and reservation services, management and administration services, marketing and sales services and human resource training services.

Termination events under the agreements typically include:

- default (which entitles the non-defaulting party to terminate);
- certain factors that enable Aldar Investments to terminate, including failure by the management company to meet certain performance criteria and a disposal of the property by Aldar Investments; and
- certain factors that enable the management company to terminate, including its determination that Aldar Investments has inadequate financial capacity to perform its obligations.

In some cases, termination may result in Aldar Investments paying termination fees.

The agreements may also contain restrictions on the management company assigning the agreement and/or operating competing properties within a defined area and may also restrict Aldar Investments' ability to dispose of the managed property during the term of the relevant agreement.

### ***Property purchases and sales***

Aldar Investments' strategy includes pursuing portfolio growth opportunities through the acquisition of new assets, including from Aldar and the development management business to be established by it.

Aldar Investments intends to acquire up to 1,143 units in two projects currently being developed by Aldar. See "*—Business—Investment properties portfolio—Residential*" above. Aldar Investments also expects to acquire the Remal Mall and two office buildings from Aldar later in 2018, see "*—Business—Investment properties portfolio—Retail*" above and "*—Business—Investment properties portfolio—Commercial*" above. Aldar Investments also currently expects to acquire a number of yielding real estate assets which Aldar is currently in the process of purchasing from TDIC, see "*Financial review—Recent developments*". In addition, Aldar Investments expects to acquire additional properties in the future from Aldar, as well as from third parties. See also "*Risk factors—Risks relating to Aldar Investments generally—The interests of Aldar may not always be the same as those of the holders of the Certificates*".

Whilst Aldar Investments' strategy is predominantly focused around growth, Aldar Investments will also assess opportunities to recycle capital through the sale of lower yielding assets and reinvesting the capital received in higher yielding assets and/or assets where Aldar Investments believes it can drive value creation.

## **COMPETITION**

Aldar Investments is the largest real estate management company in Abu Dhabi in terms of total assets managed. Aldar Investments faces competition across its businesses.

In the retail sector, Aldar Investments principally faces competition when seeking to attract tenants to its shopping centres from several established regional malls and expects this competition to increase as new shopping malls (such as the super-regional Al Maryah Central Mall and Reem Mall) which are currently under development are completed. Retailers typically make their real estate selection decision on a variety of factors, including footfall, quality of merchandise mix, relevance to catchment characteristics and occupancy cost burden. Aldar Investments seeks to make its projects attractive to potential tenants through active management, relevant merchandising strategies, robust marketing and communications strategies, and appropriate enhancement programmes.

Aldar Investments' commercial office and residential properties compete with other similar properties located in Abu Dhabi to attract tenants. Any oversupply of competing commercial and residential properties in Abu Dhabi, whether as a result of new developments or a decrease in the number of tenants or other occupants due to a decline in economic activity, may adversely affect Aldar Investments' rental income. Landlords of commercial and residential properties compete to attract tenants based upon rental rates, operating costs, location, condition and features of the property. If competing properties have lower rents, lower operating costs, more favourable locations or better facilities, Aldar Investments' ability to attract tenants and the rental rates that it can charge at its commercial and residential properties may be adversely affected.

The ability of Aldar Investments' investment properties to remain competitive and attract local and international tenants and visitors, also depends on Aldar Investments' continued and effective management of its properties and successful execution of its business strategies, including asset enhancement projects.

In the hospitality sector, Aldar Investments principally faces competition from other hotels in Abu Dhabi. Competition is generated across all demand segments: corporate, conference, incentives and leisure and across all reservation channels. Aldar Investments seeks to differentiate itself by employing multiple reputable international operators featuring brand recognition, reservation channels, loyalty programmes and management expertise. At the same time, Aldar Investments' efforts are focused on controlling operational costs by asset management activities, centralising contracts and procurement and clustering roles (for example, shared teams and shared payroll across multiple properties). In addition, Aldar Investments' strategy is also to undertake strategic capital expenditure across its hospitality portfolio in order to enhance the food and beverage and other offers (for example, restaurant expansion and refurbishment, gym refurbishment and developments of kids clubs), as well as generating savings in operational costs (for example through the use of solar panels).

## **INSURANCE**

Aldar Investments has outsourced the management of its insurance programme to Aldar under the Asset Management and Services Agreement. Aldar pursues a risk-based approach to devise and implement its insurance strategy and the insurance it obtains covers all of its group companies, including Aldar Investments. Aldar's main corporate property all risk insurance programme covers reinstatement of operational assets and indemnity for losses arising due to machinery break down and business interruption and is tailored to suit the requirements of the insured entities.

Aldar also has in place third party liability policies with indemnity appropriate to the activities of the insured entities, as well as fraud protection and director and officers' liability policies. Aldar carefully selects its insurance and reinsurance partners for its insurance programme and also relies on professional services of reputable international insurance brokers for advising on insurance matters and brokering.

## **INFORMATION TECHNOLOGY**

Aldar Investments has outsourced the management of its IT systems and software to Aldar under the Asset Management and Services Agreement. Aldar seeks to ensure that the IT systems and software of all of its group companies, including Aldar Investments, meet the requirements of the relevant company's business, are effectively maintained and are kept up to date. Aldar has invested in advanced hardware and

network infrastructure with two main data centres and all offices are connected through a high capacity secure multiprotocol label switching network.

Aldar has in place a disaster recovery system which includes a disaster recovery data centre that accommodates most business critical systems, including enterprise resource planning, file server, email system, document control, intranet, email archiving system and other databases.

Aldar has implemented a robust security architecture and has deployed up-to-date security technologies to prevent cyber threats and detect security incidents. Access to data and all information assets is strictly based on need-to-know and need-to-have principles. Data leakage prevention ("**DLP**") technology control has been deployed to prevent DLP incidents. Security monitoring tools and technologies and processes are also in place to correlate security events and trigger security alerts based on detected anomalies.

Aldar's IT services have been awarded ISO/IEC 27001:2013 certification, which recognises the existence of systems and processes to protect all of its corporate and client information assets.

## MANAGEMENT AND EMPLOYEES

### Board

The Board is responsible for providing effective oversight of Aldar Investments' management and operations. It also oversees the adequacy and effectiveness of corporate governance and internal controls and approves Aldar Investments' budget and its half-yearly and annual audited financial statements. The Board meets at least every quarter and more frequently if required.

The Board has authority to exercise full control in respect of Aldar Investments' management, operations and key corporate actions. However the articles of association of Aldar Investments require the Board to submit half-yearly and annual audited financial statements and annual reports to Aldar.

The name and title of each member of Aldar Investments' Board is set out in the table below:

<u>Name</u>	<u>Title</u>
Talal Al Dhiyebi.....	Chairman and non-executive director
Jassem Busaibe.....	Non- executive director
Fahad Al Ketbi .....	Non-executive director
Greg Fewer.....	Non-executive director
Jahed Rahman .....	Non-executive director

Brief biographical details of each member of the Board are set out below:

#### **Talal Al Dhiyebi, Chairman and non-executive director**

Mr. Al Dhiyebi was appointed as the Chairman of the Board on 8 July 2018.

Mr. Al Dhiyebi is also the Chief Executive Officer of Aldar having previously held the position of Chief Development Officer, Executive Director of Asset Management since the merger between Aldar and Sorouh Real Estate PJSC (**Sorouh**) in 2013. He has held a number of senior positions at Aldar and currently also serves on the boards of Abu Dhabi Motorsports Management, Al Jazira Capital and Aldar Academies.

Mr. Al Dhiyebi holds a Bachelor's degree in Electrical Engineering (Honours) from the University of Melbourne, Australia.

#### **Jassem Busaibe, non-executive director**

Mr. Busaibe was appointed as a member of the Board on 8 July 2018.

Jassem has over 15 years' experience in the fields of finance and investment, having held a number of high-profile roles at several private and public companies in Abu Dhabi. He is currently also the Chief Investment Officer at Aldar. He is also chairman of the boards of Khidmah and Pivot. Before joining Aldar, his previous roles were Chief Financial Officer of General Holding Corporation PJSC (SENAAT), Chief Executive Officer of Arady Properties, an investment company focused on the private equity and real estate sectors in the GCC, Senior Vice President of Private Equities at Invest AD, an Abu Dhabi-based investment company and Portfolio Manager at Abu Dhabi Investment Authority (ADIA), where he focused on European equities.

Jassem is a CFA Charter holder and holds a Master's degree in Finance from the London Business School, UK.

#### **Fahad Al Ketbi, non-executive director**

Mr. Al Ketbi was appointed as a member of the Board on 8 July 2018.

Mr. Al Ketbi is also the Deputy Chief Executive Officer of Aldar. Previously, Mr. Al Ketbi served as the Chief Operations Officer at Aldar and Chief Commercial Officer at Sorouh. He also sits on the board of Pivot Engineering & General Contracting Co. (WLL) (**Pivot**), an Aldar subsidiary. Prior to joining Sorouh, Mr. Al Ketbi was a commissioned officer in the UAE military, ultimately holding the rank of Colonel and Director of the Corps of Engineers.

Mr. Al Ketbi holds a Master's degree from the National Defense University, Washington D.C., USA with a major in strategy and a Bachelor's degree in Civil Engineering from the University of Hartford, Connecticut, USA.

#### **Greg Fewer, non-executive director**

Mr. Fewer was appointed as a member of the Board on 8 July 2018.

Mr. Fewer is also the Chief Financial Officer of Aldar. He also sits on the boards of Aldar Academies, Khidmah and Abu Dhabi Finance. Prior to his roles at Aldar, Mr. Fewer was Deputy Head of Structured Finance & Capital Markets at Mubadala, where he was jointly responsible for Mubadala's overall debt raising activities and overseeing Mubadala's investment programme in the commercial finance market.

Mr. Fewer holds a BComm (Hons) from the University of Manitoba and an MBA from London Business School, UK.

#### **Jahed Rahman, non-executive director**

Mr. Rahman was appointed as a member of the Board on 8 July 2018.

Mr. Rahman has been with Aldar from January 2013 and, as well as being a non-executive director of Aldar Investments, is currently also an Executive Director within Aldar's asset management division. In that capacity, he has a broad range of responsibilities which include oversight of Aldar's portfolio of non-traditional real estate businesses (including schools, hotels, leisure and real estate services). His team is also tasked with executing corporate and asset acquisitions and disposals, business planning, financial analysis and valuations for the wider asset management portfolio. Mr. Rahman retains responsibility at Aldar for those parts of Aldar's asset management business that have not been transferred to Aldar Investments.

Mr. Rahman sits on the boards of a number of Aldar subsidiaries, including Khidmah and Yas Hotel. In addition, Mr. Rahman represents Aldar on the Abu Dhabi F1 Working Committee, sits on the Board of Trustees for Cranleigh School Abu Dhabi and is also an adviser to several Abu Dhabi entities on real estate investment and development related matters.

Prior to joining Aldar, Jahed was an investment banker and has over a decade of mergers and acquisition and corporate finance experience gained at firms such as Credit Suisse and Dresdner Kleinwort Benson in London and Dubai.

Mr. Rahman has a Master's degree in Law (Jurisprudence) from Queen's College, Oxford University.

#### **Business Address and Conflicts**

The business address of each member of the Board is HQ Building, Al Raha Beach, Abu Dhabi, UAE. The members of Aldar Investments' Board are subject to fiduciary duties under UAE laws which regulate conflicts of interest as well as corporate conflicts of interest policies. In addition, all investment decisions are required to adhere to asset management investment policies designed to ensure transactions are done on an arms' length basis. On this basis, potential conflicts of interest between the duties of the members of the Board to Aldar Investments and their private interests or other duties are appropriately mitigated.

#### **Board committee**

##### ***Audit and risk committee***

Aldar Investments plans to create an Audit and Risk Committee to ensure the observance of high standards of corporate governance and risk management. In particular, the Audit and Risk Committee will be responsible for overseeing the financial reporting process, ensuring the internal environment is

functioning correctly, reviewing Aldar Investments' risk profile, ensuring levels of various risks are within prudent limits and ensuring compliance with applicable governing laws and regulations. The Audit and Risk Committee will be required to report any material findings to the Board.

### **Employees**

Aldar Investments has no employees.

On 9 September 2018, Aldar Investments entered into the Asset Management and Services Agreement with Aldar. Under this agreement, Aldar will provide or procure both asset management and all necessary corporate services to Aldar Investments, including all of the services discussed elsewhere in this Prospectus.

Under the Asset Management and Services Agreement, Aldar is entitled to an annual management fee, equalling 0.5 per cent. of the gross value of assets under management for that financial year which is payable quarterly. It is also entitled to reimbursement of costs incurred that are directly attributable to specific assets in the portfolio.

The Asset Management and Services Agreement has a five-year term and will be renewed automatically unless terminated by either party giving its counterparty at least 90 days written notice of termination. The Asset Management and Services Agreement may also be terminated if Aldar is in breach of the agreement or becomes insolvent and by Aldar if Aldar Investments is in material breach.

In accordance with certain instructions issued by Aldar Investments under the Asset Management and Services Agreement, in performing its services under the Asset Management and Services Agreement, Aldar must obtain the approval of the board of directors of Aldar Investments on certain matters including, without limitation, (i) setting Aldar Investments' dividend policy, debt policy, procurement policy and budget, (ii) any acquisitions or disposals of real estate, and (iii) entering into any transaction or any contract with any related party of Aldar Investments or Aldar.

## OVERVIEW OF THE UAE AND ABU DHABI

### THE UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the UAE. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

Based on IMF data from its April 2018 World Economic Outlook database, in 2016 the UAE was the third largest economy in the MENA region after Saudi Arabia and Iran. It has a more diversified economy than most of the other countries in the GCC. According to data in the OPEC Annual Statistical Bulletin for 2018, as at 31 December 2017, the UAE had approximately 6.6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world). Based on IMF World Economic database data, real GDP growth in the UAE was 3.8 per cent. in 2015, 3.0 per cent. in 2016 and was estimated at 0.5 per cent. in 2017.

The UAE generally enjoys good relations with the other states in the GCC, although the UAE is currently, along with Saudi Arabia, Bahrain and certain other countries, applying sanctions to Qatar. The UAE also has a longstanding territorial dispute with Iran over three islands in the Gulf and is part of a regional coalition that is conducting military operations in the Yemen against the Houthi militia. In June 2018, the UAE and Saudi Arabia announced a new five-year joint vision for economic, developmental and military integration through 44 joint strategic projects, including a unified strategy for food security, medical stocks, a common supply security system and joint investment in oil, gas and petrochemicals.

### ABU DHABI

Abu Dhabi is the richest and largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE federation.

#### Reserves

Abu Dhabi, with crude oil reserves estimated to be approximately 90 billion barrels, has approximately 95 per cent. of the UAE's total reserves and approximately 6 per cent. of the proven world oil reserves (which were 1,483 billion barrels according to OPEC at 31 December 2017). As at 31 December 2017, the UAE had the world's sixth largest proven crude oil reserves according to OPEC. At the current rate of production (around 3 million barrels per day), Abu Dhabi's oil reserves are expected to last in excess of 80 years. In terms of production capacity, Abu Dhabi's onshore facilities currently exceed its offshore facilities.

#### Population

The populations of both the UAE and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed. The table below illustrates this growth since 1985, using census data for each of 1985, 1995 and 2005.

	1985	1995	2005	2010	2016
Abu Dhabi population.....	566,036	942,463	1,399,484	2,094,480 <sup>(1)</sup>	2,908,173 <sup>(1)</sup>
Total UAE population.....	1,379,303	2,411,041	4,106,427	8,264,070 <sup>(2)</sup>	9,121,167 <sup>(2)</sup>

<sup>(1)</sup> SCAD estimates at 30 June.

<sup>(2)</sup> FCSA estimates at 30 June.

Sources: SCAD (Abu Dhabi population figures) and FCSA (UAE population figures)

In 2016 and based on SCAD estimates, Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 and over and 16.6 per cent. being under the age of 15. The historic annual average growth rate of the population between 2010 and 2016 was 5.6 per cent., with the population of UAE citizens living in Abu Dhabi growing at an annual average rate of 3.9 per cent. and the non-national population growing at an annual average rate of 6.0 per cent. over the period. The population mix in 2016 comprised 19.0 per cent. UAE nationals and 81.0 per cent. non-nationals. The majority of the non-national population is male (with a ratio of 2.01 males to 1 female at 30 June 2016), reflecting the fact that the population principally comprises male migrant workers.

Education and training are an important strategic focus for the Emirate. Based on the latest available SCAD data, the literacy level at age 10 and over was 93.8 per cent. for 2016. A key government policy is the creation of jobs for the local population supported by initiatives to educate and motivate young nationals to join the workforce and the private sector.

### Nominal GDP

The table below shows Abu Dhabi's nominal GDP, its percentage growth rate, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated.

	2012	2013	2014	2015	2016
	<i>(AED billions, except for percentages)</i>				
Abu Dhabi nominal GDP.....	909.7	931.8	960.1	778.5	728.5
Percentage change in Abu Dhabi nominal GDP.....	7.4	2.4	3.0	(18.9)	(6.4)
UAE nominal GDP.....	1,367.5	1,433.8	1,480.7	1,314.6	1,280.8
Abu Dhabi as a percentage of UAE .....	66.1	65.0	64.8	59.2	56.9

Sources: SCAD (for Abu Dhabi nominal GDP) and FCSA (for UAE nominal GDP)

Abu Dhabi's nominal GDP is generated principally by the hydrocarbon sector (mining and quarrying), which contributed 56.7 per cent. of nominal GDP in 2012, 54.5 per cent. in 2013, 50.6 per cent. in 2014, 35.1 per cent. in 2015 and 27.5 per cent. in 2016. The contribution of the hydrocarbon sector in nominal terms is materially affected by the prevailing level of oil prices. Outside the hydrocarbon sector, the principal contributors to Abu Dhabi's nominal GDP in each of 2012, 2013, 2014, 2015 and 2016 have been:

- construction (which accounted for 12.6 per cent. of Abu Dhabi's nominal GDP in 2016);
- financial and insurance activities (which accounted for 9.8 per cent. of Abu Dhabi's nominal GDP in 2016);
- public administration and defence, compulsory social service (which accounted for 7.3 per cent. of Abu Dhabi's nominal GDP in 2016);
- manufacturing (which accounted for 6.9 per cent. of Abu Dhabi's nominal GDP in 2016);
- real estate activities (which accounted for 6.1 per cent. of Abu Dhabi's nominal GDP in 2016);
- wholesale and retail trade, repair of motor vehicles and motorcycles (which accounted for 5.9 per cent. of Abu Dhabi's nominal GDP in 2016); and
- transportation and storage (which accounted for 5.5 per cent. of Abu Dhabi's nominal GDP in 2016).

Together, these non-hydrocarbon sectors accounted for 32.1 per cent. of nominal GDP in 2012, 34.1 per cent. in 2013, 37.3 per cent. in 2014, 48.7 per cent. in 2015 and 54.1 per cent. in 2016.

### Real GDP

In common with general practice among hydrocarbon-producing countries, Abu Dhabi's real GDP is calculated using hydrocarbon prices from a base year (in Abu Dhabi's case, 2007). This eliminates the effect of volatile price changes in hydrocarbon products on real hydrocarbon GDP and instead shows only

the effects of production changes. The production figures that are included in the calculation of hydrocarbon real GDP include both oil and gas production, as well as the production of certain related products. Certain production information is set out under "*Hydrocarbon production and exports*" below, although this data does not necessarily cover all items that are included in Abu Dhabi's hydrocarbon real GDP calculations.

The tables below show the growth rates in Abu Dhabi's real GDP by the hydrocarbon sector and the non-hydrocarbon sector for each of the years indicated.

	2012	2013	2014	2015	2016
			<i>(per cent.)</i>		
Abu Dhabi hydrocarbon real GDP growth.....	3.9	3.1	0.5	4.4	2.7
Abu Dhabi non-hydrocarbon real GDP growth.....	5.9	6.1	8.6	5.5	2.8
Abu Dhabi total real GDP growth.....	4.8	4.5	4.4	4.9	2.8

Real growth in the hydrocarbon sector has been driven principally by production changes. The non-hydrocarbon sector of the economy grew strongly between 2012 and 2015, with real GDP growth rates for that sector ranging between 5.5 per cent. and 8.6 per cent., although real GDP growth for the non-hydrocarbon sector slowed to 2.8 per cent. in 2016.

The tables below show Abu Dhabi's real GDP, its percentage growth rate, the UAE's real GDP and the percentage contribution of Abu Dhabi's real GDP to the UAE's real GDP for each of the years indicated.

	2012	2013	2014	2015	2016
			<i>(AED billions, except for percentages)</i>		
Abu Dhabi real GDP (constant 2007 prices).....	672.7	702.9	733.8	770.0	791.4
Percentage change in Abu Dhabi real GDP.....	4.8	4.5	4.4	4.9	2.8
UAE real GDP (constant 2010 prices).....	1,190.1	1,259.0	1,300.3	1,350.1	1,391.1
Abu Dhabi as a percentage of UAE.....	56.5	55.8	56.4	57.0	56.9

Sources: SCAD (for Abu Dhabi real GDP) and FCSA (for UAE real GDP)

The fastest growing sectors between 2012 and 2016 were:

- activities of households as employers, with a compound annual growth rate of 20.8 per cent.;
- financial institutions and insurance, with a compound annual growth rate of 16.1 per cent.;
- human health and social work activities, with a compound annual growth rate of 11.3 per cent.;
- electricity, gas and water supply; waste management activities, with a compound annual growth rate of 9.5 per cent.;
- public administration and defence and compulsory social security, with a compound annual growth rate of 5.7 per cent.; and
- information and communication, with a compound annual growth rate of 5.3 per cent.

### Hydrocarbon production and exports

The table below shows production and export figures for Abu Dhabi's principal hydrocarbon products in each of the years indicated.

	2012		2013		2014		2015		2016	
	Production	Exports	Production	Exports	Production	Exports	Production	Exports	Production	Exports
	<i>(thousand metric tonnes)</i>									
LNG <sup>(1)</sup> .....	5,760	5,565	5,531	5,441	6,047	5,856	5,929	5,625	5,996	5,929
LPG <sup>(1)</sup> .....	7,777	7,753	7,915	7,863	8,285	8,233	9,200	8,966	9,384	9,216
Paraffinic naphtha <sup>(2)</sup> .....	2,295	2,291	2,462	2,481	2,767	2,753	3,191	3,204	3,564	3,560
Sulphur <sup>(3)</sup> .....	2,169	2,090	2,410	909	2,161	2,153	4,356	4,342	6,084	6,064

Notes:

<sup>(1)</sup> ADGAS production and exports. ADGAS is 70 per cent. owned by ADNOC.

