

Financial Review



2018 has been another great year for Aldar, supported by a number of strategic initiatives that have started to feed into our financial performance over 2018 and will support further growth from 2019. Our financials remain robust, with solid revenue and net operating income growth of 2% and 3%, respectively, that delivered stable gross profit performance.

A DEVELOPMENT FRANCHISE

Our development business continues to perform, supported by a diverse development pipeline at various stages of construction and new development launches that provide visibility on future revenues. This truly illustrates a large, valuable franchise that dominates and continues to go from strength to strength.

RESILIENT ASSET MANAGEMENT PERFORMANCE, PRIMED FOR GROWTH

Our asset management business saw a resilient performance over 2018, with growth in net operating income of 3% supported by recent asset additions and optimising performance across our existing portfolio.

This asset management business today features close to AED 20 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 globally. Abu Dhabi will remain at the core of Aldar’s growth strategy and we see further growth in this business, supported by an investment plan and active monitoring of the market for acquisition opportunities.

AED 4.2 BILLION DEVELOPMENT SALES BACKLOG AS AT 31 DECEMBER 2018

Following three development launches during the year, our development pipeline now includes close to 8,000 units and is 80% sold. Over the past 18 months we have moved into handover mode and have now handed over or are in the process of handing over six developments.

1,237 RESIDENTIAL UNITS HANDED OVER IN 2018

Development sales during the year amounted to AED 2.6 billion, supported by our three new launches and proactive sales across existing projects nearing completion. The Emaar strategic partnership and recent asset acquisition taking us onto Saadiyat Island have strengthened our development position and capability, and this will truly start to translate into financial performance from 2019.

For 2019, we see new opportunities where there is pent up demand. As such, we have increased development sales guidance to AED 4 billion, having tested the market with Alreeman earlier this year, which was an outstanding success.

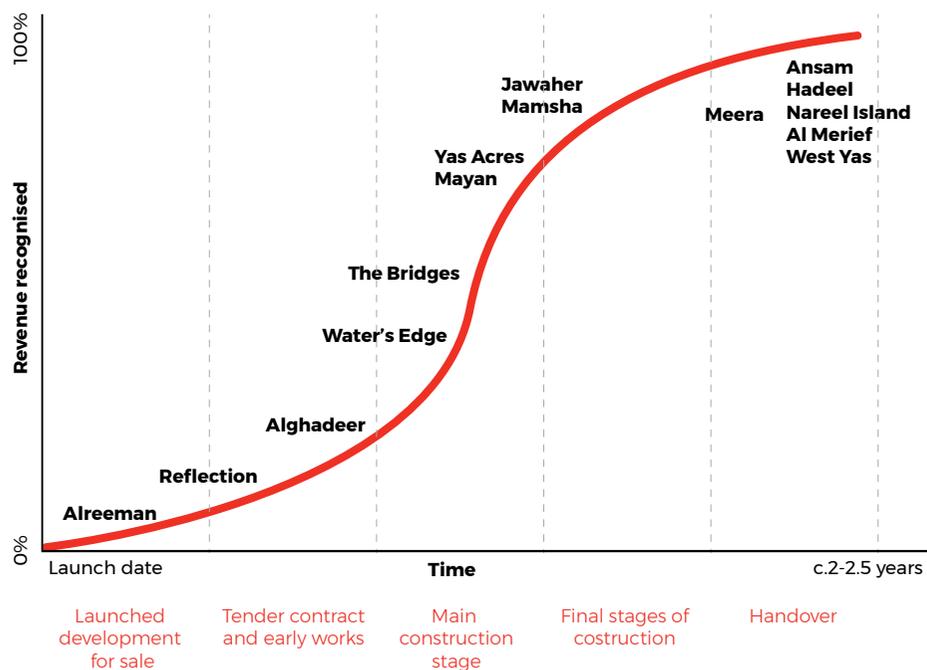
AED 1.6 BILLION NET OPERATING INCOME IN 2018

In 2019, we expect to see growth from our asset management business, driven by the full-year impact of the TDIC asset acquisition and Al Jimi Mall extension that will open in early 2019, and as such have set net operating income guidance at AED 1.7 billion.

