STRONG FINANCIAL PERFORMANCE

2017 has been another successful year for Aldar. Whilst 2017 revenue and gross profit numbers appear similar to 2016, this doesn't tell the full story. 2017 results were supported by strong underlying performance driven by growth within our development and our resilient asset management businesses.

A BILLION-DIRHAM GROSS PROFIT DEVELOPMENT FRANCHISE

Our development business recognised sales of AED 3.5 billion during 2017, supported by the launch of two developments The Bridges and Water's Edge that catered to the underserved mid-market residential segment of Abu Dhabi real estate, demonstrating the flexibility of our land bank to activate new markets through the cycle.

As at 31 December 2017, sales across our projects under development exceeded AED 10 billion, with a revenue backlog of AED 4 billion to be recognised over the coming years. During 2017, the development business was spurred by progress across our projects under development that resulted in significant revenue and gross profit growth, as we continued to ramp up construction activities across our projects having reached a base producing well over AED 1 billion gross profit per year on a run-rate basis.

We are very pleased to see the progress that we have made having reopened the Abu Dhabi off-plan market in 2014 and building the business to where it is today, firmly demonstrating the sustained value of the franchise.

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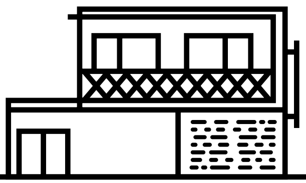

RESILIENT ASSET MANAGEMENT PERFORMANCE

Our Asset Management business also had a solid year, achieving net operating income guidance of AED 1.6 billion for the year, supported by the defensive qualities built into the portfolio that mitigate downside risk and the successful acquisition of the International Tower office building in the fourth quarter.

This Asset Management business today features AED 18 billion in high-quality real estate assets across residential, retail, office and hotels that act as a proxy for real estate in Abu Dhabi, one of the few remaining 'AA' rated economies left in the world. We remain focused on Abu Dhabi and see further growth in this business, supported by a recently increased investment plan of AED 5 billion to develop new assets that will complement our existing portfolio, as well as acquiring value accretive real estate assets in the market that will support near-term growth.

FURTHER FORMALISATION OF CORPORATE STRUCTURE

As we have communicated over the past several years, Aldar's business model revolves around two unique businesses, Development Management and Asset Management. During the year we provided further clarity for shareholders to understand how capital will cycle from the asset level through to shareholders. We introduced a separate financial debt policy and dividend pay-out range for the Development Management business. These policy changes will support optimisation of funding across the Group and clarify our commitment to reward shareholders for our performance.

FINANCIAL FLEXIBILITY

Our financial position as at 31 December 2017 remains strong. The Group continues to generate strong net cash inflows, with AED 1.9 billion cash generated from operating activities during the year. Total cash for the Group increased by AED 0.2 billion over the course of 2017 to AED 6.9 billion, despite the acquisition of International Tower for AED 658 million and an increased dividend last year. Gross debt stood at AED 6.0 billion as at 31 December 2017, versus AED 5.6 billion as at 31 December 2016.

A conservative development debt policy to maintain up to 25% loan-to-value (LTV) construction costs incurred and land cost, was introduced to support funding requirements within the development business. As at 31 December 2017, AED 0.1 billion was held against the development business, representing a 4% LTV.

The Asset Management debt policy remains unchanged, whereby gross debt should be 35-40% of the value of our investment properties and operating businesses. As at 31 December 2017, AED 5.9 billion was held against the Asset Management business, representing a 33% LTV.

COMMITMENT TO SHAREHOLDER RETURNS

The dividend policy was updated in 2017 to provide greater clarity and transparency, as well as underscoring commitment to shareholder returns.

The dividend policy is based on a 65-80% pay-out on distributable free cash flow from asset management business plus a 20-40% pay-out on realised cash profit from development business upon handover of developments. Based on this dividend policy, 12 fils per share dividend is proposed for 2017, a 9% increase on 2016.

The financial information contained in this review is based on the consolidated financial statements.

FULL YEAR HIGHLIGHTS

- Underlying gross profit rose 34% to AED 2.7 billion, excluding exceptional one-off items in 2016, driven by progress on property development projects
- Net profit of AED 2.0 billion, impacted by a 3% fair value adjustment to our asset management portfolio
- 2017 development sales of AED 3.5 billion, driven by the two development launches during 2017, The Bridges and Water's Edge
- Asset Management business achieved AED 1.6 billion net operating income guidance
- Dividend policy updated to provide further clarification on development dividend component
- Gross debt stood at AED 6.0 billion as at 31 December 2017
- Proposed cash dividend for 2017 of 12 fils per share, a 9% increase over 2016 (11 fils per share)

SEGMENTAL ANALYSIS

DEVELOPMENT MANAGEMENT

Underlying property development revenue and gross profit, excluding one-off land sales in 2016, were up 103% and 136% respectively, driven by progress on development projects under construction.

Development Management recognised revenue and gross profit growth during 2017, predominantly driven by a final development fee distribution on a completed managed project.

Other operational achievements for the year were as follows:

Development sales

- AED 3.5 billion development sales value
- 1,900 units launched for sale in 2017, across The Bridges and Water's Edge
- AED 3 billion construction contract awards during 2017, across Yas Acres, Mayan and The Bridges
- 83% sold across all Aldar units launched to date

Development management

- Key projects remain on track – West Yas to commence handover from Q1 2018

ASSET MANAGEMENT

Revenues from our Asset Management portfolio, which includes investment properties and hotels decreased by 6% in 2017 to AED 2.2 billion predominantly due to a switch to a landlord based business model for operative villages, which are now part of investment properties and a drop in hospitality revenues.

Full-year gross profit from Asset Management revenues fell 2% to AED 1.5 billion in 2017, underpinned by resilient occupancy across investment properties over the course of the year.

Following the independent fair valuation of its investment properties, the Company recorded AED 495 million of net fair value losses during Q4 2017 which resulted mainly from a softer outlook on market prices, partly offset by yield compression.

Other operational achievements for the year were as follows:

Retail

- Yas Mall trading occupancy stood at 94% as at 31 December 2017

Residential

- Residential portfolio was 91% leased as at 31 December 2017

Office

- Completion of International Tower acquisition in December 2017
- Office occupancy is 88% as at 31 December 2017

Hotels

- 2017 full year hotel portfolio occupancy was 78%, ahead of the wider Abu Dhabi market, which recorded a full year occupancy of 72%

CORPORATE

Selling, general and administrative expenses (excluding depreciation, impairments and amortisation) was AED 407 million during 2017, in line with 2016.

Other Income which mainly represents income recognised upon handover of infrastructure assets to the Government of Abu Dhabi was AED 636 million for 2017 (2016: AED 954 million). Going forward, Other Income is set to further decline as we finalise handovers of infrastructure assets around our key destinations to the Government of Abu Dhabi.

Greg Fewer
Chief Financial Officer
14 February 2018