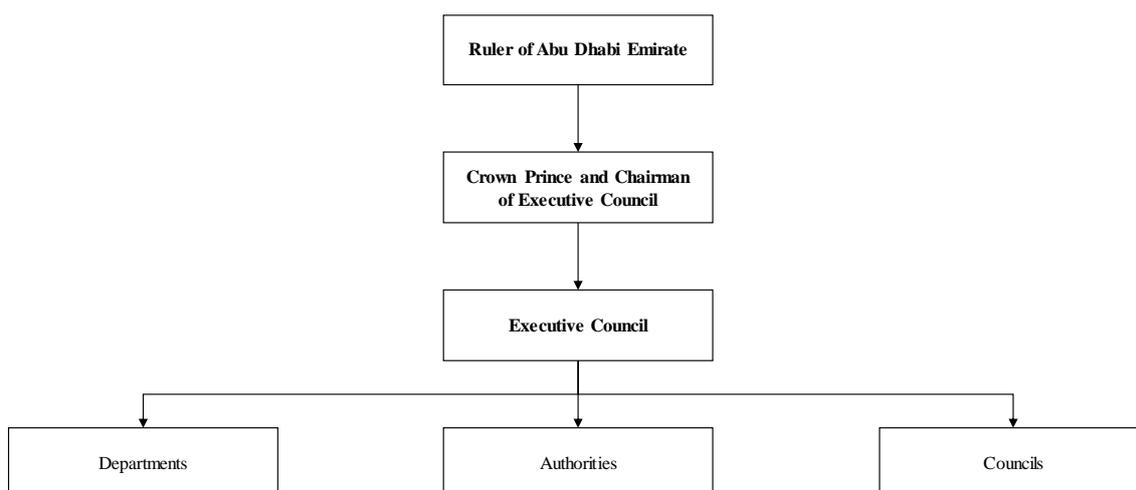
- (2) ADNOC share of the production of ADGAS and GASCO. GASCO is 68 per cent. owned by ADNOC.
- (3) ADNOC share of the production of ADGAS, GASCO and Abu Dhabi Gas Development Co. Ltd, a company which is 60 per cent. owned by ADNOC and commenced gas production at its Shah gas plant in January 2015.
- (4) The figures in the table above do not account for changes in inventories.
- Source: ADNOC

## Government structure

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan, and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Executive Council, which is the principal executive authority below the Ruler and the Crown Prince. The Executive Council currently comprises 18 members appointed by the Ruler of Abu Dhabi through an Emiri Decree issued in September 2017.

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Executive Council. Departments manage administration within the Emirate and each department manages a specific portfolio. Departments include, for example, the Department of Finance, the Department of Energy, the Department of Transport, the Department of Urban Development and Municipalities, the Department of Health, the Department of Economic Development, the Department of Education & Knowledge and the Department of Culture & Tourism. Authorities manage the emirate's resources and strategies and include the Accountability Authority, the Higher Authority for Specialized Zones (Zones Corp) and the Abu Dhabi Media Zone Authority. Councils act as controlling bodies for certain government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards and include the Council for Economic Development and the Regulation and Supervision Bureau for the Water, Wastewater and Electricity Sector in Abu Dhabi.

The chart below summarises the structure of the Government.



The Government owns or has material shareholdings in a number of significant companies and institutions, including ADNOC, Abu Dhabi Investment Authority, Mubadala Investment Company, General Holding Corporation, TDIC and Etihad Airways P.J.S.C.. Each of these companies is wholly-owned by the Government and one or more members of the Executive Council sit on the board of most of these companies.

## RECENT DEVELOPMENTS IN THE ABU DHABI REAL ESTATE MARKET

The information set out below has been derived from research published by JLL (The UAE Real Estate Market 2015: A Year in Review, The UAE Real Estate Market 2016: A Year in Review, The UAE Real Estate Market 2017: A Year in Review and The Abu Dhabi Real Estate Market Q2 2018).

### Macroeconomic overview

Oil prices fell significantly over the second half of 2014 and continued to decline in 2015. This had a significant effect on Abu Dhabi's economy, with SCAD data showing that nominal GDP fell by 18.9 per cent. in 2015 compared to growth of 3.0 per cent. in 2014. Real GDP in Abu Dhabi grew by 4.9 per cent. in 2015 compared to 4.4 per cent. in 2014, according to SCAD data. In 2016, with oil prices continuing

to remain low, Abu Dhabi's nominal GDP fell by 6.4 per cent. and its real GDP grew by 2.8 per cent., again according to SCAD data. Oil prices began to recover in 2017, although at the end of the year they remained well below the levels reached in mid-2014.

Following the sharp fall in oil prices in the second half of 2014, the Government reviewed its fiscal policy and role with a view to bringing expenditure in line with a potentially sustained period of lower oil prices, including through reduced government spending on capital projects and subsidy reforms. The Government also took action to increase its revenue, including through new municipality fees charged on hotel bills. All of these actions had negative knock-on effects for the real estate sector, which was also affected by appreciation in the U.S. dollar (to which the dirham is pegged), which reduced demand for real estate and weighed on the performance of key sectors such as retail and tourism, as they became more expensive for visitors from Europe and countries with non-U.S. dollar-pegged currencies.

In June 2018, the Crown Prince of Abu Dhabi announced Government plans to spend U.S.\$13.6 billion over three years on the back of higher oil prices and a range of other measures designed to stimulate Abu Dhabi's economy. The measures include initiatives to encourage tourism, support new businesses and make it easier to do business in Abu Dhabi.

### **Retail**

JLL notes that historically growth in retail spending has supported demand for additional retail space in Abu Dhabi, although, since 2014, retail spending from both tourists and residents in Abu Dhabi has been negatively impacted by inflationary pressures, the devaluation of non-U.S. dollar-pegged currencies, job cuts, Government spending cuts, reduced subsidies and generally weaker market sentiment. Reflecting these trends, JLL reports that average retail rents remained stable between 2014 and 2017 at around AED 3,000 per m<sup>2</sup>, primarily due to a limited stock of good quality malls. but declined by 5 per cent. in the second quarter of 2018 compared to the same quarter in 2017. In its 2018 publication, JLL reported that retail landlords have become more generous with contract terms and are offering incentives such as rebates, flexible leasing terms, rent-free periods and early break clauses.

In terms of supply, JLL reports that total retail GLA in Abu Dhabi remained constant at around 2.6 million m<sup>2</sup> in each of 2015, 2016 and 2017 and in the first six months of 2018. JLL notes that there are smaller community and neighbourhood retail mall projects which are collectively expected to add approximately 62,000 m<sup>2</sup> of retail space in Abu Dhabi by the end of 2018 and a super-regional mall project on Al Maryah Central that is expected to add approximately 150,000 m<sup>2</sup> of retail GLA in 2019.

### **Residential**

JLL reports show that residential rents for apartments and villas in Abu Dhabi increased by 4 per cent. and 2 per cent., respectively, in 2015 and then declined by 7 per cent. and 4 per cent., respectively, in 2016, by 12 per cent. and 9 per cent., respectively, in 2017 and by 9 per cent. and 11 per cent., respectively, in the second quarter of 2018 compared to the same quarter in 2017.

In December 2016, Abu Dhabi reinstated the 5 per cent. residential rent cap, three years after it was suspended and at a time of falling average rents due to job losses and cuts in public expenditure, which continue to suppress demand.

In terms of supply, the residential market in Abu Dhabi grew from around 244 thousand units at the end of 2014 to around 246 thousand units at the end of 2015, around 249 thousand units at the end of 2016 and around 252 thousand units at the end of 2017. As at 30 June 2018, the supply was around 255,000 units.

### **Commercial**

According to JLL, Abu Dhabi is a two tiered office market, with strong demand for single owned Grade A office space, but little interest in secondary locations. JLL reports show that Grade A office rents in Abu Dhabi increased by 7 per cent. on an annual basis in 2015; that central business district rents in Abu Dhabi declined by 5 per cent. in 2016 and that Grade A rents in Abu Dhabi remained flat in 2017. In the second quarter of 2018, JLL reported that Grade A rents had fallen by 3.5 per cent. compared to the same quarter in 2017. JLL's 2017 report also indicates that the vacancy rate for both Grade A and Grade B buildings increased from 20 per cent. in the fourth quarter of 2016 to 22 per cent. in the fourth quarter of 2017 and its 2018 report indicated a further increase 20 23 per cent. at 30 June 2018.

In terms of supply, JLL reports that 146,000 m<sup>2</sup> of commercial space was added in 2015, increasing the stock to around 3.3 million m<sup>2</sup> of GLA and a further 214,000 m<sup>2</sup> was added in 2016, increasing the stock to around 3.5 million m<sup>2</sup> of GLA. According to JLL, no significant amount of additional office space was added in Abu Dhabi in 2017. At 30 June 2018, JLL estimated the stock of commercial space to be around 3.7 million m<sup>2</sup> of GLA.

### **Hospitality**

According to JLL reports, average daily rates (ADRs) in Abu Dhabi remained flat in 2015 while occupancy increased from 72 per cent. in the year to October 2014 to 74 per cent. in the year to October 2015. In 2016, ADRs in Abu Dhabi declined by 10 per cent. in the year to November 2016 compared to the year to November 2015 while occupancy rates fell to 71 per cent. in the year to November 2016, reflecting the fact that Abu Dhabi's hospitality sector remains reliant on corporate demand which was significantly affected by the decline in oil prices, reduced government spending and corporate consolidation, although this was offset by increased leisure demand, driven by Government initiatives to diversify towards leisure tourism. In 2017, occupancy remained stable at 71 per cent. in the year to November 2017, although ADRs fell by 6 per cent. over the same period. In the 12 months to 31 May 2018, occupancy increased to 76 per cent. compared to 74 per cent. in the year to May 2017, although average daily rates fell by 7 per cent. over the same periods indicating that the increased occupancy largely reflected discounted pricing. JLL expects that a significant level of upcoming supply will add further downward pressure to average daily rates in the rest of 2018.

In terms of supply, JLL reports show that 1,000 hotel keys were added in Abu Dhabi in 2015, increasing supply to 20,400 keys at 31 December 2015, 800 hotel keys were added in 2016, bringing supply to 21,200 keys at 31 December 2016, 600 hotel keys were added in 2017 bringing total supply to 21,800 keys at 31 December 2017 and 600 hotel keys were added in the first six months of 2018 bringing total supply to 22,400 keys at 31 December 2017. JLL expects a further 500 keys to be delivered in the remainder of 2018.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions). Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this section.*

### **Purchase Agreement**

The Purchase Agreement will be entered into on the Issue Date between the Trustee (in its capacity as Trustee and as Purchaser) and the Obligor (in its capacity as Seller) and will be governed by the laws of the Emirate of Abu Dhabi and, to the extent applicable to the Emirate of Abu Dhabi, the federal laws of the UAE.

Pursuant to the Purchase Agreement, the Seller will sell to the Purchaser and the Purchaser will purchase from the Seller, in each case, on the Issue Date all of the Seller's rights, interests, benefits and entitlements in, to and under the Wakala Assets comprising the Initial Wakala Portfolio at the Purchase Price, being an amount which shall not be less than 51 per cent. of the Proceeds.

### **Service Agency Agreement**

The Service Agency Agreement will be entered into on the Issue Date between the Obligor (in its capacity as Servicing Agent) and the Trustee and will be governed by English law.

### **Services**

Pursuant to the Service Agency Agreement, the Trustee will appoint the Servicing Agent for the provision of services in respect of the Wakala Portfolio. In particular, the Servicing Agent will undertake to provide, *inter alia*, the following services during the Wakala Ownership Period (the "**Services**"):

- (a) it shall provide services in respect of the Wakala Portfolio in accordance with the wakala services plan set out in the schedule to the Service Agency Agreement;
- (b) it shall ensure that the Usufruct over the Wakala Portfolio will comprise only Eligible Wakala Assets;
- (c) it shall, subject to clause 6.2 of the Service Agency Agreement, ensure that the Tangibility Ratio shall, at all times, remain 51 per cent. or more and if, at any time, the Tangibility Ratio should fall below 51 per cent., the Servicing Agent shall promptly take any and all steps as may be required to maintain such Tangibility Ratio;
- (d) it shall use all reasonable endeavours in providing the Services to the Wakala Portfolio such that the Value of the Usufruct over the Wakala Assets, when aggregated with the aggregate amounts of Deferred Sale Price then outstanding, is at all times at least equal to the aggregate face amount of the Certificates then outstanding;
- (e) it shall carry out all Major Maintenance and Structural Repair in respect of the Wakala Assets on account and on behalf of the Trustee and in so doing the Servicing Agent shall:
  - (i) ensure that accurate and current records are kept of all Major Maintenance and Structural Repair activities;
  - (ii) conduct regular and proper inspection of the Wakala Assets and ensure that Major Maintenance and Structural Repair is carried out with the proper quality of materials and workmanship; and
  - (iii) ensure that Major Maintenance and Structural Repair is carried out by qualified persons and in accordance with all applicable regulations and law,

in each case, in accordance with good maintenance practice expected from a prudent person carrying on business and operations similar to that of the Servicing Agent on an arm's length basis and in order to fully maintain the Value of the Usufruct over the Wakala Assets;

- (f) it shall promptly pay, on behalf of the Trustee, all Proprietorship Taxes (if any) charged, levied or claimed in respect of the Usufruct over the Wakala Assets by any relevant taxing authority and promptly, upon request, provide to the Trustee appropriate receipts or certificates from the relevant taxing authority for the full amount of all Proprietorship Taxes paid by it;
- (g) it shall do all acts and things (including the execution of such documents, issue of notices and commencement of any proceedings) that it considers reasonably necessary to ensure the assumption of and compliance by each Lessee with its covenants, undertakings or other obligations under the relevant Lease to which it is a party in accordance with all applicable laws and the terms of the relevant Lease, in each case in respect of the Usufruct over the Wakala Assets;
- (h) it shall discharge or procure the discharge of all obligations to be discharged by the Servicing Agent (in whatever capacity) in respect of the Usufruct over the Wakala Assets;
- (i) it shall pay on behalf of the Trustee any actual costs, expenses and losses which would otherwise be payable by the Trustee as a result of any interest that the Trustee may have in the Wakala Portfolio;
- (j) it shall ensure the timely receipt of all Wakala Portfolio Revenues, investigate non-payment of Wakala Portfolio Revenues and generally use all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues under the relevant contract or instrument as and when the same shall become due and shall record such Wakala Portfolio Revenues in the Wakala Collection Account;
- (k) it shall keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all amounts due in respect of the Wakala Portfolio Revenues;
- (l) it shall ensure that all Wakala Portfolio Revenues are received free and clear of, and without withholding or deduction for, Taxes;
- (m) it shall use all reasonable endeavours to ensure that in providing the Services, the Wakala Portfolio Revenues in respect of each Wakala Distribution Period are (following conversion into U.S. dollars, if required, at the then applicable exchange rate) at least equal to the Expected Wakala Portfolio Revenues Amount;
- (n) it shall maintain the Collection Accounts in accordance with Clause 7 of the Service Agency Agreement;
- (o) it shall obtain all necessary licences, authorisations, consents and approvals in connection with the Usufruct over any of the Wakala Assets and its obligations under or in connection with the Service Agency Agreement;
- (p) it shall renew existing Leases relating to the Usufruct over the Wakala Assets, or where such leases are not to be renewed, source new tenants; and
- (q) it shall carry out any incidental matters relating to any of the above.

The Servicing Agent will agree in the Service Agency Agreement to:

- (a) provide the Services in accordance with all applicable laws and regulations;
- (b) provide the Services with the degree of skill and care that it would exercise in respect of its own assets; and
- (c) provide the Services and Service the Usufruct over the Wakala Assets and the Wakala Portfolio Revenues in accordance with generally accepted Shari'a principles.

For these purposes:

**"Collection Accounts"** means the Wakala Collection Account and the Wakala Reserve Collection Account;

**"Eligible Wakala Asset"** means a Real Estate Asset:

- (a) in respect of which the relevant Lessee: (i) is generating cashflows relating to an activity which does not conflict with the principles of Shari'a; and (ii) is not in breach of its payment obligations under any document relating to such Real Estate Asset;
- (b) in respect of which the obligations contained in the documents entered into by the Lessee thereof constitutes legal, valid, binding and enforceable obligations of the Lessee thereof under the governing law of such documents and in the jurisdiction in which such Lessee is located;
- (c) in respect of which the Seller is entitled to receive all payments due;
- (d) in respect of which there has not occurred an event of default, any acceleration or analogous event; and
- (e) in respect of which a usufruct right is capable of being sold and granted by the Seller to the Purchaser in accordance with the terms set out in the Service Agency Agreement;

**"Expected Wakala Portfolio Revenues Amount"** means, in respect of any Wakala Distribution Period (as defined in the Service Agency Agreement), the amount specified as such in the wakala services plan;

**"Full Reinstatement Value"** means an amount equal to the aggregate of:

- (a) the aggregate face amount of the Certificates then outstanding; plus
- (b) an amount equal to the Periodic Distribution Amounts, which would have accrued (had a Total Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurred and ending on but excluding the 30<sup>th</sup> day following the occurrence of the Total Loss Event; plus
- (c) (to the extent not previously satisfied in accordance with this Agreement) an amount equal to the sum of any outstanding: (i) amounts repayable in respect of any Liquidity Facility; and (ii) any Service Agency Liabilities Amounts; less
- (d) the aggregate amounts of Deferred Sale Price then outstanding, if any;

**"Lease"** means a lease entered into by the Obligor with a third party relating to a Real Estate Asset;

**"Lessee"** means any tenant or other party to a Lease who has undertaken to make payments pursuant to terms of such Lease;

**"Major Maintenance and Structural Repair"** means all structural repair and major maintenance (excluding Ordinary Maintenance and Repair), including doing such acts or things and taking such steps to ensure that the Wakala Assets suffer no damage, loss or diminution in value without which such Wakala Assets could not be reasonably and properly used by the Lessee;

**"Ordinary Maintenance and Repair"** means all day-to-day repairs, replacements, acts, maintenance and upkeep works required for the general use and operation of the Wakala Assets and to keep, maintain and preserve such Wakala Assets in good order, state and condition;

**"Proprietorship Taxes"** means all taxes in relation to the Wakala Assets by law imposed, charged or levied against a proprietor, but excluding all taxes that are by law imposed, charged or levied against a lessee or tenant;

**"Real Estate Asset"** means a real estate-related asset located in the Emirate of Abu Dhabi (other than the ADGM) which is leased or to be leased (other than on the basis of a finance lease) by the Obligor to one or more third parties;

**"Tangibility Ratio"** means the ratio of: (i) the aggregate Value of the Usufruct over the Wakala Assets to the aggregate Value of: (ii) the Usufruct over the Wakala Assets and the aggregate amounts of Deferred Sale Price then outstanding, in each case applicable at the relevant time;

**"Total Loss Event"** means:

- (a) the total loss or destruction of, or damage to the whole of the Wakala Assets or any event or occurrence which renders the whole of such asset permanently unfit for any economic use and (but only after taking into consideration the proceeds of any insurances or other indemnity granted in each case by any third party in respect of the Wakala Asset) the repair of remedial work in respect thereof is wholly uneconomical; or
- (b) the occurrence of any expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the Wakala Assets.

**"Value"** means in respect of the Usufruct over any Wakala Asset, the amount in U.S. dollars (following conversion, if necessary, of any relevant amount(s) at the applicable exchange rate) as being equal to the value of the Usufruct over that Wakala Asset determined by the Obligor on the basis of the market value of the Usufruct over the relevant Wakala Asset by reference to the most recent audited financial statements of the Obligor at the relevant time and on the day on which it first became part of the Wakala Portfolio as set out in the Purchase Agreement, the relevant Supplemental Purchase Agreement, the relevant Substitution Request or the relevant Sale Agreement, as the case may be;

**"Wakala Distribution Date"** means, during the Wakala Ownership Period, the dates described as such in the wakala services plan, each of which dates shall also be a Periodic Distribution Date; and

**"Wakala Ownership Period"** means the period commencing on the Issue Date and ending on the date on which all of the Certificates are redeemed in full.

#### ***Insurance and Total Loss Shortfall Amount***

The Servicing Agent irrevocably undertakes to the Trustee, that, in relation to the Usufruct over the Wakala Assets, the Servicing Agent will:

- (a) be responsible for ensuring that the Usufruct over the Wakala Assets are properly insured to the extent consistent with general industry practice by prudent owners of similar assets and, accordingly, shall effect such insurances in respect of the Usufruct over the Wakala Assets (the **"Insurances"**), through brokers and with such reputable insurance companies in good financial standing, including against a Total Loss Event. The Servicing Agent undertakes to ensure that the aggregate of the insured amount relating to a Total Loss Event corresponding to the Usufruct over the Wakala Assets will, at all times, be at least equal to the Full Reinstatement Value;
- (b) promptly make a claim in respect of each loss relating to the Usufruct over the Wakala Assets in accordance with the terms of the Insurances; and
- (c) ensure that, in the event of a Total Loss Event occurring, all the proceeds of the Insurances against a Total Loss Event are in an amount equal to the Full Reinstatement Value and are paid in U.S. dollars directly into the Wakala Collection Account by no later than the 30<sup>th</sup> day after the occurrence of the Total Loss Event and that the relevant insurer(s) will be directed accordingly.

If the Servicing Agent fails to comply with the terms of the Service Agency Agreement (as detailed immediately above) and the Usufruct over the Wakala Assets is not replaced as further described below and as a result of such breach the amount (if any) credited to the Wakala Collection Account is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited to the Wakala Collection Account being the **"Total Loss Shortfall Amount"**), then the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is neither attributable to its negligence nor its failing to comply with the terms of the Service Agency Agreement relating to insurance) irrevocably and unconditionally undertakes to pay (in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly to the Transaction Account by no later than close of business in London on the 31<sup>st</sup> day after the Total Loss Event has occurred. Subject to paying such

Total Loss Shortfall Amount, there will be no further claim against the Servicing Agent for failing to comply with its insurance obligations. Any such breach will not, however, constitute an Obligor Event.

Wherever the Servicing Agent procures Insurances in accordance with the terms of the Service Agency Agreement (including the renewal of any Insurances in existence on the Issue Date) it shall use its reasonable endeavours to obtain such Insurances on a takaful basis if such takaful insurance is available on commercially viable terms. For the avoidance of doubt, if such takaful insurance is not available on commercially viable terms, the Servicing Agent must procure conventional insurance to comply with its undertaking in clause 3.2 of the Service Agency Agreement. A breach of this requirement will not, however, constitute an Obligor Event.

#### ***Replacement of Usufruct over Wakala Assets***

By no later than 30<sup>th</sup> day after the occurrence of a Total Loss Event, the Obligor will be obliged to use all reasonable endeavours to identify the Usufruct over the further Eligible Wakala Asset(s) ("**Replacement Wakala Assets**") which are at least of an equal Value prior to the occurrence of the Total Loss Event to the Usufruct over relevant Wakala Assets which have suffered a Total Loss Event. Any such breach will not, however, constitute an Obligor Event.

If the Trustee receives notification from the Obligor that Replacement Wakala Assets are available on or before the 30<sup>th</sup> day after the occurrence of the Total Loss Event, the Trustee shall pursuant to a separate sale agreement substantially in the form, *mutatis mutandis*, of the Supplemental Purchase Agreement purchase such Replacement Wakala Assets from the Obligor by way of payment by the Servicing Agent on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the Obligor in consideration of the sale and grant by the Obligor of the Replacement Wakala Assets for the Purchase Price (as set out in the Supplemental Purchase Agreement).

#### ***Service Agency Liability Amounts and Fees***

The Trustee and the Servicing Agent agree that any Service Agency Liabilities Amounts incurred by the Servicing Agent in providing the Services shall be paid (or reimbursed) by the Trustee by way of the application of amounts standing to the credit of the Wakala Collection Account by the Servicing Agent on the Trustee's behalf pursuant to paragraph (b) of the order of priority set out below or otherwise on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed). For these purposes, "**Service Agency Liabilities Amount**" means the amount of any actual claims, losses, costs and expenses properly incurred or suffered by the Servicing Agent or other payments made by the Servicing Agent (excluding, for the avoidance of doubt, interest, penalty payments, costs of funds and opportunity costs) on behalf of the Trustee, in each case in providing the Services during a Wakala Distribution Period (as defined in the Service Agency Agreement), but does not include any amount due to the Servicing Agent (or any third party provider of a Liquidity Facility) under the Service Agency Agreement in respect of any Liquidity Facility.