ANNOUNCEMENT OF ALDAR INVESTMENTS

Over the past few years we have developed our disclosures, policies and guidance to better describe and communicate our two unique core businesses, Asset Management and Development Management. We continue to believe that our two core franchises operate independently from one another and we have reflected that fact in the way we manage the two businesses.

Development revenue based on progress of completion



During 2018, we further evolved down this path with the creation of the region's largest diversified real estate investment company, Aldar Investments. Operating as a 100%-owned subsidiary of Aldar Properties, substantially all of Aldar's recurring revenue real estate assets and operating assets were transferred into Aldar Investments in September 2018. This new structure has already created value for shareholders, with the successful issuance of a new seven-year sukuk in September, following its Baa1 rating by Moody's. This credit rating is the highest for a non-Government corporate in the region, reflecting our solid fundamentals and strong asset base.

FINANCIAL FLEXIBILITY

Our financial position as at 31 December 2018 remains solid. The Group continues to generate strong operating cash inflows, particularly on the development business as we complete developments and commence customer handovers where we collect final instalments.

Following the significant TDIC asset acquisition during the year, gross cash stood at AED 5.0 billion as at 31 December 2018. The Group remains well funded and has strong liquidity through existing undrawn debt facilities of AED 4.7 billion.

Gross debt as at year end was AED 7.1 billion. In line with our Asset Management and Development business' debt policies that support maintaining investment grade credit rating, debt is directly attributed against both businesses.

GOVERNMENT INFRASTRUCTURE HANDOVER PROGRAMME NOW COMPLETE

During the year, Aldar recognised AED 0.8 billion in other income (see note 29). A majority of this other income represents the handover of infrastructure to Government of Abu Dhabi following historical agreements to transfer these Aldar developed assets to government on an arm's length basis. Following 2018 handovers, the programme is now broadly complete.

COMMITMENT TO SHAREHOLDER RETURNS

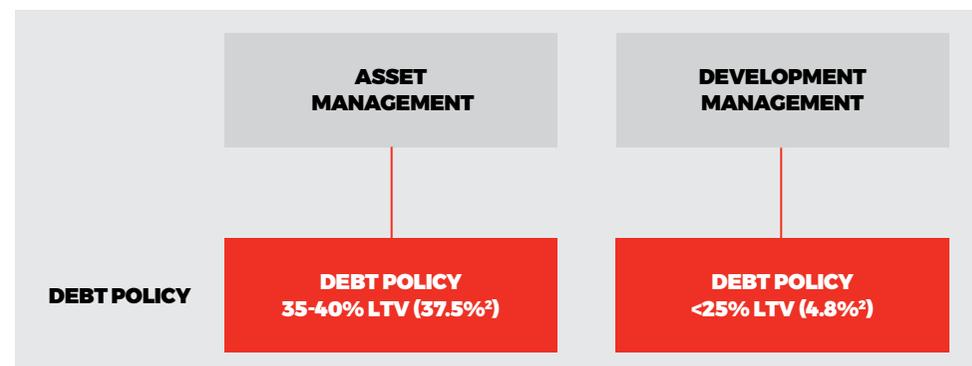
Our dividend policy provides transparency and visibility on shareholder returns. This dividend policy and pay-out is based on the performance of both the asset management and development businesses.

In 2018, the recommended dividend was raised 2 fils to 14 fils per share, representing a 17% increase on 2017, with a proposed total payout of AED 1.1 billion. This increase was supported by the resilient performance of our asset management business, that represented approximately 80% of the total dividend amount declared and the realisation of cash profit on the development business as it moves into handover mode.

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.

Greg Fewer
Chief Financial Officer
13 February 2019

Allocation of debt between businesses



Dividend policy

		Asset Management business	Development Management business
POLICY	PAY-OUT FACTOR	Distribute free cash flow	Realised profit
	RANGE	65-80%	20-40%
METHODOLOGY/KEY DRIVERS		Net operating income less: Interest expense Maintenance capex overheads	+ Upon completion and handover of development