The Obligor shall be entitled to receive a fee for acting as Servicing Agent under the Service Agency Agreement. In addition, following payment of all amounts due and payable under the Certificates on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed), the Servicing Agent shall be entitled to retain any amounts that remain standing to the credit of the Wakala Reserve Collection Account for its own account as an incentive payment for acting as Servicing Agent (the "**Incentive Payment**").

#### ***Asset Substitutions***

The Trustee and the Servicing Agent agree that, provided no Dissolution Event or Total Loss Event has occurred and is continuing (or, if a Total Loss Event has occurred, the Usufruct over the Wakala Assets has not been replaced):

- (a) the Obligor may at any time exercise its rights under the Sale Undertaking to substitute the remaining Usufruct Term of the Usufruct over one or more of the Wakala Assets as it may select in accordance with, and subject to, the conditions of the Service Agency Agreement and the Sale Undertaking;

- (b) promptly following any default in respect of the Usufruct over the Wakala Assets or the arising of any circumstances which renders the Servicing Agent unentitled to collect all Wakala Portfolio Revenues in respect of the Usufruct over the Wakala Assets for and on behalf of the Trustee, the Servicing Agent shall use its best endeavours to identify the further Usufruct over Eligible Wakala Asset(s) in replacement for the remaining term of the Usufruct over such Wakala Asset; and
- (c) promptly upon the Servicing Agent becoming aware that the Usufruct over any Wakala Asset is not an Eligible Wakala Asset (other than as a consequence of a Total Loss Event in respect of the Usufruct over a Wakala Asset) and/or that the Seller is in breach of any of the representations and warranties contained in clause 7.2 of the Purchase Agreement in respect of the Usufruct over any Wakala Asset, the Servicing Agent shall use its best endeavours to identify further the Usufruct over Eligible Wakala Assets in replacement for the remaining term of the Usufruct over such Wakala Asset,

**provided that** in each case the Servicing Agent and the Trustee agree that the Value of the Usufruct over any substitute Wakala Assets shall at least be equal to the Value of the Usufruct over the Wakala Assets to be so substituted.

### ***Collection Accounts***

The Servicing Agent will maintain two ledger accounts (such accounts being referred to in the Service Agency Agreement as the Wakala Collection Account and the Wakala Reserve Collection Account) in its books, each of which shall be denominated in U.S. dollars in which all Wakala Portfolio Revenues will be recorded.

Amounts standing to the credit of the Wakala Collection Account will be applied by the Servicing Agent on behalf of the Trustee on each Wakala Distribution Determination Date (as defined in the Service Agency Agreement) (being a date which is the Payment Business Day immediately preceding the Periodic Distribution Date) in the following order of priority:

- (a) *first*, in repayment of any amounts advanced by way of a Liquidity Facility;
- (b) *second*, in payment of any due but unpaid Service Agency Liabilities Amounts in respect of the Wakala Distribution Period ending immediately before the immediately following Wakala Distribution Date;
- (c) *third*, the Servicing Agent shall pay into the Transaction Account an amount equal to the lesser of the Required Amount payable on the immediately following Periodic Distribution Date and the balance of the Wakala Collection Account; and
- (d) any amounts still standing to the credit of the Wakala Collection Account immediately following payment of all of the above amounts, shall be debited from the Wakala Collection Account and credited to the Wakala Reserve Collection Account.

### ***Shortfalls***

Amounts standing to the credit of the Wakala Reserve Collection Account shall be applied by the Servicing Agent as follows:

- (a) if on a Wakala Distribution Determination Date (after: (i) payment of the relevant amounts standing to the credit of the Wakala Collection Account into the Transaction Account taking into account any other payments made or to be made into the Transaction Account pursuant to any other Transaction Document) there is a shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the Required Amount payable on the immediately following Periodic Distribution Date (a "**Shortfall**"), by paying into the Transaction Account on that Wakala Distribution Determination Date from the amounts standing to the credit of the Wakala Reserve Collection Account (if any) (after the re-crediting of any amounts previously deducted) an amount equal to the lesser of the Shortfall and the then balance standing to the credit of the Wakala Reserve Collection Account;

- (b) the Servicing Agent may deduct amounts standing to the credit of the Wakala Reserve Collection Account at any time during the Wakala Ownership Period and use such amounts for its own account, **provided that** it shall immediately re-credit all such amounts to the Wakala Reserve Collection Account (for on-payment into the Transaction Account) if so required to fund a Shortfall or upon the occurrence of a Dissolution Event or a Total Loss Event; and
- (c) following payment in full of all amounts due and payable under the Certificates on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed), the Servicing Agent shall be entitled to retain any amounts that remain standing to the credit of the Wakala Reserve Collection Account for its own account as an Incentive Payment.

### ***Liquidity Facility***

The Servicing Agent agrees that it may, after payment to the Transaction Account of the amounts credited to the Wakala Reserve Collection Account in accordance with the provisions described at paragraph (a) under the heading "*Shortfalls*" and after payment to the Transaction Account of all other amounts payable pursuant to any other Transaction Document, either:

- (a) provide non-interest bearing (or otherwise Shari'a compliant) funding itself; or
- (b) procure non-interest bearing (or otherwise Shari'a compliant) funding from a third party,

in each case, to the extent necessary, by payment of the same in U.S. dollars into the Transaction Account, on terms that such funding is repayable: (i) from Wakala Portfolio Revenues in accordance with the provisions described at paragraph (a) under the heading "*Collection Accounts*"; or (ii) on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed), to ensure that the Trustee receives on the Payment Business Day prior to each Wakala Distribution Date the Required Amount payable by it in accordance with the Conditions on the corresponding Periodic Distribution Date.

### ***Payments under the Service Agency Agreement***

The payment obligations of the Servicing Agent under the Service Agency Agreement will be direct, unconditional, unsubordinated and unsecured obligations of the Servicing Agent which (save for such exceptions as may be provided by applicable law and subject to the negative pledge provisions included in Condition 5.1) at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations from time to time outstanding.

### ***Purchase Undertaking***

The Purchase Undertaking will be executed on the Issue Date by the Obligor in favour of the Trustee and the Delegate and will be governed by English law.

Pursuant to the Purchase Undertaking, the Obligor will irrevocably grant to the Trustee and the Delegate the following rights:

- (a) **provided that** a Dissolution Event has occurred and a Dissolution Notice has been delivered in accordance with the Conditions, to require the Obligor, at any time on or prior to the Dissolution Event Redemption Date, to purchase and accept on the Dissolution Event Redemption Date specified in the Exercise Notice all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Exercise Price specified in the Exercise Notice;
- (b) to require the Obligor, on the Scheduled Dissolution Date, to purchase and accept all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Exercise Price specified in the Exercise Notice;
- (c) **provided that** Change of Control Put Notices have been delivered by one or more Certificateholders in accordance with the Conditions, to require the Obligor to purchase, on the Change of Control Put Option Date, all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets at the Change of Control Exercise Price specified in the Exercise Notice; and

- (d) to require the Obligor, on the applicable Substitution Date (as defined in the Purchase Undertaking), to assign, transfer and/or convey to the Trustee a Usufruct over New Wakala Assets (as defined in the Purchase Undertaking), together with all of the Obligor's rights, interests, benefits and entitlements in, to and under such Usufruct over the New Wakala Assets, which assets shall be Eligible Wakala Assets and the Value of the Usufruct over such assets shall be: (i) not less than the Value of the Usufruct over the Substituted Wakala Assets (as defined in the Purchase Undertaking); and (ii) when aggregated with the Value of the Usufruct over any Wakala Assets not replaced or substituted on the Substitution Date, does not result in the Tangibility Ratio falling below 51 per cent., against the assignment, transfer and/or conveyance of all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Substituted Wakala Assets, **provided that** in respect of the Usufruct over the Substituted Wakala Assets (or any of them) no Exercise Notice has been delivered under this Purchase Undertaking nor has any Exercise Notice (as defined in the Sale Undertaking) been delivered under the Sale Undertaking, in each case where such Exercise Notice remains outstanding and the related redemption or cancellation of Certificates referred to therein has not occurred in accordance with the Conditions,

in each case on an "as is" basis but free from any Encumbrance (as defined in the Purchase Undertaking) (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Purchase Undertaking. For the avoidance of doubt, the above rights cannot be exercised by the Trustee and/or the Delegate in respect of any Wakala Assets which have suffered a Total Loss Event (and which have not been replaced in accordance with the Service Agency Agreement).

The Purchase Undertaking will provide that, pursuant to the exercise of any such rights, the Obligor will purchase the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets or the Change of Control Wakala Assets (as defined in the Purchase Undertaking), as the case may be, at the Exercise Price (or, as the case may be, the Change of Control Exercise Price) by:

- (a) paying a cash sum equal to the Exercise Price into the Transaction Account (in U.S. dollars by wire transfer for same day value) on the Dissolution Event Redemption Date;
- (b) paying a cash sum equal to the Exercise Price into the Transaction Account (in U.S. dollars by wire transfer for same day value) on the Payment Business Day immediately preceding the Scheduled Dissolution Date; and
- (c) paying a cash sum equal to the Change of Control Exercise Price into the Transaction Account (in U.S. dollars by wire transfer for same day value) on the Payment Business Day immediately preceding the Change of Control Put Option Date; and

following payment of the relevant amount in full, enter into a sale agreement so as to evidence the relevant purchase.

Pursuant to the Purchase Undertaking, the Obligor will covenant and undertake that if the Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the rights, interests, benefits and entitlements that the Trustee may have in, to and under the Usufruct over the relevant Wakala Assets or any of them, or for any other reason, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or Change of Control Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or, as the case may be, the Change of Control Exercise Price).

### **Sale Undertaking**

The Sale Undertaking will be executed on the Issue Date by the Trustee in favour of the Obligor and will be governed by English law.

Pursuant to the Sale Undertaking, the Trustee will irrevocably grant to the Obligor the following rights:

- (a) **provided that** a Tax Event has occurred, to oblige the Trustee to sell on the Early Tax Dissolution Date specified in the Exercise Notice all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Exercise Price;
- (b) to oblige the Trustee to transfer, assign and convey on any Substitution Date (as defined in the Sale Undertaking) all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Substituted Wakala Assets (as defined in the Sale Undertaking) against the transfer, assignment and conveyance to the Trustee of a Usufruct over the New Wakala Assets (as defined in the Sale Undertaking), together with all of the Obligor's rights, interests, benefits and entitlements in, to and under such Usufruct over the New Wakala Assets, which assets shall be Eligible Wakala Assets and the Value of the Usufruct over such assets shall be not less than the Value: (i) of the Usufruct over the Substituted Wakala Assets; and (ii) when aggregated with the Value of the Usufruct over any Wakala Assets not replaced or substituted on the Substitution Date, does not result in the Tangibility Ratio falling below 51 per cent., **provided that:**
  - (i) no Exercise Notice has otherwise been delivered under the Sale Undertaking in respect of the Usufruct over Substituted Wakala Assets;
  - (ii) no Exercise Notice has been delivered under the Purchase Undertaking in respect of the Usufruct over the Substituted Wakala Assets or the Wakala Assets; and
  - (iii) no Dissolution Event or Total Loss Event (other than where the relevant assets have been replaced in accordance with Service Agency Agreement) has occurred and is continuing;
- (c) to oblige the Trustee to transfer to the Obligor on any Cancellation Date (as defined in the Sale Undertaking) the remaining Usufruct Term of the Usufruct over the Cancellation Wakala Assets (as defined in the Sale Undertaking), together with all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over such Cancellation Wakala Assets, following the delivery of the Cancellation Certificates (as defined in the Sale Undertaking) to the Principal Paying Agent or the Registrar for cancellation pursuant to Condition 13.2 and subject to: (i) the aggregate Value of the Usufruct over any Cancellation Wakala Assets not being greater than the aggregate face amount of the Cancellation Certificates less the Cancellation Proportion (as defined in the Sale Undertaking) of the aggregate amounts of the Deferred Sale Price (which shall exclude all profit amounts forming part of such Deferred Sale Price) then outstanding, if any; (ii) no Exercise Notice having otherwise been delivered under the Sale Undertaking in respect of the Usufruct over the Cancellation Wakala Assets; (iii) no Exercise Notice having been delivered under the Purchase Undertaking in respect of the Usufruct over the Cancellation Wakala Assets or generally; and (iv) the exercise of such right in relation to part only of the aggregate face amount of the Certificates then outstanding not resulting in the Tangibility Ratio falling below 51 per cent.; and
- (d) provided that 75 per cent. or more of the initial face amount of the Certificates have been redeemed and/or purchased and cancelled by the Trustee in accordance with Condition 10, to oblige the Trustee to sell, on the Change of Control Put Option Date specified in the Exercise Notice, all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Exercise Price in accordance with the terms hereof; and
- (e) to oblige the Trustee to sell on the Optional Dissolution Date specified in the Exercise Notice all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Optional Dissolution Exercise Price in accordance with the terms hereof,

in each case, to be on an "as is" basis but free from any Encumbrance (as defined in the Sale Undertaking) (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale Undertaking. For the avoidance of

doubt, the rights granted cannot be exercised by the Obligor in respect of the Usufruct over any Wakala Assets which have suffered a Total Loss Event (and which have not been replaced in accordance with the Service Agency Agreement).

### **Murabaha Agreement**

The Murabaha Agreement will be entered into on the Issue Date between the Trustee (in its capacity as Commodity Seller) and the Obligor (in its capacity as Commodity Purchaser) and will be governed by English law.

Pursuant to the Murabaha Agreement, the Commodity Seller shall enter into a commodity purchase transaction with the Commodity Purchaser using no more than 49 per cent. of the proceeds of the issuance of the Certificates. The Commodity Seller shall agree and undertake that, on the receipt of a purchase order (the "**Purchase Order**") from the Commodity Purchaser, the Commodity Seller shall sell to the Commodity Purchaser on the Issue Date and on the terms set out in the Purchase Order certain commodities (which shall be constituted of metals on the London Metals Exchange (excluding gold and silver)) at the Commodity Purchase Price. Following the purchase of the commodities by the Commodity Seller from the Supplier for Purchase (as defined in the Murabaha Agreement), and **provided that** the Commodity Seller has acquired title to, and actual or constructive possession of, the commodities, the Commodity Seller shall deliver to the Commodity Purchaser by no later than the Issue Date a letter of offer and acceptance (the "**Letter of Offer and Acceptance**") indicating the Commodity Seller's acceptance of the terms of the Purchase Order made by the Commodity Purchaser and detailing the terms of the offer for the sale of the commodities to the Commodity Purchaser from the Commodity Seller by no later than the Issue Date.

Pursuant to the Murabaha Agreement, the Commodity Purchaser shall irrevocably and unconditionally undertake to accept the terms of, countersign and deliver to the Commodity Seller any Letter of Offer and Acceptance delivered to it in accordance with the Murabaha Agreement and (as a result of the Commodity Seller having acted on the request of the Commodity Purchaser set out in the Purchase Order) purchase the commodities acquired by the Commodity Seller for the Deferred Sale Price.

As soon as the Commodity Purchaser has countersigned the Letter of Offer and Acceptance, a murabaha contract (a "**Murabaha Contract**") shall be created between the Commodity Seller and the Commodity Purchaser upon the terms of the Letter of Offer and Acceptance and incorporating the terms and conditions set out in the Murabaha Agreement, the Commodity Seller shall sell and the Commodity Purchaser shall purchase the commodities on the terms set out in the Letter of Offer and Acceptance and ownership of and all risks in and to the relevant commodities shall immediately pass to and be vested in the Commodity Purchaser, together with all rights and obligations relating thereto.

### **Declaration of Trust**

The Declaration of Trust will be entered into on the Issue Date between the Trustee, the Obligor and the Delegate and will be governed by English law. Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets comprise: (a) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (b) all of the Trustee's rights, interests, benefits and other entitlements in, and to and under, the Usufruct over the relevant Wakala Assets; (c) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, and to and under, the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement) (excluding: (A) any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents to which it is a party; and (B) the covenant given to the Trustee pursuant to clause 15.1 of the Declaration of Trust); and (d) all moneys standing to the credit of the Transaction Account, and all proceeds of the foregoing.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

- (a) hold the Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and

- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets to the Certificateholders and perform its duties in accordance with the provisions of the Declaration of Trust.

The Declaration of Trust specifies, *inter alia*, that:

- (a) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any agents of the Trustee on its behalf except to the extent funds are available therefor from the Trust Assets and no recourse shall be had for the payment of any amount owing thereunder, whether for the payment of any fee, indemnity or other amount under, or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (b) the Trustee may from time to time (but always subject to the provisions of the Declaration of Trust), without the consent of the Certificateholders, create and issue additional Certificates on terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue, and so that the same shall be consolidated and form a single series, with the outstanding Certificates, and that any additional Certificates which are to be created and issued so as to form a single series with the Certificates shall be constituted by a Supplemental Declaration of Trust; and
- (c) on the date upon which additional Certificates are created and issued pursuant to the provisions described in paragraph (b) above and the Purchase Agreement (being the relevant Issue Date for that new tranche), the Trustee will execute a Declaration of Commingling of Assets (as defined in the Declaration of Trust) for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so created and issued, declaring that the relevant Additional Wakala Assets, the Wakala Assets as in existence immediately prior to the creation and issue of the additional Certificates and the transactions concluded pursuant to the Murabaha Agreement are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Declaration of Trust.

Pursuant to the Declaration of Trust, the Obligor will also covenant and undertake that if the Exercise Price (or, as the case may be, the Change of Control Exercise Price) is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the right, interests, benefits and entitlements that the Trustee may have in, to and under the Usufruct over the relevant Wakala Assets or any of them, or for any other reason, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or, as the case may be, the Change of Control Exercise Price).

In the Declaration of Trust, the Trustee will irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee for the Certificateholders.

The Delegate also undertakes that, *inter alia*, if it has received express notice in writing pursuant to the Declaration of Trust of the occurrence of a Dissolution Event or a Total Loss Event in respect of the Certificates and subject to Condition 14, it shall promptly notify the Certificateholders of the occurrence of such Dissolution Event and/or Total Loss Event (as the case may be).

A Transaction Account will be established in the name of the Trustee. Moneys received in the Transaction Account will, *inter alia*, comprise payments of Periodic Distribution Amounts and/or

Dissolution Distribution Amounts (if any) and/or Optional Dissolution Distribution Amounts (if any) immediately prior to each Periodic Distribution Date and/or any Dissolution Date, as the case may be. The Declaration of Trust shall provide that all moneys credited to the Transaction Account from time to time will be applied in the order of priority set out in the Declaration of Trust.

### **Agency Agreement**

The Agency Agreement will be entered into on the Issue Date between the Trustee, the Obligor, the Delegate, the Principal Paying Agent, the Registrar and the Transfer Agent and will be governed by English law.

Pursuant to the Agency Agreement: (i) the Registrar has agreed to be appointed as agent of the Trustee and has agreed, *inter alia*, to authenticate and deliver the Global Certificate and, if any, each Individual Certificate; (ii) the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, *inter alia*, to pay all sums due under such Global Certificate; and (iii) the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, *inter alia*, to effect requests to transfer all or part of the Global Certificate and issue Individual Certificates in accordance with each request.

On the Issue Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depository.

The Obligor shall cause to be deposited into the Transaction Account, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the redemption of the Certificates, apply the moneys standing to the credit of the Transaction Account in accordance with the order of priority set out in the Declaration of Trust.

### **Further Issues**

If the Trustee has issued additional Certificates in accordance with Condition 21 (*Further Issues*), the Obligor shall enter into a Supplemental Purchase Agreement under the Purchase Agreement to sell and grant a Usufruct over the Additional Wakala Assets into the Wakala Portfolio and shall enter into additional transactions with the Trustee pursuant to the Murabaha Agreement, provided that, at all times, the Tangibility Ratio shall remain 51 per cent. or more.

### **Shari'a Compliance**

Each Transaction Document provides that each of Aldar Sukuk Ltd. (to the extent it is a party to the relevant Transaction Document) and Aldar Investment Properties LLC (to the extent it is a party to the relevant Transaction Document), as the case may be, agrees that it has accepted the Shari'a compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is ultra vires or not compliant with the principles of Shari'a;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of Shari'a.

## TAXATION

*The following is a general description of certain tax considerations relating to the Certificates as in effect on the date of this Prospectus and is subject to any change in law or relevant fiscal rules and practice that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax considerations relating to the Certificates and does not constitute legal or tax advice. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries.*

### **Cayman Islands**

Under existing Cayman Islands laws, payments by the Trustee on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. An instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### **United Arab Emirates**

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments of or in the nature of profit or principal on debt securities (including the Certificates) or payments made under the Transaction Documents. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates: (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions as described in Condition 11); and (ii) the Obligor has undertaken under the Declaration of Trust to pay such additional amounts to the Trustee to enable the Trustee to discharge such obligation.

The Constitution of the UAE specifically reserves to the UAE federal government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into "Double Taxation Arrangements" with certain other countries.

### **The Proposed Financial Transactions Tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a

participating Member State. A financial institution may be, or be deemed to be, "**established**" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGA's**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to 1 January 2019 and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date.

## SUBSCRIPTION AND SALE

First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc and Standard Chartered Bank (together, the "**Joint Global Co-Ordinators**") and, together with Abu Dhabi Islamic Bank PJSC, Barclays Bank PLC, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC and HSBC Bank plc (together with the Joint Global Co-Ordinators, the "**Joint Lead Managers**") and Abu Dhabi Commercial Bank PJSC and Union National Bank P.J.S.C. (the "**Co-Managers**", together with the Global Co-Ordinators and the Joint Lead Managers, the "**Managers**") have entered into a subscription agreement with the Trustee and the Obligor dated 27 September 2018 with respect to the Certificates (the "**Subscription Agreement**"). The Trustee has agreed to issue and sell to the Managers U.S.\$500,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, each Manager has jointly and severally agreed to subscribe for the Certificates. In accordance with the terms of the Subscription Agreement, each of the Trustee and the Obligor will reimburse the Managers in respect of certain of their expenses incurred in connection with the issue of the Certificates and indemnify the Managers against certain liabilities incurred in connection with the issue of the Certificates. The Subscription Agreement entitles the Managers to terminate the issue of the Certificates in certain circumstances prior to payment to the Trustee.

### UNITED STATES

The Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has represented and agreed that it will not offer, sell or deliver Certificates: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Manager, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Manager has further agreed that it will send to each dealer/manager to which it sells any Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The foregoing restrictions apply to holders of beneficial interests in the Certificates, as well as holders of the Certificates.

Each Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificates.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by any dealer/manager (whether or not participating in the offering of the Certificates) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the European Economic Area. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); and/or
- (b) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## **UNITED KINGDOM**

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "FSMA")) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Obligor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

## **CAYMAN ISLANDS**

Each Manager has represented and agreed that it has not made and will not make any offer or invitation, whether directly or indirectly, to the public in the Cayman Islands to subscribe for the Certificates.

## **UNITED ARAB EMIRATES (EXCLUDING THE DUBAI INTERNATIONAL FINANCIAL CENTRE)**

Each Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

## **DUBAI INTERNATIONAL FINANCIAL CENTRE**

Each Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the DIFC unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the DFSA rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

## **KINGDOM OF BAHRAIN**

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

## **KINGDOM OF SAUDI ARABIA**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017 (the "**KSA Regulations**"), through a person authorised by the Capital

Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to sophisticated investors under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with Article 9 or Article 10 of the KSA Regulations. Each offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer of sale is otherwise in compliance with Article 15 of the KSA Regulations.

#### **STATE OF QATAR (INCLUDING THE QATAR FINANCIAL CENTRE)**

Each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

#### **JAPAN**

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold any Certificates, and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan.

#### **HONG KONG**

Each Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (b) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Securities and Futures Ordinance**") and any rules made under that Ordinance; or (c) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Winding Up and Miscellaneous Provisions) (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

#### **MALAYSIA**

This Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**").

Accordingly, each Manager has represented and agreed that the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase any Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

## **SINGAPORE**

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law; or
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**Notification under Section 309B(1)(c) of the SFA** – All Certificates to be issued shall be prescribed capital markets products (as defined in the SF (CMP) Regulations) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **GENERAL**

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws, and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Certificates or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, the Obligor, the Delegate, the Agents or any other Manager shall have any responsibility therefor.

None of the Trustee, the Obligor or any Manager has represented that Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of Certificates.

## GENERAL INFORMATION

### Aldar Investments

Aldar Investments was incorporated on 29 May 2018 as a limited liability company with commercial registration number CN-2571624 under the UAE Federal Commercial Companies Law. Its registered office is Aldar HQ building, Al Raha beach, P.O. Box 51133, Abu Dhabi and its telephone number is +971 2 810 5555. Aldar Investments is legally owned as to 99.9 per cent. by Aldar Investment Holding Restricted Limited and as to 0.1 per cent. by Aldar. Aldar Investment Holding Restricted Limited is legally and beneficially owned by Aldar. The rights of Aldar Investment Holding Restricted Limited and Aldar as the shareholders of Aldar Investments and Aldar as the sole shareholder of Aldar Investment Holding Restricted Limited are set out in the articles of association of Aldar Investments and Aldar Investment Holding Restricted Limited, respectively, and will be managed in accordance with those articles and with the provisions of applicable Abu Dhabi and UAE federal laws and, in the case of the rights of Aldar as the sole shareholder of Aldar Investment Holding Restricted Limited, in accordance with the laws of the Abu Dhabi Global Market.

### AUTHORISATION

The issue of the Certificates and the entry by the Trustee into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of the Trustee dated 12 September 2018. The entry by the Obligor into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of the Obligor, dated 27 August 2018.

The Trustee and the Obligor have each obtained all necessary consents, approvals and authorisations in connection with the issue of the Certificates and the execution and performance of the Transaction Documents to which they are a party.

### LISTING

Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and to trading on the Main Securities Market. The listing of the Certificates is expected to be granted on or before 1 October 2018.

The Main Securities Market is a regulated market for the purposes of MiFID II. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the Main Securities Market will be granted on or around 1 October 2018. The total expenses related to the admission to trading on the Main Securities Market are estimated to be €7,000.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the Main Securities Market.

Application has also been made for the Certificates to be admitted to listing on the ADX on or around 1 October 2018.

### DOCUMENTS AVAILABLE

For so long as any Certificates remain outstanding, copies (and English translations which will be accurate and direct translations, where the documents in question are not in English) of the following documents will be available in electronic and physical format, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection and/or collection by Certificateholders at the offices of the Principal Paying Agent in London:

- (a) the Transaction Documents;
- (b) the memorandum and articles of association of the Trustee and the constitutional documents of the Obligor;
- (c) the Carve-Out Financial Statements; and
- (d) a copy of this Prospectus.

## **CLEARING SYSTEMS**

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Certificates is XS1887479902. The Common Code for the Certificates is 188747990.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **LEGAL ENTITY IDENTIFIER**

The Legal Entity Identifier code of the Trustee is 5493003RAF9LEP7I8L38.

## **SIGNIFICANT OR MATERIAL CHANGE**

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

Save as described on page 101 in respect of the corporate reorganisation of Aldar, there has been no significant change in the financial or trading position of the Obligor since 30 June 2018, and there has been no material adverse change in the prospects of the Obligor since 31 December 2017.

## **LITIGATION**

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) since the date of its incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

The Obligor is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Obligor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Obligor.

## **AUDITORS**

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee has no subsidiaries. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

Ernst & Young Middle East (Abu Dhabi Branch) have audited the Annual Carve-Out Financial Statements in accordance with International Standards on Auditing, as stated in their audit report appearing herein.

Ernst & Young Middle East (Abu Dhabi Branch) have reviewed the Interim Carve-Out Financial Statements in accordance with International Standard on review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", as stated in their review report appearing herein.

Ernst & Young Middle East (Abu Dhabi Branch) are independent auditors authorised and regulated under the Register of Practising Accountants at the UAE Ministry of Economy and Planning as required by UAE Federal Law No. 22 of 1995. Their address is 27<sup>th</sup> Floor, Nation Tower 2, Abu Dhabi Corniche, P.O. Box 136, Abu Dhabi, United Arab Emirates.

## **MANAGERS TRANSACTING WITH THE TRUSTEE AND THE OBLIGOR**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage in, investment banking and/or commercial banking transactions with, and may perform services for the Trustee, the Obligor and their respective affiliates in the ordinary course of business for which they may receive fees.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates, have engaged in, and may in the future engage in, investment banking and/or commercial banking business with, and may provide services to the Trustee, the Obligor and/or their affiliates and, may make or hold a broad array of investments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Obligor and their affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Trustee, the Obligor and their affiliates routinely hedge their credit exposure to the Trustee, the Obligor and their affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "**affiliates**" shall also include parent companies.

## INDEX TO FINANCIAL STATEMENTS

Unaudited interim condensed carve-out financial statements of the asset management business of Aldar Properties PJSC as at and for the six months ended 30 June 2018, together with the independent auditor's review report thereon and the notes thereto .....	F-1
Audited carve-out financial statements of the asset management business of Aldar Properties PJSC as at and for the three years ended 31 December 2017, 2016 and 2015 together with the independent auditor's report thereon and the notes thereto.....	F-22

# **Aldar Asset Management Business**

INTERIM CONDENSED CARVE OUT  
FINANCIAL STATEMENTS

PERIOD ENDED 30 JUNE 2018



Building a better  
working world

Ernst & Young  
P.O. Box: 136  
27<sup>th</sup> Floor, Nation Tower 2  
Abu Dhabi Corniche  
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400  
Fax: +971 2 627 3383  
abudhabi@ae.ey.com  
ey.com/mena

## REPORT ON REVIEW OF INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS TO THE OWNER OF ALDAR ASSET MANAGEMENT BUSINESS

### *Introduction*

We have reviewed the accompanying interim condensed carve out financial statements of Aldar Asset Management Business (hereinafter referred to as the "Business") as at 30 June 2018 comprising of the interim condensed carve out statement of financial position as at 30 June 2018 and the related interim condensed carve out income statement, interim condensed carve out statement of comprehensive income, interim condensed carve out statement of changes in equity and interim condensed carve out statement of cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed carve out financial statements in accordance with International Accounting Standard 34, "*Interim Financial Reporting (IAS 34)*". Our responsibility is to express a conclusion on these interim condensed carve out financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim carve out financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed carve out financial statements are not prepared, in all material respects, in accordance with IAS 34.

### *Other matter*

We did not issue a review conclusion on the comparative financial information however we did undertake such procedures on the comparative financial information as we considered necessary for the purposes of reviewing the interim condensed carve out financial statements for the six month period ended 30 June 2018.

Save for any responsibility which we may have to those whom this report is expressly addressed and save for any responsibility under applicable law to investors purchasing Sukuk issued by Aldar Sukuk Ltd. in reliance on this report or as otherwise agreed in writing by us to any other party, to the fullest extent permissible by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 11.1 of Annex IX to the Prospectus Regulation (EC) No 809/2004 (as amended) (the "Prospectus Regulation"), consenting to its inclusion in the Prospectus.

Signed by:  
Anthony O'Sullivan  
Partner  
Ernst & Young  
Registration No. 687

11 September 2018  
Abu Dhabi

## Aldar Asset Management Business

### INTERIM CONDENSED CARVE OUT STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	<i>Notes</i>	<i>30 June 2018 AED '000 (unaudited)</i>	<i>31 December 2017 AED '000 (audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	<b>2,090,289</b>	2,164,505
Intangible assets		<b>1,331</b>	782
Investment properties	6	<b>13,962,141</b>	14,007,611
Other financial assets		<b><u>68,077</u></b>	<u>-</u>
<b>Total non-current assets</b>		<b><u>16,121,838</u></b>	<u>16,172,898</u>
<b>Current assets</b>			
Inventories	7	<b>88,168</b>	91,079
Trade and other receivables	8	<b>312,766</b>	285,915
Cash and bank balances	9	<b><u>118,709</u></b>	<u>180,084</u>
<b>Total current assets</b>		<b><u>519,643</u></b>	<u>557,078</u>
<b>TOTAL ASSETS</b>		<b><u>16,641,481</u></b>	<u>16,729,976</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Net investment by the Parent	10	<b>10,591,904</b>	10,197,130
Hedging reserve		<b><u>68,077</u></b>	<u>(5,748)</u>
<b>Total equity</b>		<b><u>10,659,981</u></b>	<u>10,191,382</u>
<b>Non-current liabilities</b>			
Bank borrowings	11	<b>1,666,330</b>	1,820,273
Lease liability		<b>206,635</b>	225,478
Provision for employees' end of service benefit		<b>14,439</b>	14,133
Other financial liability		<b><u>-</u></b>	<u>5,748</u>
<b>Total non-current liabilities</b>		<b><u>1,887,404</u></b>	<u>2,065,632</u>
<b>Current liabilities</b>			
Non-convertible sukuk	11	<b>2,763,936</b>	2,762,570
Bank borrowings	11	<b>575,238</b>	815,507
Lease liability		<b>21,055</b>	20,331
Advances and security deposits		<b>192,175</b>	193,669
Trade and other payables	12	<b><u>541,692</u></b>	<u>680,885</u>
<b>Total current liabilities</b>		<b><u>4,094,096</u></b>	<u>4,472,962</u>
<b>Total liabilities</b>		<b><u>5,981,500</u></b>	<u>6,538,594</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>16,641,481</u></b>	<u>16,729,976</u>

The accompanying notes form an integral part of these interim condensed carve out financial statements.

## Aldar Asset Management Business

### INTERIM CONDENSED CARVE OUT INCOME STATEMENT

For the period ended 30 June 2018 (Unaudited)

		<i>Six-month ended 30 June</i>	
		<i>2018</i>	<i>2017</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>
Revenue		<b>918,447</b>	915,612
Cost of revenue		<b><u>(314,692)</u></b>	<u>(316,072)</u>
<b>GROSS PROFIT</b>		<b><u>603,755</u></b>	<u>599,540</u>
Selling and marketing expenses		<b>(3,673)</b>	(5,194)
General and administrative expenses:			
Staff costs		<b>(26,493)</b>	(28,930)
Depreciation and amortisation		<b>(58,785)</b>	(60,240)
(Provisions, impairments and write-downs) / reversal, net		<b>(7,789)</b>	2,337
Others		<b>(4,752)</b>	(6,589)
Fair value loss on investment properties	6	<b>(190,804)</b>	(39,842)
Finance costs	13	<b><u>(115,038)</u></b>	<u>(107,862)</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>196,421</u></b>	<u>353,220</u>

The accompanying notes form an integral part of these interim condensed carve out financial statements.

## Aldar Asset Management Business

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### INTERIM CONDENSED CARVE OUT STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2018 (Unaudited)

	<i>Six-month ended 30 June</i>	
	<i>2018</i>	<i>2017</i>
	<i>AED '000</i>	<i>AED '000</i>
Profit for the period	<b>196,421</b>	353,220
<i>Other comprehensive income/ (loss) to be reclassified to income statement in subsequent periods:</i>		
Changes in fair value of cash flow hedges	<u><b>73,825</b></u>	<u>(23,855)</u>
<b>Other comprehensive income/ (loss)</b>	<u><b>73,825</b></u>	<u>(23,855)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><b>270,246</b></u>	<u>329,365</u>

The accompanying notes form an integral part of these interim condensed carve out financial statements.

## Aldar Asset Management Business

### INTERIM CONDENSED CARVE OUT STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2018 (Unaudited)

	<i>Net investment by the Parent AED '000</i>	<i>Hedging reserve AED '000</i>	<i>Total equity AED '000</i>
Balance at 1 January 2017 (audited)	10,303,411	-	10,303,411
Profit for the period	353,220	-	353,220
Other comprehensive loss for the period	-	(23,855)	(23,855)
Movement in net investment by the Parent	<u>(201,215)</u>	<u>-</u>	<u>(201,215)</u>
Balance at 30 June 2017 (unaudited)	<u>10,455,416</u>	<u>(23,855)</u>	<u>10,431,561</u>
Balance at 1 January 2018 (audited)	10,197,130	(5,748)	10,191,382
Profit for the period	196,421	-	196,421
Other comprehensive income for the period	-	73,825	73,825
Movement in net investment by the Parent	<u>198,353</u>	<u>-</u>	<u>198,353</u>
Balance at 30 June 2018 (unaudited)	<b><u>10,591,904</u></b>	<b><u>68,077</u></b>	<b><u>10,659,981</u></b>

The accompanying notes form an integral part of these interim condensed carve out financial statements.

## Aldar Asset Management Business

### INTERIM CONDENSED CARVE OUT STATEMENT OF CASH FLOWS

For the period ended 30 June 2018 (Unaudited)

	<i>Six-month ended 30 June</i>	
	<i>2018</i>	<i>2017</i>
	<i>AED '000</i>	<i>AED '000</i>
Net cash generated from operating activities	<u>373,497</u>	<u>421,012</u>
<b>INVESTING ACTIVITIES</b>		
Payments for purchase of property and equipment	(7,173)	(16,914)
Payments for purchase of intangible assets	(782)	(135)
Additions to investment properties	(122,497)	(132,811)
Movement in term deposits with original maturities above three months	<u>(168)</u>	<u>5,061</u>
Net cash used in investing activities	<u>(130,620)</u>	<u>(144,799)</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of borrowings	(400,000)	(76,041)
Finance costs paid	(102,773)	(97,282)
Movement in net investment by the Parent	<u>198,353</u>	<u>(201,215)</u>
Net cash used in financing activities	<u>(304,420)</u>	<u>(374,538)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(61,543)</b>	<b>(98,325)</b>
Cash and cash equivalents at the beginning of the period	<u>180,084</u>	<u>216,082</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>118,541</u></b>	<b><u>117,757</u></b>

The accompanying notes form an integral part of these interim condensed carve out financial statements.

# Aldar Asset Management Business

## NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

### 1 GENERAL INFORMATION

The establishment of Aldar Properties PJSC (the “Company” or the “Parent”) was approved by Decision No. (16) of 2004 of the Abu Dhabi Department of Planning and Economy dated 12 October 2004. The Company’s incorporation was declared by Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy dated 23 February 2005. The Company is domiciled in the United Arab Emirates (UAE) and its registered office address is PO Box 51133, Abu Dhabi. The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange.

The Board of Directors of Aldar Properties PJSC, in their meeting held on 12 November 2017 approved the transfer of the Asset Management Business of Aldar Properties PJSC (the “Aldar Asset Management Business” or the “Business”) to a wholly owned subsidiary to be established named Aldar Investment Properties LLC. The Business comprises of a portfolio of investment properties and hotels managed by the Parent. The principal activities of the Business is to engage in the investment, management and associated services for real estate assets and the operation of hotels.

These interim condensed carve out financial statements represent the assets and associated liabilities subject to the asset transfer agreement entered into between Aldar Properties PJSC and Aldar Investment Properties LLC (see note 3.1 for further details). Certain properties previously disclosed under the Asset Management segment in the consolidated financial statements of the Parent are not being transferred and accordingly not included in these interim condensed carve out financial statements. These properties represented separate economic activities within the segment, in that, each property had distinguishable services being provided to customers, separate independent cash flows, minimal common costs borne by the Asset Management segment, and were managed independently with oversight of the chief operating decision maker (CODM).

### 2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

#### 2.1 Standards issued and adopted

The Business applied the following standards, interpretations and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2018.

- IFRS 9: Financial Instruments;
- IFRIC 22: Foreign Currency Transactions and Advance Consideration;
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions; and
- Amendments to IAS 40: Transfers of Investment Property.

#### *Annual Improvements 2014-2016 Cycle*

- IFRS 1: First-time adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first time adopters; and
- IAS 28: Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

## 2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

### 2.1 Standards issued and adopted continued

The application of these new standards, interpretation and amendments, other than IFRS 9, did not have a material impact on the interim condensed carve out financial statements of the Business. The nature and the impact of IFRS 9 is described below:

The International Accounting Standard Board issued its final version of IFRS 9 Financial Instruments in July 2014 and it is effective for annual periods commencing on or after 1 January 2018. IFRS 9 replaces IAS 39 *Financial instruments: Recognition and Measurement* and addresses the following matters in relation to financial instruments:

- classification and measurement of financial assets and liabilities, including impairment of financial assets.
- hedge accounting.

The Business has assessed the impact of application of the above requirements of IFRS 9 on the financial statements of the Business. On the basis of facts and circumstances existing as at 1 January 2018, the Business has assessed the following impact in relation to the classification of financial assets and financial liabilities:

- Financial assets classified as loans and receivables and measured at amortised cost continue to be measured as such as the business model for these assets is to collect contractual cash flows and these cash flows consist of solely payments of principal and interest.

The Business has also reviewed and assessed the impact of the measurement and impairment requirements of IFRS 9, including the requirements for hedge accounting and based on the assessment, the application of IFRS 9 in relation to the measurement, impairment and hedge accounting did not have material impact on the amounts reported in prior year in the carve out financial statements of the Business in respect of its financial instruments and existing hedge relationships.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation

These interim condensed carve out financial statements have been prepared for the purpose of inclusion in the prospectus in connection with the proposed issue of Sukuk to be listed on the Irish Stock Exchange and the Abu Dhabi Stock Exchange by Aldar Investment Properties LLC as Obligor. The Business has historically operated as part of the Parent and not as a standalone company. These interim condensed carve out financial statements representing the historical operations of the Business have been derived from the Parent's historical accounting records and are presented on a carve out basis.

The interim condensed carve out financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). The standard does not provide guidance for the preparation of carve out interim condensed financial statements, or for the specific accounting treatment set out below. These interim condensed carve out financial statements are prepared on a basis that combines the results and assets and liabilities of each of the operations constituting the Business by applying the principles underlying the consolidation procedures of IFRS 10 "Consolidated Financial Statements" and include the assets, liabilities, revenues and expenses that management has determined are attributable to the Business.

This basis of preparation describes how the interim condensed carve out financial statements has been prepared in accordance with IAS 34.

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

##### 3.1 Basis of preparation continued

The following summarises the accounting and other principles applied in preparing these interim condensed carve out financial statements:

- As the Business did not comprise a separate legal entity, therefore it is not meaningful to present share capital or an analysis of reserves or components of other comprehensive income, other than hedging reserves which is separately identifiable. Net investment by the Parent represents a combination of the overall receivables and payables with Parent, funding balances with Parent and investment by Parent in the Business, which cannot be separately identified or allocated throughout the periods presented.
- The interim condensed carve out statement of financial position of the Business includes Parent's assets and liabilities that are specifically identifiable or otherwise attributable to the Business.
- Parent's borrowings including non-convertible Sukuk, that will be transferred to the Business pursuant to the reorganisation of the Group, or which were obtained/ raised by the Parent and utilised for the purpose of the Business, have been attributed to the Business. Under the proposed reorganisation, the borrowings, including non-convertible Sukuk, which will not be transferred to the Business, will either be refinanced through the undrawn facilities being transferred or through new facilities obtained from financial institutions, the Parent (through intercompany debt) or the proposed issue of Sukuk.
- Cash balances that are specifically identifiable and attributable to Aldar Asset Management Business have been included in these interim condensed carve out financial statements.
- In accordance with the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, including the intended use of property, certain properties that were classified under property and equipment in the interim condensed consolidated statement of financial position of the Parent have been reclassified as investment properties in the interim condensed carve out statement of financial position of the Parent and accounted for in accordance with the accounting policies disclosed below.
- Liability in respect of end of service benefits payable to indirect employees involved in the hotel operations under management agreement with the operator of the hotels, will be transferred to the Business and have been included in the carve out financial position of the Business.
- All revenues and costs associated with the Business are included in these interim condensed carve out financial statements.
- Certain expenses including staff costs, selling and marketing expenses and general and administrative expenses, associated with the Business but borne by the Parent, have been allocated in these financial statements. These represent certain corporate and shared service function historically provided by the Parent, including, but not limited to, executive oversight, accounting, treasury, human resources, procurement, information technology, marketing, and other shared services. These expenses have been allocated to the Business on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis of consolidated sales and staff cost, representing reasonable reflection of the historical utilisation levels of the services. Although the management believes that the assumptions underlying the allocation of these expenses to the Business are reasonable, however, these allocated expenses may not be representative of the amounts that would have been reflected in these interim condensed carve out financial statements, had the Business operated independently of the Parent. Actual costs that would have been incurred if the Business operated as independently would depend on multiple factors including organisational structure and strategic decision made in various areas. In addition, these allocated expenses are not representative of future performance of the Business if operated independently.

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

##### 3.1 Basis of preparation continued

- Transaction between the Business and Parent are considered to be settled in the interim condensed carve out financial statements at the time the transaction is recorded. The total net effect of the settlement of these transactions is reflected in the interim condensed carve out statement of cash flows within financing activities and on interim condensed carve out statement of financial position within "Net Investment by the Parent".
- All transactions and accounts within the Business have been eliminated.

These interim condensed carve out financial statements have been presented in UAE Dirhams (AED), which is also the functional currency of the Business. All values are rounded to the nearest thousand except where otherwise indicative.

These interim condensed carve out financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and derivatives.

The interim condensed carve out financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Business's carve out financial statements for the years ended 31 December 2017, 2016 and 2015. In addition, results for the six-months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

The accounting policies used in the preparation of these interim condensed carve out financial statements are consistent with those applied to the audited carve out financial statements for the years ended 31 December 2017, 2016 and 2015 other than changes as a result of the application of IFRS 9. The changes to the policies as a result of application of IFRS 9 are detailed below:

##### **Classification of financial assets and liabilities**

###### *Financial assets*

All financial assets under the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Business's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost, if both the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Business may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.1 Basis of preparation continued

##### Classification of financial assets and liabilities continued

###### *Financial liabilities*

All financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts.
- commitments to provide a loan at a below-market interest rate.

At initial recognition, the Business may irrevocably designate a financial liability as measured at fair value through profit or loss when permitted, or when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

###### *Embedded derivatives*

Where a hybrid contract contains a host that is a financial asset under the scope of IFRS 9, the policy in relation to classification and measurement, including impairment relating to the financial assets applies to the entire hybrid contract.

Where it is required by this Standard to separate an embedded derivative from its host, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid contract at fair value through profit or loss.

###### *Reclassification of financial assets and financial liabilities*

Where the Business changes its business model for managing financial assets, it reclassifies all affected financial assets. An entity shall not reclassify any financial liability.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.1 Basis of preparation continued

##### **Measurement of financial assets and liabilities**

###### *Initial measurement*

At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

###### *Subsequent measurement of financial assets*

After initial recognition, an entity shall measure a financial asset in accordance with its classification at:

- amortised cost less impairment;
- fair value through other comprehensive income less impairment; or
- fair value through profit or loss.

Impairment is assessed on the financial assets measured at amortised cost and at fair value through other comprehensive income as disclosed below.

Hedge accounting requirements disclosed below applies to financial assets designated as hedged item.

##### **Impairment of financial assets**

In relation to the impairment of financial assets, the Business applies the Expected Credit Loss (“ECL”) model as opposed to an incurred credit loss model. Under the expected credit loss model, the Business accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. It is not necessary for a credit event to have occurred before credit losses are recognised. The Business has adopted the simplified approach for measuring the impairment on its financial assets. Under the simplified approach, the Business measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

A loss allowance for expected credit losses is recognised on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured at fair value through other comprehensive income. The financial assets subject to impairment requirements of IFRS 9, include lease receivables

##### **Hedge accounting**

The hedge accounting policy of the Business retains the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. Furthermore, the hedge effectiveness test requirements have been overhauled and replaced with the principle of an ‘economic relationship’, and accordingly, retrospective assessment of hedge effectiveness is no longer required.

## Aldar Asset Management Business

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

#### 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these interim condensed carve out financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed carve out financial statements, the significant judgments made by management in applying the Business's accounting policies, and the key sources of estimates uncertainty were the same as those applied to the carved out financial statements as at and for the years ended 31 December 2017, 2016 and 2015 other than those in relation to classification and impairment of financial assets.

##### *Impairment of financial asset*

The Business has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The ECLs are based on the Business' historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment. These ECLs are applied to the balances to determine the impairment as at the reporting date.

#### 5 PROPERTY AND EQUIPMENT

Movement in property and equipment relates to depreciation charge for the period amounting to AED 58,552 thousand and transfer of assets to investment properties of AED 22,837 thousand (Note 6), offset by additions during the period of AED 7,173 thousand.

#### 6 INVESTMENT PROPERTIES

Investment properties comprise completed properties (buildings and retail centers) and properties under development. The movement during the period/ year is as follows:

	30 June 2018 (unaudited)			31 December 2017 (audited)		
	Completed properties AED '000	Properties under development AED '000	Total AED '000	Completed properties AED '000	Properties under development AED '000	Total AED '000
Balance at the beginning of the period/year	13,795,563	212,048	14,007,611	13,451,566	97,069	13,548,635
Addition during the period/ year, net	7,799	114,698	122,497	626,091	279,999	906,090
Finance cost capitalised	-	-	-	-	213	213
Fair value loss, net	(190,804)	-	(190,804)	(456,193)	-	(456,193)
Disposals	-	-	-	(11,259)	-	(11,259)
Transfers	-	-	-	165,233	(165,233)	-
Transfer from property and equipment	22,837	-	22,837	20,125	-	20,125
Balance at the end of the period/ year	<u>13,635,395</u>	<u>326,746</u>	<u>13,962,141</u>	<u>13,795,563</u>	<u>212,048</u>	<u>14,007,611</u>

## Aldar Asset Management Business

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

#### 7 INVENTORIES

	<i>30 June 2018 AED '000 (unaudited)</i>	<i>31 December 2017 AED '000 (audited)</i>
Completed properties	<b>83,544</b>	83,544
Operating inventories	<b><u>4,624</u></b>	<u>7,535</u>
	<b><u><u>88,168</u></u></b>	<u><u>91,079</u></u>

Operating inventories represent inventory relating to the hospitality segment only. As at 30 June 2018 and 31 December 2017, no provision has been recorded against these inventories.

Completed properties comprise of certain units in an investment property which qualifies for the classification of inventory as these units were initially intended for sale in the normal course of business. These units were leased out till the intended sale price is achieved. The leasing contracts were being managed by the asset management business of Aldar. As part of the reorganisation, the management intends to transfer these units to the Business for future lease. Completed properties are located in United Arab Emirates. Completed properties are located in United Arab Emirates.

#### 8 TRADE AND OTHER RECEIVABLES

	<i>30 June 2018 AED '000 (unaudited)</i>	<i>31 December 2017 AED '000 (audited)</i>
Trade receivables	<b>231,187</b>	169,936
Less: provision for impairment	<b><u>(33,751)</u></b>	<u>(37,527)</u>
	<b>197,436</b>	132,409
Advances and prepayments	<b>68,680</b>	66,360
Accrued income	<b>14,903</b>	42,869
Other receivables	<b><u>31,747</u></b>	<u>44,277</u>
	<b><u><u>312,766</u></u></b>	<u><u>285,915</u></u>

#### 9 CASH AND BANK BALANCES

	<i>30 June 2018 AED '000 (unaudited)</i>	<i>31 December 2017 AED '000 (audited)</i>
Cash and bank balances	<b>118,541</b>	180,084
Short term deposits held with banks	<b><u>168</u></b>	<u>-</u>
	<b>118,709</b>	180,084
Cash and bank balances	<b>118,709</b>	180,084
Short term deposits with original maturities greater than three months	<b><u>(168)</u></b>	<u>-</u>
	<b><u><u>118,541</u></u></b>	<u><u>180,084</u></u>

The interest rate on short term deposits during the period is 2.11% (2017: nil) per annum. All bank balances including fixed deposits are held with local banks in the United Arab Emirates.

## Aldar Asset Management Business

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

#### 10 NET INVESTMENT BY THE PARENT

	<b>30 June 2018 AED '000 (unaudited)</b>	<b>31 December 2017 AED '000 (audited)</b>
Balance at the beginning of the period/year	<b>10,197,130</b>	10,303,411
Profit for the period/ year	<b>196,421</b>	318,857
Movement in net investment by the Parent *	<b><u>198,353</u></b>	<u>(425,138)</u>
Balance at the end of the period/year	<b><u>10,591,904</u></b>	<u>10,197,130</u>

\*Movement in net investment by the Parent is represented by:

	<b>30 June 2018 AED '000 (unaudited)</b>	<b>31 December 2017 AED '000 (audited)</b>
Allocation of expenses to the Business by the Parent	<b>153,575</b>	400,165
Transfer of investment properties	-	4,360
Cash pooling, general financing and other activities	<b><u>44,778</u></b>	<u>(829,663)</u>
	<b><u>198,353</u></b>	<u>(425,138)</u>

#### 11 BANK BORROWING AND NON-CONVERTIBLE SUKUK

	<i>Non-convertible bonds and sukuk</i>		<i>Bank borrowings</i>		<i>Total borrowings</i>	
	<b>30 June 2018 AED '000 (unaudited)</b>	<b>31 December 2017 AED '000 (audited)</b>	<b>30 June 2018 AED '000 (unaudited)</b>	<b>31 December 2017 AED '000 (audited)</b>	<b>30 June 2018 AED '000 (unaudited)</b>	<b>31 December 2017 AED '000 (audited)</b>
Current	<b><u>2,763,936</u></b>	<u>2,762,570</u>	<b><u>575,238</u></b>	<u>815,507</u>	<b><u>3,339,174</u></b>	<u>3,578,077</u>
Non-current	<b><u>-</u></b>	<u>-</u>	<b><u>1,666,330</u></b>	<u>1,820,273</u>	<b><u>1,666,330</u></b>	<u>1,820,723</u>

As explained in note 3.1, under the proposed reorganisation, certain borrowings, including the non-convertible Sukuk which will not be transferred to the Business, will either be refinanced through the undrawn facilities being transferred or through new facilities obtained from financial institutions, the Parent (through intercompany debt) or the proposed issue of Sukuk.

## Aldar Asset Management Business

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

#### 12 TRADE AND OTHER PAYABLES

	<i>30 June 2018 AED '000 (unaudited)</i>	<i>31 December 2017 AED '000 (audited)</i>
Trade payables	<b>33,067</b>	64,260
Deferred income	<b>111,108</b>	169,899
Retention payable	<b>49,829</b>	37,012
Accruals	<b>245,955</b>	260,892
Other payables	<b><u>101,733</u></b>	<u>148,822</u>
	<b><u>541,692</u></b>	<u>680,885</u>

The Business has financial and risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

#### 13 FINANCE COSTS

	<i>Six-month period ended 30 June 2018 AED '000 (unaudited)</i>	<i>2017 AED '000 (unaudited)</i>
Finance cost on borrowings	<b>110,265</b>	102,751
Unwinding of finance cost on lease liability (note 15)	<b><u>4,773</u></b>	<u>5,111</u>
	<b><u>115,038</u></b>	<u>107,862</u>

#### 14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise of Parent, associated companies, directors, key management personnel of the Parent and related entities. The terms of related party transactions are approved by the Parent's management and are made on terms agreed by the Board of Directors of the Parent. The Government of Abu Dhabi is an indirect major shareholder of the Parent.

## Aldar Asset Management Business

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

#### 14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

The balance and transaction with related parties are disclosed below:

##### Balance with related parties

	<b>30 June 2018 AED '000 (unaudited)</b>	<b>31 December 2017 AED '000 (audited)</b>
Net investment by the Parent	<b><u>10,591,904</u></b>	<u>10,197,130</u>
<i>Due from Government:</i>		
Other receivables	<b><u>24,596</u></b>	<u>30,195</u>

Outstanding borrowings of AED 1,252,389 thousand (31 December 2017: AED 1,660,071 thousand) are due to banks controlled by the Government. Finance cost on these borrowings amounted to AED 30,940 thousand (2017: AED 31,828 thousand).

##### Transactions with related parties

##### Key management compensation

The key management compensation was charged to the Business as part of allocation of cost as given in note 3.1.

##### Income from Government and major shareholder owned by Government:

	<b>30 June 2018 AED '000 (unaudited)</b>	<b>30 June 2017 AED '000 (unaudited)</b>
Rental income	<b>49,994</b>	48,465
Project management income	<b>11,250</b>	11,250

The Business has also leased out certain properties to the Parent. The rental income in relation to these properties amounted to AED 7,019 thousand for the periods ended 30 June 2018 and 2017. The balances in relation to these are adjusted through the net investment by the Parent.

Transactions between Parent and Business, including the allocation of expenses to the Business, are disclosed in note in note 11 to the carve out financial statements.

## Aldar Asset Management Business

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

#### 15 COMMITMENTS AND CONTINGENCIES

##### Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	<i>30 June 2018 AED '000 (unaudited)</i>	<i>31 December 2017 AED '000 (audited)</i>
Investment properties under development	<u>65,596</u>	<u>159,709</u>

The above commitments are spread over a period of one to five years.

##### Operating lease commitments

	<i>30 June 2018 AED '000 (unaudited)</i>	<i>31 December 2017 AED '000 (audited)</i>
<i>The Business as lessor</i>		
Within one year	615,114	627,045
In the second and fifth year	1,133,471	1,179,352
After five year	<u>606,669</u>	<u>539,467</u>
	<u>2,355,254</u>	<u>2,345,864</u>

	<i>30 June 2018 AED '000 (unaudited)</i>	<i>30 June 2017 AED '000 (unaudited)</i>
<i>The Business as lessee</i>		
Unwinding of interest expense during the period on lease liabilities (note 13)	<u>4,773</u>	<u>5,111</u>
Total cash outflow in respect of leases	<u>23,000</u>	<u>13,500</u>

##### Contingencies

	<i>30 June 2018 AED '000 (unaudited)</i>	<i>31 December 2017 AED '000 (audited)</i>
<i>Letters of credit and bank guarantees:</i>		
Issued by the Business	<u>1,276</u>	<u>200</u>

## Aldar Asset Management Business

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

#### 16 SEGMENT INFORMATION

##### Business segments

Segment information about the Business's continuing operations for the six months ended 30 June 2018 is presented below:

	<i>Investment properties AED'000</i>	<i>Hospitality AED'000</i>	<i>Total AED'000</i>
Revenue and management fees excluding service charges	<b>659,384</b>	<b>205,196</b>	<b>864,580</b>
Revenue from service charges	<u>53,867</u>	<u>-</u>	<u>53,867</u>
Gross revenue	<b>713,251</b>	<b>205,196</b>	<b>918,447</b>
Cost of revenue excluding service charge	<b>(83,101)</b>	<b>(177,724)</b>	<b>(260,825)</b>
Service charge expenses	<u>(53,867)</u>	<u>-</u>	<u>(53,867)</u>
Gross profit	<u><b>576,283</b></u>	<u><b>27,472</b></u>	<u><b>603,755</b></u>
Depreciation and amortisation	<b>(226)</b>	<b>(55,070)</b>	<b>(55,296)</b>
Provision for impairments/ write downs – net	<b>(7,789)</b>	<b>-</b>	<b>(7,789)</b>
Fair value loss on investment properties	<u><b>(190,804)</b></u>	<u><b>-</b></u>	<u><b>(190,804)</b></u>
Segment profit/ (loss)	<u><b>377,464</b></u>	<u><b>(27,598)</b></u>	<u><b>349,866</b></u>
Selling and marketing expenses			<b>(3,673)</b>
General and administrative expenses			<b>(31,245)</b>
Depreciation and amortisation			<b>(3,489)</b>
Finance costs			<u><b>(115,038)</b></u>
Profit for the period			<u><b>196,421</b></u>

Segment information about the Business's continuing operations for the six months ended 30 June 2017 is presented below:

	<i>Investment properties AED'000</i>	<i>Hospitality AED'000</i>	<i>Total AED'000</i>
Revenue and management fees excluding service charges	644,824	217,588	862,412
Revenue from service charges	<u>53,200</u>	<u>-</u>	<u>53,200</u>
Gross revenue	698,024	217,588	915,612
Cost of revenue excluding service charge	(78,494)	(184,378)	(262,872)
Service charge expenses	<u>(53,200)</u>	<u>-</u>	<u>(53,200)</u>
Gross profit	<u>566,330</u>	<u>33,210</u>	<u>599,540</u>
Depreciation and amortisation	(278)	(56,473)	(56,751)
Provision for impairments/write downs – net	2,516	(179)	2,337
Fair value loss on investment properties	<u>(39,842)</u>	<u>-</u>	<u>(39,842)</u>
Segment profit/ (loss)	<u>528,726</u>	<u>(23,442)</u>	<u>505,284</u>
Selling and marketing expenses			(5,194)
General and administrative expenses			(35,519)
Depreciation and amortisation			(3,489)
Finance costs			<u>(107,862)</u>
Profit for the period			<u>353,220</u>

## Aldar Asset Management Business

### NOTES TO THE INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS 30 June 2018 (Unaudited)

#### 16 SEGMENT INFORMATION continued

##### Business segments continued

The segment assets, liabilities and capital and project expenditure are as follows:

	<i>Investment properties AED'000</i>	<i>Hospitality AED'000</i>	<i>Unallocated AED'000</i>	<i>Total AED'000</i>
<b><i>As at 30 June 2018</i></b>				
Assets	<b>14,289,166</b>	<b>2,216,258</b>	<b>136,057</b>	<b>16,641,481</b>
Liabilities	<b>900,597</b>	<b>75,399</b>	<b>5,005,504</b>	<b>5,981,500</b>
<b><i>Period ended 30 June 2018</i></b>				
Capital expenditures	<b>606</b>	<b>6,567</b>	-	<b>7,173</b>
Project expenditures	<b>122,497</b>	-	-	<b>122,497</b>
<b><i>As at 31 December 2017</i></b>				
Assets	14,310,953	2,347,554	71,469	16,729,976
Liabilities	998,279	136,217	5,404,098	6,538,594
<b><i>Year ended 31 December 2017</i></b>				
Capital expenditures	23,590	14,165	-	37,755
Project expenditures	901,730	-	-	901,730

#### 17 APPROVAL OF INTERIM CONDENSED CARVE OUT FINANCIAL STATEMENTS

The interim condensed carve out financial statements were approved and authorised for issue on 11 September 2018 by the Chief Executive Officer and the Chief Financial Officer of the Parent on behalf of the Board of Directors.

#### 18 EVENT AFTER THE REPORTING PERIOD

Subsequent to the period / year end, the process of transfer of legal title of all properties to AIP has commenced. As at the date of these financial statements there remain a number of properties for which the legal formalities for transfer are not yet completed.

# **Aldar Asset Management Business**

CARVE OUT FINANCIAL STATEMENTS

YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

## INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF ALDAR ASSET MANAGEMENT BUSINESS

### Report on the Audit of the Carve Out Financial Statements

#### *Opinion*

We have audited the carve out financial statements of Aldar Asset Management Business (hereinafter referred to as the "Business"), which comprise the carve out statement of financial position as at 31 December 2017, 31 December 2016 and 31 December 2015, and the related carve out statement of income, carve out statement of comprehensive income, carve out statement of changes in equity and carve out statement of cash flows for the years then ended, and notes to the carve out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve out financial statements present fairly, in all material respects, the financial position of the Business as at 31 December 2017, 31 December 2016 and 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the carve out financial statements* section of our report. We are independent of the Business in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (the "IESBA Code")* together with the ethical requirements that are relevant to our audit of the carve out financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of management and those charged with governance for the carve out financial statements*

Management is responsible for the preparation and fair presentation of the carve out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve out financial statements, management is responsible for assessing the Business' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Business or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Business' financial reporting process.

## INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF

### ALDAR ASSET MANAGEMENT BUSINESS continued

#### Report on the Audit of the Carve Out Financial Statements continued

##### *Auditor's responsibilities for the audit of the carve out financial statements*

Our objectives are to obtain reasonable assurance about whether the carve out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve out financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Business' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Business to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve out financial statements, including the disclosures, and whether the carve out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the carve out financial information of the entities or business activities within the Business to express an opinion on the carve out financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF  
ALDAR ASSET MANAGEMENT BUSINESS** continued

**Report on the Audit of the Carve Out Financial Statements** continued

*Auditor's responsibilities for the audit of the carve out financial statements* continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Save for any responsibility which we may have to those whom this report is expressly addressed and save for any responsibility under applicable law to investors purchasing Sukuk issued by Aldar Sukuk Ltd. in reliance on this report or as otherwise agreed in writing by us to any other party, to the fullest extent permissible by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 11.1 of Annex IX to the Prospectus Regulation (EC) No 809/2004 (as amended) (the "Prospectus Regulation"), consenting to its inclusion in the Prospectus.



Signed by:  
Anthony O'Sullivan  
Partner  
Ernst & Young  
Registration No: 687

11 September 2018  
Abu Dhabi

## Aldar Asset Management Business

### CARVE OUT STATEMENT OF FINANCIAL POSITION

At 31 December 2017, 2016 and 2015

	<i>Notes</i>	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	5	<b>2,164,505</b>	2,300,456	2,443,906
Intangible assets	6	<b>782</b>	528	408
Investment properties	7	<b><u>14,007,611</u></b>	<u>13,548,635</u>	<u>13,433,318</u>
<b>Total non-current assets</b>		<b><u>16,172,898</u></b>	<u>15,849,619</u>	<u>15,877,632</u>
<b>Current assets</b>				
Inventories	8	<b>91,079</b>	90,975	91,377
Trade and other receivables	9	<b>285,915</b>	289,306	410,039
Cash and bank balances	10	<b><u>180,084</u></b>	<u>221,143</u>	<u>235,433</u>
<b>Total current assets</b>		<b><u>557,078</u></b>	<u>601,424</u>	<u>736,849</u>
<b>TOTAL ASSETS</b>		<b><u>16,729,976</u></b>	<u>16,451,043</u>	<u>16,614,481</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Net investment by the Parent	11	<b>10,197,130</b>	10,303,411	10,070,257
Hedging reserve	15	<b><u>(5,748)</u></b>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<b><u>10,191,382</u></b>	<u>10,303,411</u>	<u>10,070,257</u>
<b>Non-current liabilities</b>				
Non-convertible sukuk	12	<b>-</b>	2,749,189	2,745,405
Bank borrowings	13	<b>1,820,273</b>	1,615,434	2,236,801
Lease liability		<b>225,478</b>	246,828	-
Provisions for employees' end of service benefit	14	<b>14,133</b>	14,301	13,551
Other financial liability	15	<b><u>5,748</u></b>	<u>-</u>	<u>-</u>
<b>Total non-current liabilities</b>		<b><u>2,065,632</u></b>	<u>4,625,752</u>	<u>4,995,757</u>
<b>Current liabilities</b>				
Non-convertible sukuk	12	<b>2,762,570</b>	9,983	9,983
Bank borrowings	13	<b>815,507</b>	634,824	400,162
Lease liability		<b>20,331</b>	9,871	-
Advances and security deposits		<b>193,669</b>	171,013	167,338
Trade and other payables	16	<b><u>680,885</u></b>	<u>696,189</u>	<u>970,984</u>
<b>Total current liabilities</b>		<b><u>4,472,962</u></b>	<u>1,521,880</u>	<u>1,548,467</u>
<b>Total liabilities</b>		<b><u>6,538,594</u></b>	<u>6,147,632</u>	<u>6,544,224</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>16,729,976</u></b>	<u>16,451,043</u>	<u>16,614,481</u>

The accompanying notes 1 to 27 form part of these carve out financial statements.

## Aldar Asset Management Business

### CARVE OUT STATEMENT OF INCOME

For the years ended 31 December 2017, 2016 and 2015

	<i>Notes</i>	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Revenue		<b>1,878,678</b>	1,958,744	1,943,074
Costs of revenue	17	<u><b>(655,617)</b></u>	<u>(681,539)</u>	<u>(734,769)</u>
<b>GROSS PROFIT</b>		<b>1,223,061</b>	1,277,205	1,208,305
Selling and marketing expenses	18	<b>(8,846)</b>	(9,195)	(6,499)
General and administrative expenses				
Staff costs	19	<b>(58,873)</b>	(57,476)	(56,895)
Depreciation and amortisation	5 & 6	<b>(121,014)</b>	(122,861)	(126,883)
Provisions, impairments and write downs, net	5 & 9	<b>(42,835)</b>	(31,514)	(144,400)
Others		<b>(12,055)</b>	(8,528)	(6,900)
Gain on disposal of investment properties		<b>3,835</b>	14,409	32,376
Fair value (loss)/ gain on investment properties, net	7	<b>(456,193)</b>	(127,072)	1,168,023
Finance income	21	<b>10,062</b>	-	-
Finance costs	20	<u><b>(218,285)</b></u>	<u>(208,842)</u>	<u>(216,638)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>318,857</b></u>	<u>726,126</u>	<u>1,850,489</u>

The accompanying notes 1 to 27 form part of these carve out financial statements.

## Aldar Asset Management Business

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### CARVE OUT STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2017, 2016 and 2015

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
<b>Profit for the year</b>	<b><u>318,857</u></b>	<u>726,126</u>	<u>1,850,489</u>
<i>Other comprehensive income (loss) to be reclassified to income statement in subsequent periods:</i>			
Changes in fair value of cash flow hedges (note 15)	<u>(5,748)</u>	-	-
<b>Other comprehensive loss for the year</b>	<b><u>(5,748)</u></b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>313,109</u></b>	<u>726,126</u>	<u>1,850,489</u>

The accompanying notes 1 to 27 form part of these carve out financial statements.

## Aldar Asset Management Business

### CARVE OUT STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2017, 2016 and 2015

	<i>Net investment by the Parent AED'000</i>	<i>Hedging reserve AED'000</i>	<i>Total equity AED'000</i>
Balance at 1 January 2015	6,327,230	-	6,327,230
Profit and total comprehensive income for the year	1,850,489	-	1,850,489
Movement in net investment by the Parent (note 11)	<u>1,892,538</u>	<u>-</u>	<u>1,892,538</u>
Balance at 31 December 2015	10,070,257	-	10,070,257
Effect of change in accounting policy (note 2.1)	<u>(60,415)</u>	<u>-</u>	<u>(60,415)</u>
Balance at 1 January 2016	10,009,842	-	10,009,842
Profit and total comprehensive income for the year	726,126	-	726,126
Movement in net investment by the Parent (note 11)	<u>(432,557)</u>	<u>-</u>	<u>(432,557)</u>
Balance at 31 December 2016	10,303,411	-	10,303,411
Profit for the year	318,857	-	318,857
Other comprehensive loss for the year	-	(5,748)	(5,748)
Movement in net investment by the Parent (note 11)	<u>(425,138)</u>	<u>-</u>	<u>(425,138)</u>
Balance at 31 December 2017	<b><u>10,197,130</u></b>	<b><u>(5,748)</u></b>	<b><u>10,191,382</u></b>

The accompanying notes 1 to 27 form part of these carve out financial statements.

## Aldar Asset Management Business

### CARVE OUT STATEMENT OF CASH FLOWS

For the years ended 31 December 2017, 2016 and 2015

	Notes	2017 AED'000	2016 AED'000	2015 AED'000
<b>OPERATING ACTIVITIES</b>				
Profit for the year		318,857	726,126	1,850,489
Adjustments for:				
Depreciation and amortisation	5 & 6	121,014	122,861	126,883
Finance costs		198,687	191,319	198,963
Amortisation of prepaid finance costs		19,598	17,523	17,675
Fair value loss/ (gain) on investment properties, net	7	456,193	127,072	(1,168,023)
Provision for impairment of property and equipment, net	5	32,716	33,583	139,555
Provision for/ (reversal of) impairment of trade receivables, net	9	10,119	(2,069)	4,845
Gain on disposal of investment properties		(3,835)	(14,409)	(32,376)
Provision for employees' end of service benefit	14	3,984	3,585	4,351
Operating cash flows before changes in working capital		<u>1,157,333</u>	1,205,591	1,142,362
Changes in working capital				
Trade and other receivables		(6,729)	122,803	(132,504)
Inventories		(4,464)	402	355
Advances and security deposits		22,656	3,675	38,781
Lease liability		(10,890)	9,044	-
Trade and other payables		<u>(25,741)</u>	<u>(274,795)</u>	<u>(267,733)</u>
Cash generated from operating activities		<u>1,132,165</u>	1,066,720	781,261
Employees' end of service benefits paid	14	<u>(4,152)</u>	<u>(2,835)</u>	<u>(2,817)</u>
Net cash generated from operating activities		<u>1,128,013</u>	<u>1,063,885</u>	<u>778,444</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	5	(37,755)	(23,645)	(44,794)
Purchase of intangible assets	6	(403)	(176)	(9)
Additions to investment properties		(901,730)	(89,942)	(336,977)
Proceeds from disposal of investment properties		15,094	49,003	65,208
Movement in term deposits with original maturities greater than three months		<u>5,061</u>	<u>(31)</u>	<u>549</u>
Net cash used in investing activities		<u>(919,733)</u>	<u>(64,791)</u>	<u>(316,023)</u>
<b>FINANCING ACTIVITIES</b>				
Borrowings paid		(627,592)	(394,005)	(2,229,550)
Borrowings obtained		1,000,000	5,000	-
Finance costs paid		(191,548)	(191,853)	(205,339)
Movement in net investment by the Parent	11	<u>(425,138)</u>	<u>(432,557)</u>	<u>1,892,538</u>
Net cash used in financing activities		<u>(244,278)</u>	<u>(1,013,415)</u>	<u>(542,351)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(35,998)</b>	<b>(14,321)</b>	<b>(79,930)</b>
Cash and cash equivalents at the beginning of the year		<u>216,082</u>	<u>230,403</u>	<u>310,333</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	10	<u><u>180,084</u></u>	<u><u>216,082</u></u>	<u><u>230,403</u></u>
<b>Non-cash transactions:</b>				
Transfer of investment properties from Parent Company		<u><u>4,360</u></u>	<u><u>-</u></u>	<u><u>339,321</u></u>

The accompanying notes 1 to 27 form part of these carve out financial statements.

# Aldar Asset Management Business

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## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 1 GENERAL INFORMATION

The establishment of Aldar Properties PJSC (the “Company” or the “Parent”) was approved by Decision No. (16) of 2004 of the Abu Dhabi Department of Planning and Economy dated 12 October 2004. The Company’s incorporation was declared by Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy dated 23 February 2005. The Company is domiciled in the United Arab Emirates (UAE) and its registered office address is PO Box 51133, Abu Dhabi. The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange.

The Board of Directors of Aldar Properties PJSC, in their meeting held on 12 November 2017 approved the transfer of the Asset Management Business of Aldar Properties PJSC (the “Aldar Asset Management Business” or the “Business”) to a fully owned subsidiary to be established named Aldar Investment Properties LLC. The Business comprises of a portfolio of investment properties and hotels managed by the Parent. The principal activities of the Business is to engage in the investment, management and associated services for real estate assets and the operation of hotels.

These carve out financial statements represent the assets and associated liabilities subject to the asset transfer agreement entered into between Aldar Properties PJSC and Aldar Investment Properties LLC (see note 3.1 for further details). Certain properties previously disclosed under the Asset Management segment in the consolidated financial statements of the Parent are not being transferred and accordingly not included in these carve out financial statements. These properties represented separate economic activities within the segment, in that, each property had distinguishable services being provided to customers, separate independent cash flows, minimal common costs borne by the Asset Management segment, and were managed independently with oversight of the chief operating decision maker (CODM).

### 2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

#### 2.1 Standards issued and adopted

The Business applied certain standards, interpretations and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2015, 1 January 2016 and 1 January 2017. The Business has also opted for the early adoption of IFRS 15 ‘Revenue from contracts with customers’ and IFRS 16 ‘Leases’ with effect from 1 January 2015 and from 1 January 2016, respectively, resulting in a change in the policy of the Business in relation to revenue recognition on contracts with customers and its lease contracts as lessee. The Business has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The application of these new standards, interpretation and amendment, other than IFRS 15 and IFRS 16, did not have a material impact on the carve out financial statements. The nature and the impact of each new standard, interpretation and amendment is described below:

#### **IFRS 15 Revenue from contracts with customers**

IFRS 15 was issued in May 2014 and was effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Business adopted IFRS 15 with effect from 1 January 2015. The Business has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Modified retrospective application requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at 1 January 2015 in equity. Based on the assessment of management, there was no impact of the early adoption of IFRS 15 on the carve out financial statements of the Business.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

## 2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

### 2.1 Standards issued and adopted continued

#### IFRS 16 Leases

IFRS 16 'Leases' was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019, with early adoption permitted. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property and equipment and investment properties) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (in case of property and equipment) or changes in the fair value (in case of investment properties) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 'Statement of Cash Flows'.

IFRS 16 substantially carries forward the lessor accounting requirements of the superseded IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Business adopted IFRS 16 with effect from 1 January 2016. The Business has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. Modified retrospective application requires the recognition of the cumulative impact of adoption of IFRS 16 on all contracts as at 1 January 2016 in equity.

The details of adjustments to opening equity and other account balances as at 1 January 2016 is detailed below.

#### *Carve out statement of financial position*

	<i>31 December 2015 AED '000</i>	<i>Adjustments AED '000</i>	<i>1 January 2016 AED '000</i>
<b>Assets</b>			
Investment properties (note 7)	<u>13,433,318</u>	<u>176,335</u>	<u>13,609,653</u>
<b>Liabilities</b>			
Lease liability	<u>970,984</u>	<u>236,750</u>	<u>1,207,734</u>
<b>Equity</b>			
Net investment by the Parent	<u>10,070,257</u>	<u>(60,415)</u>	<u>10,009,842</u>

#### *Carve out statement of income*

	<i>As per IFRS 16 AED '000</i>	<i>As per old policy AED '000</i>	<i>Impact due to change AED '000</i>
Direct costs for the year ended 31 December 2016	<u>(681,539)</u>	<u>(708,984)</u>	<u>27,445</u>
Fair value loss on investment properties for the year ended 31 December 2016	<u>(127,072)</u>	<u>(110,461)</u>	<u>(16,611)</u>
Finance costs for the year ended 31 December 2016	<u>(208,842)</u>	<u>(197,937)</u>	<u>(10,905)</u>
Profit for the year ended 31 December 2016	<u>726,126</u>	<u>726,197</u>	<u>(71)</u>

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### **2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** continued

#### **2.1 Standards issued and adopted** continued

##### **IFRS 16 Leases** continued

Modified retrospective application of IFRS 16 also requires the Business to recognise a lease liability at the date of initial application for leases previously classified as an operating lease measured at the present value of the remaining lease payments, discounted using the Parent's incremental borrowing rate at the date of initial application. The Business has used a 4.5% weighted average incremental borrowing rate of the Parent for determination of present value of the remaining lease payments. The right-of-use assets have been recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Based on the allowed practical expedients under IFRS 16, the Business has elected not to apply the requirements of IFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of initial application.

#### **2.2 Standards effective 1 January 2015**

##### **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

##### **Annual Improvements 2011-2013 Cycle**

The Business has applied these improvements for the first time in these carve out financial statements, however they did not have material impact on the carve out financial statements. They include:

<i>IFRS 3 Business Combinations</i>	The amendment clarifies for the scope exceptions within IFRS 3 that: § Joint arrangements, not just joint ventures, are outside the scope of IFRS 3 § This scope exception applies only to the accounting in the financial statements of the joint arrangement itself
<i>IFRS 13 Fair Value Measurement</i>	The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.
<i>IAS 40 Investment Property</i>	The amendment clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

#### 2.2 Standards effective 1 January 2015 continued

##### Annual Improvements 2010-2012 Cycle

The Business has applied these improvements for the first time in these carve out financial statements, however they did not have a material impact. They include:

*IFRS 2 Share-based Payment* IFRS 2 clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

*IFRS 3 Business Combinations* The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.

*IFRS 8 Operating Segments* The amendments clarifies the disclosure requirements relating to judgements made by management in applying the aggregation criteria including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are 'similar'. The amendments also clarify that the disclosure requirements relating to reconciliation of segment assets to total assets apply if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets* The amendment clarifies that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. It also clarifies that the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

*IAS 24 Related Party Disclosures* The amendment clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

#### 2.3 Standards, effective 1 January 2016

**IFRS 11: Joint Arrangements (Amendment)** require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. This amendment does not have any impact on the carve out financial statements.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

#### 2.3 Standards, effective 1 January 2016 continued

**IFRS 14: Regulatory Deferral Accounts** is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation. These amendments do not have any impact on the carve out financial statements.

**IAS 16 and IAS 38: Property, Plant and Equipment and Intangible Assets (Amendment)** clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. This amendment does not have any impact on the carve out financial statements.

#### **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after 1 January 2016. The improvements did not impact the carve out financial statements. They include:

*IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment does not impact the carve out financial statements.

#### *IFRS 7 Financial Instruments: Disclosures*

**(i) Servicing contracts** amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures do not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment does not impact the carve out financial statements.

**(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements** amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment does not impact the carve out financial statements.

*IAS 19 Employee Benefits* amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment does not impact the carve out financial statements.

*IAS 34 Interim Financial Reporting* amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. The amendment does not impact the carve out financial statements.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

#### 2.3 Standards, effective 1 January 2016 continued

##### **Annual Improvements 2012-2014 Cycle** continued

*Amendments to IAS 1 Disclosure Initiative* amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not impact the carve out financial statements.

*Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception* amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments do not impact the carve out financial statements.

#### 2.4 Other standards effective 1 January 2017

- **Amendments to IAS 7 Statements of Cash Flows: Disclosure Initiative** require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).
- **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses** clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

##### **Annual improvements 2014-2016 cycle, including:**

- *Amendments to IFRS 12 Disclosures of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12:* The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

**2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**  
continued

**2.5 Standards issued but not yet effective**

The standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the carve out financial statements are disclosed below. The management intends to adopt these standards, if applicable, when they become effective.

<i>Standards, interpretation and amendments</i>	<i>Effective on annual periods beginning on or after</i>
IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Prepayment Features with Negative Compensation – Amendments to IFRS 9	1 January 2019
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
<b>Annual Improvements 2014-2016 Cycle</b>	
IFRS 1 First-time adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first time adopters	1 January 2018
IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	1 January 2018
IFRS 3 Business Combinations – Previously held interests in a joint operation	1 January 2019
IFRS 11 Joint Arrangements – Previously held interests in a joint operation	1 January 2019
IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation	1 January 2019

Management anticipates that the adoption of standards issued but not yet effective will have no material impact on the carve out financial statements.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of preparation

These carve out financial statements are the first set of financial statements of the Business as the Business did not constitute a separate legal entity in any of the periods presented. These carve out financial statements have been prepared for the purpose of inclusion in the prospectus in connection with the proposed issue of Sukuk to be listed on the Irish Stock Exchange and the Abu Dhabi Stock Exchange by Aldar Investment Properties LLC as Obligor. The Business has historically operated as part of the Parent and not as a standalone company. These financial statements representing the historical operations of the Business have been derived from the Parent's historical accounting records and are presented on a carve out basis.

These carve out financial statements have been prepared in accordance with IFRS. IFRS does not provide guidance for the preparation of carve out historical financial statements, or for the specific accounting treatment set out below. These carve out financial statements are prepared on a basis that combines the results and assets and liabilities of each of the operations constituting the Business by applying the principles underlying the consolidation procedures of IFRS 10 "Consolidated Financial Statements" and include the assets, liabilities, revenues and expenses that management has determined are attributable to the Business.

This basis of preparation describes how the carve out historical financial statements has been prepared in accordance with IFRS.

The accounting policies have been consistently applied except for IFRS 16 which the Business has elected to early adopt with effect from 1 January 2016. The accounting policies in respect of leases both before and after the effective date of adoption of IFRS 16 are disclosed in note 3.3. As the Business has early adopted IFRS 15 with effect from 1 January 2015, the revenue recognition policy in line with IFRS 15 and as disclosed in note 2.1 has been consistently applied for all the years presented.

The following summarises the accounting and other principles applied in preparing these carve out financial statements:

- As the Business did not comprise a separate legal entity, therefore it is not meaningful to present share capital or an analysis of reserves or components of other comprehensive income, other than hedging reserves which is separately identifiable. Net investment by the Parent represents a combination of the overall receivables and payables with Parent, funding balances with Parent and investment by Parent in the Business, which cannot be separately identified or allocated throughout the periods presented.
- The carve out statement of financial position of the Business includes Parent's assets and liabilities that are specifically identifiable or otherwise attributable to the Business.
- Parent's borrowings including non-convertible Sukuk, that will be transferred to the Business pursuant to the reorganisation of the Group, or which were obtained/ raised by the Parent and utilised for the purpose of the Business, have been attributed to the Business. Under the proposed reorganisation, the borrowings, including non-convertible Sukuk, which will not be transferred to the Business, will either be refinanced through the undrawn facilities being transferred or through new facilities obtained from financial institutions, the Parent (through intercompany debt) or the proposed issue of Sukuk.
- Cash balances that are specifically identifiable and attributable to Aldar Asset Management Business have been included in these carve out financial statements.
- In accordance with the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, including the intended use of property, certain properties that were classified under property and equipment in the consolidated statement of financial position of the Parent have been reclassified as investment properties in the carve out statement of financial position of the Parent and accounted for in accordance with the accounting policies disclosed below.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.1 Basis of preparation continued

- Liability in respect of end of service benefits payable to indirect employees involved in the hotel operations under management agreement with the operator of the hotels, will be transferred to the Business and have been included in the carve out financial position of the Business.
- All revenues and costs associated with the Business are included in these financial statements.
- Certain expenses including staff costs, selling and marketing expenses and general and administrative expenses, associated with the Business but borne by the Parent, have been allocated in these financial statements. These represent certain corporate and shared service function historically provided by the Parent, including, but not limited to, executive oversight, accounting, treasury, human resources, procurement, information technology, marketing, and other shared services. These expenses have been allocated to the Business on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis of consolidated sales and staff cost, representing reasonable reflection of the historical utilisation levels of the services. Although the management believes that the assumptions underlying the allocation of these expenses to the Business are reasonable, however, these allocated expenses may not be representative of the amounts that would have been reflected in these carve out financial statements, had the Business operated independently of the Parent. Actual costs that would have been incurred if the Business operated as independently would depend on multiple factors including organisational structure and strategic decision made in various areas. In addition, these allocated expenses are not representative of future performance of the Business if operated independently.
- Transaction between the Business and Parent are considered to be settled in the carve out financial statements at the time the transaction is recorded. The total net effect of the settlement of these transactions is reflected in the carve out statement of cash flows within financing activities and on carve out statement of financial position within "Net Investment of the Parent".
- All transactions and accounts within the Business have been eliminated.

These carve out financial statements do not constitute statutory financial statements within the meaning of UAE Company Law No. (2) of 2015.

The carve out financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of investment properties and derivatives. The management believes that the Business has adequate resources to continue as going concern in the foreseeable future.

These carve out financial statements have been presented in UAE Dirhams (AED), which is also the functional currency of the Business. All values are rounded to the nearest thousand except where otherwise indicative.

The accounting policies used in preparation of these carve out financial statements are consistent with those used in preparation of the consolidated financial statements of the Parent for the years ended 31 December 2015, 31 December 2016 and 31 December 2017. These accounting policies are discussed below:

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.2 Revenue recognition

The Business had elected to early adopt IFRS 15 with effect from 1 January 2015.

##### **Revenue from contracts with customers**

The Business recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1 Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2 Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Business expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Business allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Business expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue when (or as) the Business satisfies a performance obligation.

The Business satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a) The Business' performance does not create an asset with an alternate use to the Business and the Business has as an enforceable right to payment for performance completed to date.
- b) The Business's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The customer simultaneously receives and consumes the benefits provided by the Business' performance as the Business performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Business satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Business assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Business and the revenue and costs, if applicable, can be measured reliably.

##### *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### *Service charges and expenses recoverable from tenant*

Income arising from cost recharged to tenants is recognised in the period in which the cost can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue as the Business acts as principal in this respect.

##### *Income from hotels*

Income from hotels comprises revenue from rooms, food and beverages and other associated services provided, and is recognised at the point when the goods are sold or services are rendered.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.3 Leases

The Business had elected to early adopt IFRS 16 with effect from 1 January 2016. Below are the accounting policies used by the Business in respect of contracts containing leases before and after the adoption of IFRS 16.

##### **Before adoption of IFRS 16 with effect from 1 January 2016**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### ***The Business as lessor***

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### ***The Business as lessee***

Assets held under finance leases are initially recognised as assets of the Business at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the carve out statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### **After early adoption of IFRS 16 with effect from 1 January 2016**

At inception of a contract, the Business assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Business accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Business determines the lease term as the non-cancellable period of a lease, together with both:

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Business considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Business revises the lease term if there is a change in the non-cancellable period of a lease.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.3 Leases continued

##### *The Business as a lessee*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Business allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Business estimates the stand-alone price, maximising the use of observable information.

The non-lease components are accounted for in accordance with the policies.

For determination of the lease term, the Business reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- a) is within the control of the Business; and
- b) affects whether the Business is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Business recognises a right-of-use asset and a lease liability under the lease contract.

##### *Lease liability*

Lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Business uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where, (a) there is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Business remeasures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Business determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the its incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where, (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Business remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such case, the Business use a revised discount rate that reflects changes in the interest rate.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.3 Leases continued

##### *Lease liability continued*

The Business recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Business recognises any remaining amount of the re-measurement in profit or loss.

The Business accounts for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Lease modifications that are not accounted for as a separate lease, the Business, at the effective date of the lease modification: (a) allocates the consideration in the modified contract; (b) determines the lease term of the modified lease; and (c) remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

##### *Right-of-use assets*

The right-of-use asset is initially recognised at cost comprising of:

- a) amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Business; and
- d) an estimate of costs to be incurred by the Business in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of right-of-use asset when the Business incurs an obligation for these costs. The obligation for these costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After initial recognition, the Business applies fair value model to right-of-use assets that meet the definition of investment property. For assets that meet the definition of property and equipment, right of use asset is amortised over the term of the lease.

#### 3.4 Foreign currencies

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in income statement in the period during which they are incurred.

#### 3.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Business and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	<i>Years</i>
Buildings	20 – 30
Furniture and fixtures	5
Office equipment	3 – 5
Computers	3
Motor vehicles	4
Leasehold improvements	3 – 4

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the relevant lease.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

#### **3.7 Capital work in progress**

Properties or assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted in accordance with the policies.

#### **3.8 Investment properties**

Investment properties comprise completed properties and properties under development. Completed properties are properties held to earn rentals and/ or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

#### **3.9 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises acquisition costs and other charges incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated selling and marketing costs to be incurred.

#### **3.10 Intangible assets**

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

##### *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives which is normally a period of three to five years.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.11 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Business reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Business estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 3.12 Provisions

Provisions are recognised when the Business has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

#### 3.13 Employee benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the income statement during the employees' period of service.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.14 Financial assets

Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Business does not have any available for sale financial asset. Loans and receivable include cash and bank balances, trade and other receivables, amounts due from related parties and loans and advances to third parties.

##### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of three months or less.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of past event, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### *Derecognition of financial assets*

The Business derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Business neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Business recognises its retained interest in the asset and an associated liability for amounts it may have to pay. However, if the Business neither transfers nor retains substantially all the risks and rewards of ownership but has transferred the control of the asset, the asset is derecognised. If the Business retains substantially all the risks and rewards of ownership of a transferred financial asset, the Business continues to recognise the financial asset.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.15 Financial liabilities and equity instruments issued by the Business

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

##### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### *Derecognition of financial liabilities*

The Business derecognises financial liabilities when, and only when, the obligations are discharged, cancelled or they expired.

#### 3.16 Derivative financial instruments

The Business enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps.

Derivative financial instruments are initially measured at fair value at contract date, and are subsequently re-measured at fair value. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in income statement as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Business designates certain derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.16 Derivative financial instruments continued

##### *Hedge accounting*

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Business documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Business will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Note 23.5(b) sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

##### *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in income statement immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit or loss from that date.

##### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in income statement.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve in equity are recycled in income statement in the periods when the hedged item is recognised in income statement, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in income statement.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

While applying the accounting policies as stated in note 3, management of the Business has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### 4.1 Critical judgments in applying accounting policies

Significant judgments made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

##### **Determination of transaction prices in contracts with customers**

The Business is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Business assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Business uses the “most-likely amount” method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

##### **Discount rate used for initial measurement of lease liability**

The Business, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Business uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Business would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

The Business determines its incremental borrowing rate with reference to its existing and historical cost of borrowing adjusted for the term and security against such borrowing.

##### **Classification of properties**

Judgment is needed to determine whether a property qualifies as an investment property, property and equipment and/or property held for sale. The Business develops criteria so that it can exercise that judgment consistently. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, and in particular, the intended usage of property as determined by the management.

##### **Going concern**

The business had net current liabilities of AED 3,915,884 thousand as at 31 December 2017. The most significant current liability is the non-convertible Sukuk of AED 2,762,570 thousand. The intention is that this Sukuk will be settled from the proceeds of the proposed Sukuk discussed in Note 3.1. In the event that the proposed Sukuk transaction does not occur then Aldar Properties PJSC is obligated under the terms of the non-convertible Sukuk to settle this liability on behalf of the Business and has the ability to do so. Based on the expected cash flows of the Business and the ability to settle the non-convertible Sukuk liability management are confident that the Business has the ability to settle its obligations as they fall due.

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

#### 4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

##### **Fair value of investment properties and investment properties under development**

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the Residual Value Method, and the Income Capitalisation Method.

The Residual Value Method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The continuing volatility in the global financial system and in the real estate industry has contributed to the significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2017, 31 December 2016 and 31 December 2015, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment properties and investment properties under construction.

The key assumptions used are as follows:

	<i>2017</i> <i>Range %</i>	<i>2016</i> <i>Range %</i>	<i>2015</i> <i>Range %</i>
Targeted internal rate of return	9 – 15	9 – 15	12-17
Rental yield	7 – 12	7 – 12	7-12

##### **Impairment of property and equipment and capital work in progress**

Properties classified under property and equipment and capital work in progress are assessed for impairment when there is an indication that those assets have suffered an impairment loss. An impairment review is carried out by determining the recoverable amount which takes into account the fair value of the property under consideration. The fair value of hotel properties classified under property and equipment is determined by an independent real estate valuation expert using Discounted Cash Flow method.

Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

##### **Impairment of trade and other receivables**

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired, entails Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with the legal department and review of the current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables in excess of amount already recorded.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 5 PROPERTY AND EQUIPMENT

	<i>Buildings</i> <i>AED'000</i>	<i>Furniture and fixtures</i> <i>AED'000</i>	<i>Office equipment</i> <i>AED'000</i>	<i>Computers</i> <i>AED'000</i>	<i>Motor vehicles</i> <i>AED'000</i>	<i>Leasehold improvements</i> <i>AED'000</i>	<i>Capital work-in -progress</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>Cost</b>								
At 1 January 2015	5,054,682	319,331	24,610	31,769	1,427	2,527	20,151	5,454,497
Additions	2,648	32,113	8,926	1,107	-	-	-	44,794
Transfers	-	10,178	-	-	-	-	(10,178)	-
Transfers to investment properties (note 7)	-	-	-	-	-	-	(696)	(696)
At 1 January 2016	5,057,330	361,622	33,536	32,876	1,427	2,527	9,277	5,498,595
Additions	8,742	5,814	843	591	-	-	7,655	23,645
Transfers	5,871	-	(5,871)	-	-	-	-	-
Transfers to investment properties (note 7)	(10,707)	-	-	-	-	-	-	(10,707)
At 1 January 2017	5,061,236	367,436	28,508	33,467	1,427	2,527	16,932	5,511,533
Additions	328	7,531	-	1,176	-	-	28,720	37,755
Transfers to investment properties (note 7)	-	-	-	-	-	-	(20,125)	(20,125)
At 31 December 2017	<b><u>5,061,564</u></b>	<b><u>374,967</u></b>	<b><u>28,508</u></b>	<b><u>34,643</u></b>	<b><u>1,427</u></b>	<b><u>2,527</u></b>	<b><u>25,527</u></b>	<b><u>5,529,163</u></b>

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 5 PROPERTY AND EQUIPMENT continued

	<i>Buildings</i> AED'000	<i>Furniture and fixtures</i> AED'000	<i>Office equipment</i> AED'000	<i>Computers</i> AED'000	<i>Motor vehicles</i> AED'000	<i>Leasehold improvements</i> AED'000	<i>Capital work-in -progress</i> AED'000	<i>Total</i> AED'000
<b>Accumulated depreciation</b>								
At 1 January 2015	2,428,501	303,285	21,862	31,082	1,034	2,527	-	2,788,291
Charge for the year	110,915	12,232	2,873	687	136	-	-	126,843
Impairment	<u>139,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,555</u>
At 1 January 2016	2,678,971	315,517	24,735	31,769	1,170	2,527	-	3,054,689
Charge for the year	105,534	15,285	1,249	612	125	-	-	122,805
Impairment	<u>33,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,583</u>
At 1 January 2017	2,818,088	330,802	25,984	32,381	1,295	2,527	-	3,211,077
Charge for the year	104,290	14,256	1,398	823	98	-	-	120,865
Impairment	<u>32,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,716</u>
At 31 December 2017	<b><u>2,955,094</u></b>	<b><u>345,058</u></b>	<b><u>27,382</u></b>	<b><u>33,204</u></b>	<b><u>1,393</u></b>	<b><u>2,527</u></b>	<b><u>-</u></b>	<b><u>3,364,658</u></b>
<b>Carrying amount</b>								
At 31 December 2015	<u>2,378,359</u>	<u>46,105</u>	<u>8,801</u>	<u>1,107</u>	<u>257</u>	<u>-</u>	<u>9,277</u>	<u>2,443,906</u>
At 31 December 2016	<u>2,243,148</u>	<u>36,634</u>	<u>2,524</u>	<u>1,086</u>	<u>132</u>	<u>-</u>	<u>16,932</u>	<u>2,300,456</u>
At 31 December 2017	<b><u>2,106,470</u></b>	<b><u>29,909</u></b>	<b><u>1,126</u></b>	<b><u>1,439</u></b>	<b><u>34</u></b>	<b><u>-</u></b>	<b><u>25,527</u></b>	<b><u>2,164,505</u></b>

All of the property and equipment are located in the United Arab Emirates.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 5 PROPERTY AND EQUIPMENT continued

At each reporting period end, the management carried out a review of recoverable value of its property and equipment. The review led to impairment of AED 32.7 million (2016: impairment of AED 33.6 million and 2015: AED 139.6 million), which has been recorded in the income statement. The recoverable value of relevant assets has been determined by reference to the discounted cash flow method using a yield of 7.5% to 9.0% (2016: 7.75% to 10% and 2015: 8% to 9.75%) and a discount rate of 10.25% to 13.0% (2016: 10.75% to 13.0% and 2015: 11% to 12.75%).

The management conducted a sensitivity analysis for all its hotel properties classified under property and equipment. The sensitivity has been conducted on the Revenue Per Available Room (RevPAR), and discount rate and exit yield. Based on this sensitivity analysis as of 31 December 2017:

- a decrease in the Discount Rate & Exit Yield by 50bps would result in AED 148 million or 7.2% increase in the recoverable value, whilst an increase in the Discount Rate & Exit Yield by 50bps would result in AED 130 million or 6.3% decrease in the recoverable value.
- an increase in the RevPAR by 10% would result in a AED 402 million or 19.5% increase in the recoverable value, whilst a decrease in the RevPAR by 10% would result in AED 401 million or 19.4% decrease in the recoverable value.

#### 6 INTANGIBLE ASSETS

	<i>Computer software AED'000</i>
<b>Cost</b>	
At 1 January 2015	2,016
Additions	<u>9</u>
At 1 January 2016	2,025
Additions	<u>176</u>
At 1 January 2017	2,201
Additions	<u>403</u>
At 31 December 2017	<b><u>2,604</u></b>
<b>Accumulated amortisation</b>	
At 1 January 2015	1,577
Charge for the year	<u>40</u>
At 1 January 2016	1,617
Charge for the year	<u>56</u>
At 1 January 2017	1,673
Charge for the year	<u>149</u>
At 31 December 2017	<b><u>1,822</u></b>
<b>Carrying amount</b>	
31 December 2015	<u>408</u>
31 December 2016	<u>528</u>
31 December 2017	<b><u>782</u></b>

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 7 INVESTMENT PROPERTIES

Investment properties comprise completed properties (buildings and retail centers) and investment properties under development (IPUD). The movement during the year is as follows:

	<i>Completed properties AED'000</i>	<i>Properties under development AED'000</i>	<i>Total AED'000</i>
Balance at 1 January 2015	11,617,972	3,161	11,621,133
Additions during the year, net	671,424	4,874	676,298
Fair value gain, net	1,168,023	-	1,168,023
Disposals	(32,832)	-	(32,832)
Transfer from property and equipment (note 5)	<u>696</u>	<u>-</u>	<u>696</u>
Balance at 1 January 2016	13,425,283	8,035	13,433,318
Effect of change in accounting policy (note 2.1)	<u>176,335</u>	<u>-</u>	<u>176,335</u>
	13,601,618	8,035	13,609,653
Additions during the year, net	908	89,034	89,942
Fair value loss, net	(127,072)	-	(127,072)
Disposals	(34,595)	-	(34,595)
Transfer from property and equipment (note 5)	<u>10,707</u>	<u>-</u>	<u>10,707</u>
Balance at 1 January 2017	13,451,566	97,069	13,548,635
Additions during the year, net	626,091	279,999	906,090
Finance cost capitalised	-	213	213
Fair value loss, net	(456,193)	-	(456,193)
Disposals	(11,259)	-	(11,259)
Transfers	165,233	(165,233)	-
Transfer from property and equipment (note 5)	<u>20,125</u>	<u>-</u>	<u>20,125</u>
Balance at 31 December 2017	<b><u>13,795,563</u></b>	<b><u>212,048</u></b>	<b><u>14,007,611</u></b>

Additions during the year ended 31 December 2015, 2016 and 2017 include transfer from Parent amounting to AED 339.32 million, AED 83.54 million and AED 4.36 million respectively.

All investment properties are located in the United Arab Emirates.

The fair values of the investment properties are arrived at on the basis of a valuation carried out by independent valuers. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations. The valuations were mainly determined by using the Income Capitalisation Method. The valuations were conducted as at 31 October 2015, 2016 and 2017 and as per management assessment, there were no significant changes to the fair values of these investment properties from the date of valuation to the reporting dates. Refer to note 4.2 for the key assumptions used.

#### 2015

The management conducted a sensitivity analysis for seven largest assets in its investment property portfolio with an aggregate value of AED 10.4 billion. The sensitivity has been conducted on the Capitalisation Rates and Rental Values. Based on this sensitivity analysis:

- a decrease in the Capitalisation/Discount Rate by 50bps would result in a AED 681 million or 6.6 % increase in the valuation, whilst an increase in the Capitalisation/ Discount Rate by 50bps would result in AED 600 million 5.8% decrease in the valuation.
- an increase in the rental rates by 10% would result in an AED 829 million or 8.0% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 830 million or 8.0% decrease in the valuation.

NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

**7 INVESTMENT PROPERTIES** continued

**2016**

The management conducted a sensitivity analysis for seven largest assets in its investment property portfolio with an aggregate value of AED 11.0 billion. The sensitivity has been conducted on the capitalisation rates and rental values. Based on this sensitivity analysis:

- a decrease in the Capitalisation/Discount Rate by 50bps would result in a AED 654 million or 6.0 % increase in the valuation, whilst an increase in the Capitalisation/ Discount Rate by 50bps would result in AED 678 million 6.2% decrease in the valuation.
- an increase in the rental rates by 10% would result in an AED 988 million or 9.0% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 987 million or 9.0% decrease in the valuation.

**2017**

The management conducted a sensitivity analysis for seven largest assets in its investment property portfolio with an aggregate value of AED 10.8 billion. The sensitivity has been conducted on the capitalisation rates and rental values. Based on this sensitivity analysis:

- a decrease in the capitalisation/discount Rate by 50bps would result in a AED 654 million or 6.1 % increase in the valuation, whilst an increase in the Capitalisation/ Discount Rate by 50bps would result in AED 611 million 5.7% decrease in the valuation.
- an increase in the rental rates by 10% would result in an AED 833 million or 7.7% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 850 million or 7.9% decrease in the valuation.

The unobservable inputs are interrelated and are determined by market conditions. The valuations may be affected by the interrelationship between the two noted unobservable inputs; for example, an increase in rent may be offset by an increase in the capitalisation rate, thus resulting in no net impact on the valuation. Similarly, an increase in rent in conjunction with a decrease in the capitalisation rate would amplify an increase in the value. The investment properties are categorised under Level 3 in the fair value hierarchy.

The legal titles of investment properties are currently in the name of the Parent. The legal formalities are in process to transfer these titles.

**8 INVENTORIES**

	<i>2017</i>	<i>2016</i>	<i>2015</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Completed properties	<b>83,544</b>	83,544	83,544
Operating inventories	<u><b>7,535</b></u>	<u>7,431</u>	<u>7,833</u>
	<u><b>91,079</b></u>	<u>90,975</u>	<u>91,377</u>

Operating inventories represent inventory relating to the Hospitality segment only. As at 31 December 2017, 2016 and 2015, no provision has been recorded against these inventories.

Completed properties comprise of certain units in an investment property which qualifies for the classification of inventory as these units were initially intended for sale in the normal course of business. These units were leased out till the intended sale price is achieved. The leasing contracts were being managed by the asset management business of Aldar. As part of the reorganisation, the management intends to transfer these units to the Business for future lease. Completed properties are located in United Arab Emirates.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 9 TRADE AND OTHER RECEIVABLES

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Trade receivables	<b>169,936</b>	158,877	116,053
Less: provision for impairment	<b><u>(37,527)</u></b>	<u>(27,408)</u>	<u>(29,477)</u>
	<b>132,409</b>	131,469	86,576
Advances and prepayments	<b>66,360</b>	85,837	73,419
Accrued income	<b>42,869</b>	10,997	36,410
Other receivables	<b><u>44,277</u></b>	<u>61,003</u>	<u>213,634</u>
	<b><u>285,915</u></b>	<u>289,306</u>	<u>410,039</u>

As at 31 December 2017, 25% of the trade receivables (2016: 14% and 2015: 9% of the trade receivables) are due from its top five customers.

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
<i>Ageing of unimpaired trade receivables</i>			
Not past due	<b>90,989</b>	104,884	79,522
Past due (more than 180 days)	<b><u>41,420</u></b>	<u>26,585</u>	<u>7,054</u>
Total	<b><u>132,409</u></b>	<u>131,469</u>	<u>86,576</u>

Movement during the year in provision for impairment in trade receivables is as follows:

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Balance at the beginning of the year	<b>27,408</b>	29,477	24,632
Provision/ (reversal of provision) for impairment during the year, net	<b><u>10,119</u></b>	<u>(2,069)</u>	<u>4,845</u>
Balance at the end of the year	<b><u>37,527</u></b>	<u>27,408</u>	<u>29,477</u>

#### 10 CASH AND CASH EQUIVALENTS

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Cash and bank balances	<b>180,084</b>	216,082	230,403
Short term deposits held with banks	<b><u>-</u></b>	<u>5,061</u>	<u>5,030</u>
Cash and bank balances	<b>180,084</b>	221,143	235,433
Short term deposits with original maturities greater than three months	<b><u>-</u></b>	<u>(5,061)</u>	<u>(5,030)</u>
Cash and cash equivalents	<b><u>180,084</u></b>	<u>216,082</u>	<u>230,403</u>

The interest rate on term deposits ranges (2016: 0.89 % and 2015: 0.52% and 1.7% per annum). All bank balances including fixed deposits are held with local banks in the United Arab Emirates.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 11 NET INVESTMENT BY THE PARENT

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Balance at the beginning of the year	<b>10,303,411</b>	10,070,257	6,327,230
Effect of change in accounting policy (note 2.1)	-	(60,415)	-
Profit for the year	<b>318,857</b>	726,126	1,850,489
Movement in net investment by the Parent *	<b><u>(425,138)</u></b>	<u>(432,557)</u>	<u>1,892,538</u>
Balance at the end of the year	<b><u>10,197,130</u></b>	<u>10,303,411</u>	<u>10,070,257</u>

\*Movement in net investment by the Parent is represented by:

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Allocation of expenses to the Business by the Parent	<b>400,165</b>	397,707	407,316
Transfer of investment properties	<b>4,360</b>	-	339,321
Cash pooling, general financing and other activities	<b><u>(829,663)</u></b>	<u>(830,264)</u>	<u>1,145,901</u>
	<b><u>(425,138)</u></b>	<u>(432,557)</u>	<u>1,892,538</u>

#### 12 NON-CONVERTIBLE SUKUK

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Proceeds from issue	<b><u>2,755,125</u></b>	<u>2,755,125</u>	<u>2,755,125</u>
Gross issue costs	<b>(18,580)</b>	(18,239)	(18,033)
Less: amortisation of issue costs	<b><u>16,042</u></b>	<u>12,303</u>	<u>8,313</u>
Unamortised issue costs	<b><u>(2,538)</u></b>	<u>(5,936)</u>	<u>(9,720)</u>
Add: accrued profit	<b><u>9,983</u></b>	<u>9,983</u>	<u>9,983</u>
Carrying amount	<b>2,762,570</b>	2,759,172	2,755,388
Less: current portion	<b><u>(2,762,570)</u></b>	<u>(9,983)</u>	<u>(9,983)</u>
Non-current portion	<b><u>-</u></b>	<u>2,749,189</u>	<u>2,745,405</u>

In December 2013, the Parent issued non-convertible Sukuk (Ijarah) for a total value of AED 2.75 billion (USD 750 million). The Sukuk has a profit rate of 4.348% per annum payable semi-annually and is due for repayment in December 2018.

As explained in note 3.1, under the proposed reorganisation, the non-convertible Sukuk, will either be refinanced through the undrawn facilities being transferred or through new facilities obtained from financial institutions, the Parent (through intercompany debt) or the proposed issue of Sukuk.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 13 BANK BORROWINGS

	<i>Current</i> <i>AED'000</i>	<i>Non- current</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Interest rate</i>	<i>Maturity</i>	<i>Purpose</i>
<b>31 December 2017</b>						
Term loan	-	600,000	600,000	EIBOR + 1.30%	July 2019	Refinancing of debt
Term loan	-	160,000	160,000	EIBOR + 1.40%	June 2019	Refinancing of debt
Term loan (i)	807,389	-	807,389	3 months LIBOR + 1.40%	November 2018	General purpose
Term loan	-	5,000	5,000	EIBOR + 1.80%	August 2023	General purpose
Lease facility	-	80,000	80,000	EIBOR + 1.40%	December 2019	General purpose
Term loan (ii)	-	500,000	500,000	EIBOR + 1.25%	August 2021	General purpose
Term loan (ii)	-	500,000	500,000	EIBOR + 1.30%	August 2023	General purpose
	<u>807,389</u>	<u>1,845,000</u>	<u>2,652,389</u>			
Unamortised borrowing cost	-	(24,727)	(24,727)			
Accrual for interests and profits	8,118	-	8,118			
	<u>815,507</u>	<u>1,820,273</u>	<u>2,635,780</u>			
<b>31 December 2016</b>						
Government loan (iii)	163,009	-	163,009	1 year USD LIBOR + 0.35%	December 2017	General purpose
Term loan	-	600,000	600,000	EIBOR + 1.35%	July 2019	Refinancing of debt
Term loan (iv)	312,500	-	312,500	3 months EBOR + 1%	December 2017	General purpose
Term loan (iv)	-	160,000	160,000	EIBOR + 1.40%	June 2019	Refinancing of debt
Term loan (i)	152,083	807,389	959,472	3 months LIBOR + 1.4%	November 2018	General purpose
Lease facility	-	80,000	80,000	EIBOR + 1.40%	December 2019	General purpose
Term loan	-	5,000	5,000	EIBOR + 1.8%	August 2023	General purpose
	<u>627,592</u>	<u>1,652,389</u>	<u>2,279,981</u>			
Unamortised borrowing cost	-	(36,955)	(36,955)			
Accrual for interests and profits	7,232	-	7,232			
	<u>634,824</u>	<u>1,615,434</u>	<u>2,250,258</u>			
<b>31 December 2015</b>						
Government loan (iii)	81,505	163,010	244,515	1 year USD LIBOR + 0.35%	December 2017	General purpose
Term loan	-	600,000	600,000	EIBOR + 1.35%	July 2019	Refinancing of debt
Term loan (iv)	-	160,000	160,000	EIBOR + 1.40%	June 2019	Refinancing of debt
Term loan (i)	-	959,472	959,472	3 months LIBOR + 1.4%	November 2018	General purpose
Term loan (iv)	312,500	312,500	625,000	3 months EIBOR + 1%	December 2017	General purpose
Lease facility	-	80,000	80,000	EIBOR + 1.40%	December 2019	General purpose
	<u>394,005</u>	<u>2,274,982</u>	<u>2,668,987</u>			
Unamortised borrowing cost	-	(38,181)	(38,181)			
Accrual for interests and profits	6,157	-	6,157			
	<u>400,162</u>	<u>2,236,801</u>	<u>2,636,963</u>			

All borrowings except government loan were secured against various assets of the Parent including certain assets of the Business.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 13 BANK BORROWINGS continued

The borrowings are repayable as follows:

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Current	<u>815,507</u>	<u>634,824</u>	<u>400,162</u>
Non-current	<u>1,820,273</u>	<u>1,615,434</u>	<u>2,236,801</u>

- (i) The term loan facility of USD 750 million (AED 2.75 billion) was obtained in November 2013 of which USD 375 million (Facility A) was prepaid during the year ended 31 December 2015, and the remaining USD 375 million (Facility B) is repayable in quarterly instalments until November 2018.
- (ii) Three new bilateral facilities with banks were signed for AED 1.8 billion to refinance existing loans. The new facilities comprised of AED 400 million for a tenor of 10 years, AED 900 million for a tenor of 7 years and AED 500 million for a tenor of 5 years. These facilities have bullet maturities. As at 31 December 2017, AED 1.05 billion was drawn and the balance remained committed and undrawn.
- (iii) The term loan facility for AED 1.25 billion was repayable in four equal instalments commencing 15 December 2014. The loan was fully repaid on 17 December 2017.
- (iv) A number of bilateral facilities with banks for AED 2.1 billion. The facilities comprised of AED 1.3 billion of committed revolving credit facilities for a tenor of 3 years and AED 0.8 billion of term loans with a maturity of 5 years. In December 2015, the terms of the revolving credit facilities were renegotiated, increasing the facility amounts from AED 1.3 billion to AED 1.4 billion and extending the maturity until 31 March 2021 with an option to extend the maturity for a further 2 years. As at 31 December 2017, these facilities remained committed and undrawn.

Borrowings repaid during the year amounted to AED 627.6 million (2016: 394 million and 2015: AED 2.23 billion).

As explained in note 3.1, under the proposed reorganisation, certain borrowing which will not be transferred to the Business, will either be refinanced through the undrawn facilities being transferred or through new facilities obtained from financial institutions, the Parent (through intercompany debt) or the proposed issue of Sukuk.

#### 14 PROVISIONS FOR EMPLOYEES' END OF SERVICE BENEFIT

Movement in the provision for employees' end of service benefit is as follows:

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Balance at the beginning of the year	14,301	13,551	12,017
Charge for the year	3,984	3,585	4,351
Paid during the year	<u>(4,152)</u>	<u>(2,835)</u>	<u>(2,817)</u>
Balance at the end of the year	<u>14,133</u>	<u>14,301</u>	<u>13,551</u>

The employees' end of service benefit represents the provision in respect of employees to whom the Business is legally obligated to pay end of service benefits.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 15 OTHER FINANCIAL LIABILITY

The Business has entered into interest rate swap contract to hedge its exposure to future cash flows due to interest rate fluctuations. As at 31 December 2017, the notional amount of these derivatives amounted to AED 2,867,272 thousand with a negative change in fair value of AED 5,748 thousand recorded in the carve out statement of comprehensive income.

#### 16 TRADE AND OTHER PAYABLES

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Trade payables	<b>64,260</b>	78,996	85,815
Deferred income	<b>169,899</b>	222,776	237,547
Retention payable	<b>37,012</b>	10,314	58,023
Accruals	<b>260,892</b>	299,153	470,211
Other payables	<b><u>148,822</u></b>	<u>84,950</u>	<u>119,388</u>
	<b><u>680,885</u></b>	<u>696,189</u>	<u>970,984</u>

The Business has financial and risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

#### 17 COST OF REVENUE

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Direct staff cost	<b>219,966</b>	228,720	239,093
Housekeeping and facility management	<b>128,237</b>	118,579	100,962
Utilities	<b>77,005</b>	66,221	72,524
Direct hotels cost	<b>88,130</b>	94,396	109,068
Rent	<b>26,062</b>	25,714	39,852
Management fee	<b>21,916</b>	26,791	32,000
Security	<b>18,297</b>	18,196	14,557
Others	<b><u>76,004</u></b>	<u>102,922</u>	<u>126,713</u>
	<b><u>655,617</u></b>	<u>681,539</u>	<u>734,769</u>

#### 18 SELLING AND MARKETING EXPENSES

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Advertising	<b>7,781</b>	8,688	6,499
Exhibitions and sponsorships	<b><u>1,065</u></b>	<u>507</u>	-
	<b><u>8,846</u></b>	<u>9,195</u>	<u>6,499</u>

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 19 STAFF COSTS

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Salaries, bonuses and other benefits	<b>55,315</b>	54,035	53,075
Employees' end of service benefits	<b>3,100</b>	2,536	2,820
Staff training and development	<b>458</b>	905	1,000
	<b><u>58,873</u></b>	<u>57,476</u>	<u>56,895</u>

#### 20 FINANCE COSTS

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Finance cost on borrowings	<b>208,061</b>	197,937	216,638
Unwinding finance cost on lease liability (note 22.2)	<b>10,224</b>	10,905	-
	<b><u>218,285</u></b>	<u>208,842</u>	<u>216,638</u>

The weighted average capitalisation rate of funds borrowed is 3.75 % (2016: 3.60% and 2015: 3.26%) per annum.

#### 21 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise of Parent, associated companies, directors, key management personnel of the Parent and related entities. The terms of related party transactions are approved by the Parent's management and are made on terms agreed by the Board of Directors of the Parent. Government of Abu Dhabi is an indirect major shareholder of the Parent.

The balance and transaction with related parties are disclosed below:

##### Balance with related parties

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Net investment by the Parent	<b><u>10,197,130</u></b>	<u>10,303,411</u>	<u>10,070,257</u>
<b>Due from Government</b>			
Other receivables	<b><u>30,195</u></b>	<u>58,349</u>	<u>188,756</u>

Outstanding borrowings of AED 1,660.1 million (31 December 2016: AED 1,319.3 million and 31 December 2015: 1,712.6 million) are due to banks controlled by the Government. Finance cost on these borrowings amounted to AED 71.9 million (2016: AED 49.2 million and 31 December 2015: 51 million).

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 21 TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

##### Transactions with related parties

##### Key management compensation

The key management compensation was charged to the Business as part of allocation of cost as given in note 3.1.

##### Income from Government and major shareholder owned by Government:

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Rental income	<b>139,796</b>	99,894	102,242
Project management income	<b>22,500</b>	22,500	22,500
Finance income (i)	<b><u>10,062</u></b>	-	-
	<b><u>172,358</u></b>	<u>122,394</u>	<u>124,742</u>

(i) Finance income represents interest on the amounts due from a related party.

The Business has also leased out certain properties to the Parent. The rental income in relation to these properties amount to AED 14,037 thousand, AED 14,037 thousand and AED 13,547 thousand for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 respectively. The balances in relation to these are adjusted through the Net investment by the Parent.

Transactions between Parent and Business, including the allocation of expenses to the Business, are disclosed in note in note 11 to the carve out financial statements.

#### 22 COMMITMENTS AND CONTINGENCIES

##### 22.1 Capital commitments

Capital expenditure contracted but not yet incurred at the end of the year is as follows:

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Investment properties under development	<b><u>159,709</u></b>	<u>419,754</u>	<u>10,510</u>

The above commitments are spread over a period of one to five years.

##### 22.2 Operating lease commitments

The Business has leased out certain properties. The amounts of committed future lease inflows are as follows:

##### *The Business as lessor*

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Buildings:			
Within one year	<b>627,045</b>	535,268	621,612
In the second to fifth year	<b>1,179,352</b>	1,020,158	1,590,836
After five years	<b><u>539,467</u></b>	<u>422,722</u>	<u>410,795</u>
	<b><u>2,345,864</u></b>	<u>1,978,148</u>	<u>2,623,243</u>

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 22 COMMITMENTS AND CONTINGENCIES continued

##### 22.2 Operating lease commitments continued

Following the election to adopt IFRS 16, the resulting impact on the income statement and statement of cash flows is as follows:

##### *The Business as lessee*

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Unwinding of interest expense during the year on lease liabilities (note 20)	<u>10,224</u>	<u>10,905</u>
Total cash outflow in respect of leases	<u>20,718</u>	<u>20,704</u>

##### 22.3 Contingencies

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
<i>Letters of credit and bank guarantees</i> Issued by the Business	<u>200</u>	<u>200</u>	<u>200</u>

#### 23 FINANCIAL INSTRUMENTS

##### 23.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the carve out financial statements.

##### 23.2 Categories of financial instruments

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
<b>Financial assets</b>			
Loans and receivables (including cash and bank balances)	<u>356,770</u>	<u>413,615</u>	<u>535,643</u>
<b>Financial liabilities</b>			
Financial liabilities measured at amortised cost	<u>5,900,001</u>	<u>5,440,388</u>	<u>5,655,577</u>

## NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

### **23 FINANCIAL INSTRUMENTS** continued

#### **23.3 Financial risk management**

The Parents' Corporate Finance and Treasury function provides services to the Business, coordinates access to domestic and international financial markets, monitors and manages financial risks based on internally developed models, benchmarks and forecasts. The Business seeks to minimise the effects of financial risks by using appropriate risk management techniques including using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by management's analysis of market trends, liquidity position and predicted movements in interest rate and foreign currency rates which are reviewed by the management on a continuous basis.

The Business does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Business analyses financial risks under the following captions:

#### **23.4 Capital risk management**

Capital risk is the risk that the Business is not able to manage its capital structure to ensure that the Business will be able to continue as a going concern.

The capital structure comprises non-convertible Sukuk, borrowings, cash and bank balances and net investment by the Parent.

The Business monitors and adjusts its capital structure with a view to promote the long-term success of the business while maintaining sustainable returns for shareholders. This is achieved through a combination of risk management actions including monitoring solvency, minimising financing costs, rigorous investment appraisals and maintaining high standards of business conduct.

Key financial measures that are subject to regular review include cash flow projections and assessment of their ability to meet contracted commitments, projected gearing levels and compliance with borrowing covenants, although no absolute targets are set for these.

The Business monitors its cost of debt on a regular basis. At 31 December 2017, the weighted average cost of debt was 3.75% (2016: 3.60% and 2015: 3.26%). Investment and opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created. The Business has a policy of maintaining a loan to value ratio of no more than 40%.

The covenants of seven (2016: seven and 2015: four) borrowing arrangements require the Business maintaining a minimum tangible net worth of AED 6.0 billion.

#### **23.5 Market risk management**

Market risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 23 FINANCIAL INSTRUMENTS continued

##### 23.5 Market risk management continued

###### a) Foreign currency risk management

The Business has no significant cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does borrow money in foreign currencies primarily in US Dollars. The currency exposure therefore is in relation to the repayment of loans and also the translation risk associated with converting outstanding loan balances back into UAE Dirhams in the carve out financial statements at the end of each reporting period. The exchange rate between UAE Dirhams and US Dollars is fixed and therefore the Business considers foreign exchange risk associated with repayment of loans and translation as minimum.

###### *Foreign currency sensitivity analysis*

The carrying amounts of the foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities			Assets		
	2017 AED'000	2016 AED'000	2015 AED'000	2017 AED'000	2016 AED'000	2015 AED'000
US Dollar	<u>3,562,514</u>	<u>3,714,698</u>	<u>3,714,597</u>	<u>-</u>	<u>-</u>	<u>-</u>

There is no significant impact on US Dollar as the UAE Dirham is pegged to the US Dollar.

###### b) Interest rate risk management

The Business is exposed to interest rate risk as the Business borrow funds at both fixed and floating interest rates. The risk is managed by the Business by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts.

The Business' exposures to interest rates on financial assets and financial liabilities are detailed in notes 10, 13, and 20.

###### *Interest rate sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of asset or liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/ lower and all other variables were held constant, the Business' profit for the year ended 31 December 2017 would decrease/ increase by AED 24.7 million/ AED 25.7 million (2016: decrease/ increase by AED 20.6 million/ AED 19.5 million and 2015: decrease/ increase by AED 24.3 million/ AED 16.0 million).

###### *Interest rate swap contracts*

Under interest rate swap contracts, the Business agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Business to mitigate the risk of changing interest rate on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt.

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### **23 FINANCIAL INSTRUMENTS** continued

##### **23.5 Market risk management** continued

###### **b) Interest rate risk management** continued

###### *Cash flow hedges*

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the payments on the loan occur simultaneously.

The Business' derivative financial instruments were contracted with counterparties operating in the United Arab Emirates.

##### **23.6 Credit risk management**

Credit risk in relation to the Business, refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Business.

Key areas where the Business is exposed to credit risk are trade and other receivables and bank and cash balances and derivative financial assets (liquid assets).

The Business has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Business attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

###### *Concentration of credit risk*

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in note 9.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

##### **23.7 Liquidity risk management**

The responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements. The Business manages liquidity risk by maintaining adequate reserves, banking facilities and committed borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 23 FINANCIAL INSTRUMENTS continued

##### 23.7 Liquidity risk management continued

The table below summarises the maturity profile of the financial assets and liabilities at 31 December 2017, 2016 and 2015 based on contractual maturities.

	< 1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	>5 years AED'000	Total AED'000
<b>31 December 2017</b>						
<i>Financial assets</i>						
Non-interest bearing instruments	<b>180,084</b>	-	<b>176,686</b>	-	-	<b>356,770</b>
<b>Total</b>	<b>180,084</b>	-	<b>176,686</b>	-	-	<b>356,770</b>
<i>Financial liabilities</i>						
Non-interest bearing instruments	<b>16,778</b>	<b>233,316</b>	-	-	-	<b>250,094</b>
Non-convertible Sukuk (note 12)	-	-	<b>2,795,180</b>	-	-	<b>2,795,180</b>
Variable interest rate instruments (note 13)	<b>9,182</b>	<b>58,304</b>	<b>814,073</b>	<b>1,477,366</b>	<b>517,278</b>	<b>2,876,203</b>
Lease liability	-	<b>14,651</b>	<b>5,680</b>	<b>79,301</b>	<b>146,177</b>	<b>245,809</b>
Derivative instruments	-	-	<b>5,748</b>	-	-	<b>5,748</b>
<b>Total</b>	<b>25,960</b>	<b>306,271</b>	<b>3,620,681</b>	<b>1,556,667</b>	<b>663,455</b>	<b>6,173,034</b>
<b>31 December 2016</b>						
<i>Financial assets</i>						
Non-interest bearing instruments	216,082	-	192,472	-	-	408,554
Variable interest rate instruments (note 10)	-	-	5,061	-	-	5,061
<b>Total</b>	<b>216,082</b>	-	<b>197,533</b>	-	-	<b>413,615</b>
<i>Financial liabilities</i>						
Non-interest bearing instruments (1)	5,386	168,874	-	-	-	174,260
Non-convertible sukuk (note 12)	-	-	42,593	2,781,799	-	2,824,392
Variable interest rate instruments (note 13)	7,324	51,432	617,580	1,694,155	5,143	2,375,634
Lease liability	-	4,451	5,420	82,050	164,778	256,699
<b>Total</b>	<b>12,710</b>	<b>224,757</b>	<b>665,593</b>	<b>4,558,004</b>	<b>169,921</b>	<b>5,630,985</b>
<sup>(1)</sup> Including security deposits from customers.						
<b>31 December 2015</b>						
<i>Financial assets</i>						
Non-interest bearing instruments	230,403	-	300,210	-	-	530,613
Variable interest rate instruments (note 10)	-	-	5,030	-	-	5,030
<b>Total</b>	<b>230,403</b>	-	<b>305,240</b>	-	-	<b>535,643</b>
<i>Financial liabilities</i>						
Non-interest bearing instruments (1)	-	263,226	-	-	-	263,226
Non-convertible sukuk (note 12)	-	-	42,593	2,794,320	-	2,836,913
Variable interest rate instruments (note 13)	6,254	13,431	422,710	2,362,027	-	2,804,422
<b>Total</b>	<b>6,254</b>	<b>276,657</b>	<b>465,303</b>	<b>5,156,347</b>	-	<b>5,904,561</b>

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Except as disclosed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	<i>As at 31 December 2017</i>		<i>As at 31 December 2016</i>		<i>As at 31 December 2015</i>	
	<i>Gross carrying amount</i> <i>AED'000</i>	<i>Fair value</i> <i>AED'000</i>	<i>Gross carrying amount</i> <i>AED'000</i>	<i>Fair value</i> <i>AED'000</i>	<i>Gross carrying amount</i> <i>AED'000</i>	<i>Fair value</i> <i>AED'000</i>
<b>Financial liabilities at amortised cost</b>						
Non-convertible sukuk (note 12)	<u>2,762,570</u>	<u>2,800,722</u>	<u>2,759,172</u>	<u>2,842,380</u>	<u>2,755,388</u>	<u>2,841,223</u>

#### 25 SEGMENT INFORMATION

##### 25.1 Business segments

Segment information about the continuing operations for the year ended 31 December 2017 is presented below:

	<i>Investment properties</i> <i>AED'000</i>	<i>Hospitality</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Revenue and management fee excluding service charges	1,288,767	479,840	1,768,607
Revenue from service charges	<u>110,071</u>	-	<u>110,071</u>
Gross revenue	1,398,838	479,840	1,878,678
Cost of revenue excluding service charges	(165,117)	(380,429)	(545,546)
Service charge expenses	<u>(110,071)</u>	-	<u>(110,071)</u>
Gross profit	1,123,650	99,411	1,223,061
Depreciation and amortisation	(603)	(113,375)	(113,978)
Provisions, impairments and write downs, net	(9,935)	(32,900)	(42,835)
Fair value loss on investment properties	(456,193)	-	(456,193)
Gain on disposal of investment properties	3,835	-	3,835
Finance income	<u>10,062</u>	-	<u>10,062</u>
<b>Segment profit/ (loss)</b>	<u><b>670,816</b></u>	<u><b>(46,864)</b></u>	<u><b>623,952</b></u>
Selling and marketing expenses			(8,846)
General and administrative expenses			(70,928)
Depreciation and amortisation			(7,036)
Finance costs			<u>(218,285)</u>
<b>Profit for the year</b>			<u><b>318,857</b></u>

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 25 SEGMENT INFORMATION continued

##### 25.1 Business segments continued

Segment information about the continuing operations for the year ended 31 December 2016 is presented below:

	<i>Investment properties AED'000</i>	<i>Hospitality AED'000</i>	<i>Total AED'000</i>
Revenue and management fee excluding service charges	1,329,589	512,120	1,841,709
Revenue from service charges	<u>117,035</u>	<u>-</u>	<u>117,035</u>
Gross revenue	1,446,624	512,120	1,958,744
Cost of revenue excluding service charges	(159,762)	(404,742)	(564,504)
Service charge expenses	<u>(117,035)</u>	<u>-</u>	<u>(117,035)</u>
Gross profit	1,169,827	107,378	1,277,205
Depreciation and amortisation	(893)	(114,932)	(115,825)
Provisions, impairments and write downs, net	1,450	(32,964)	(31,514)
Fair value loss on investment properties	(127,072)	-	(127,072)
Gain on disposal of investment properties	<u>14,409</u>	<u>-</u>	<u>14,409</u>
<b>Segment profit/ (loss)</b>	<u>1,057,721</u>	<u>(40,518)</u>	<u>1,017,203</u>
Selling and marketing expenses			(9,195)
General and administrative expenses			(66,004)
Depreciation and amortisation			(7,036)
Finance costs			<u>(208,842)</u>
<b>Profit for the year</b>			<u>726,126</u>

Segment information about the continuing operations for the year ended 31 December 2015 is presented below:

	<i>Investment properties AED'000</i>	<i>Hospitality AED'000</i>	<i>Total AED'000</i>
Revenue and management fee excluding service charges	1,228,469	603,498	1,831,967
Revenue from service charges	<u>111,107</u>	<u>-</u>	<u>111,107</u>
Gross revenue	1,339,576	603,498	1,943,074
Cost of revenue excluding service charges	(185,497)	(438,165)	(623,662)
Service charge expenses	<u>(111,107)</u>	<u>-</u>	<u>(111,107)</u>
Gross profit	1,042,972	165,333	1,208,305
Depreciation and amortisation	(1,887)	(117,960)	(119,847)
Provisions, impairments and write downs, net	(3,284)	(141,116)	(144,400)
Fair value gain on investment properties	1,168,023	-	1,168,023
Gain on disposal of investment properties	<u>32,376</u>	<u>-</u>	<u>32,376</u>
<b>Segment profit/ (loss)</b>	<u>2,238,200</u>	<u>(93,743)</u>	<u>2,144,457</u>
Selling and marketing expenses			(6,499)
General and administrative expenses			(63,795)
Depreciation expenses			(7,036)
Finance costs			<u>(216,638)</u>
<b>Profit for the year</b>			<u>1,850,489</u>

## Aldar Asset Management Business

### NOTES TO THE CARVE OUT FINANCIAL STATEMENTS

At 31 December 2017, 2016 and 2015

#### 25 SEGMENT INFORMATION continued

##### 25.1 Business segments continued

The segment assets and liabilities and capital and project expenditure are as follows:

	<i>Investment properties AED'000</i>	<i>Hospitality AED'000</i>	<i>Unallocated AED'000</i>	<i>Total AED'000</i>
<b>As at 31 December 2017</b>				
Assets	<b>14,310,953</b>	<b>2,347,554</b>	<b>71,469</b>	<b>16,729,976</b>
Liabilities	<b>998,279</b>	<b>136,217</b>	<b>5,404,098</b>	<b>6,538,594</b>
<b>For the year ended 31 December 2017</b>				
Capital expenditures	<b>23,590</b>	<b>14,165</b>	-	<b>37,755</b>
Project expenditures	<b>901,730</b>	-	-	<b>901,730</b>
<b>As at 31 December 2016</b>				
Assets	13,909,486	2,463,052	78,505	16,451,043
Liabilities	1,007,889	130,313	5,009,430	6,147,632
<b>For the year ended 31 December 2016</b>				
Capital expenditures	13,174	10,471	-	23,645
Project expenditures	89,942	-	-	89,942
<b>As at 31 December 2015</b>				
Assets	13,942,188	2,586,752	85,541	16,614,481
Liabilities	994,329	157,544	5,392,351	6,544,224
<b>For the year ended 31 December 2015</b>				
Capital expenditures	14,069	30,725	-	44,794
Project expenditures	336,977	-	-	336,977

The accounting policies of the reportable segments are the same as the Parent's accounting policies described in note 3.

Segment profit represents the profit earned by each segment without allocation of central administration, selling and marketing expenses other gains and losses, finance income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than borrowings and non-convertible bonds and other financial liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

##### 25.2 Geographical segments

The Business operated only in one geographical segment, i.e., United Arab Emirates.

**NOTES TO THE CARVE OUT FINANCIAL STATEMENTS**

At 31 December 2017, 2016 and 2015

**26 EVENT AFTER THE REPORTING PERIOD**

Subsequent to the reporting date, on 29 May 2018, the Business was established as a limited liability company under the name of “Aldar Investment Properties LLC” in accordance with the provisions of UAE Federal Law No. 2 of 2015.

Subsequent to the period / year end, the process of transfer of legal title of all properties to AIP has commenced. As at the date of these financial statements there remain a number of properties for which the legal formalities for transfer are not yet completed.

**27 APPROVAL OF CARVE OUT FINANCIAL STATEMENTS**

The carve out financial statements were approved and authorised for issue on 11 September 2018 by the Chief Executive Officer and the Chief Financial Officer of the Parent on behalf of the Board of Directors.

**TRUSTEE**

**Aldar Sukuk Ltd.**  
c/o MaplesFS Limited  
P.O. Box 1093  
Queensgate House  
Grand Cayman KY1-1102  
Cayman Islands

**OBLIGOR**

**Aldar Investment Properties LLC**  
P.O. Box 51133  
Abu Dhabi  
United Arab Emirates

**JOINT GLOBAL CO-ORDINATORS**

**First Abu Dhabi Bank PJSC**  
FAB Building  
Khalifa Business Park – Al Qurm  
District  
P.O. Box 6316  
Abu Dhabi  
United Arab Emirates

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Standard Chartered Bank**  
P.O. Box 999  
Dubai  
United Arab Emirates

**JOINT LEAD MANAGERS**

**Abu Dhabi Islamic Bank PJSC**  
P.O. Box 313  
Abu Dhabi  
United Arab Emirates

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**Dubai Islamic Bank PJSC**  
P.O. Box 1080  
Dubai  
United Arab Emirates

**Emirates NBD Bank PJSC**  
P.O. Box 777  
Dubai  
United Arab Emirates

**First Abu Dhabi Bank PJSC**  
FAB Building  
Khalifa Business Park – Al Qurm  
District  
P.O. Box 6316  
Abu Dhabi  
United Arab Emirates

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Standard Chartered Bank**  
P.O. Box 999  
Dubai  
United Arab Emirates

**CO-MANAGERS**

**Abu Dhabi Commercial Bank  
PJSC**  
P.O. Box 939  
Abu Dhabi  
United Arab Emirates

**Union National Bank PJSC**  
P.O. Box 3865  
UNB Head Office  
Sheikh Zayed Street  
Abu Dhabi  
United Arab Emirates

**DELEGATE**

**Citibank, N.A., London Branch**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**PRINCIPAL PAYING AGENT AND TRANSFER AGENT**

**Citibank, N.A., London Branch**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**REGISTRAR**

**Citigroup Global Markets Europe AG**

Reuterweg 16  
60323 Frankfurt  
Germany

**AUDITORS  
to the Obligor**

**Ernst & Young Middle East (Abu Dhabi Branch)**

27<sup>th</sup> Floor  
Nation Tower 2  
Abu Dhabi Corniche  
P.O. Box 136  
Abu Dhabi  
United Arab Emirates

**LEGAL ADVISERS**

*To the Obligor  
as to English law and UAE law*

**Allen & Overy LLP**  
11<sup>th</sup> Floor  
Burj Daman Building  
Happiness Street  
Dubai International Financial Centre  
P.O. Box 506678  
Dubai  
United Arab Emirates

*To the Joint Lead Managers  
as to English law and UAE law*

**Clifford Chance LLP**  
Level 15, Burj Daman  
Dubai International Financial Centre  
P.O. Box 9380  
Dubai  
United Arab Emirates

*To the Trustee  
as to Cayman Islands law*

**Maples and Calder (Dubai) LLP**  
5<sup>th</sup> Floor, The Exchange Building  
Dubai International Financial Centre  
P.O. Box 119980  
Dubai  
United Arab Emirates

*To the Delegate  
as to English law*

**Clifford Chance LLP**  
10 Upper Bank Street  
London  
E14 5JJ  
United Kingdom

**IRISH LISTING AGENT**

**Arthur Cox Listing Services Limited**

Ten Earlsfort Terrace

Dublin 2

Ireland