



Sukuk Al Mudaraba- Next Generation Sukuk
Case Study on Aldar Properties PJSC
USD 2.53 billion Exchangeable Sukuk

Arul Kandasamy, Head of Islamic Financing Solutions
Middle East Business Forum Sukuk Conference
Dubai, 25 April 2007

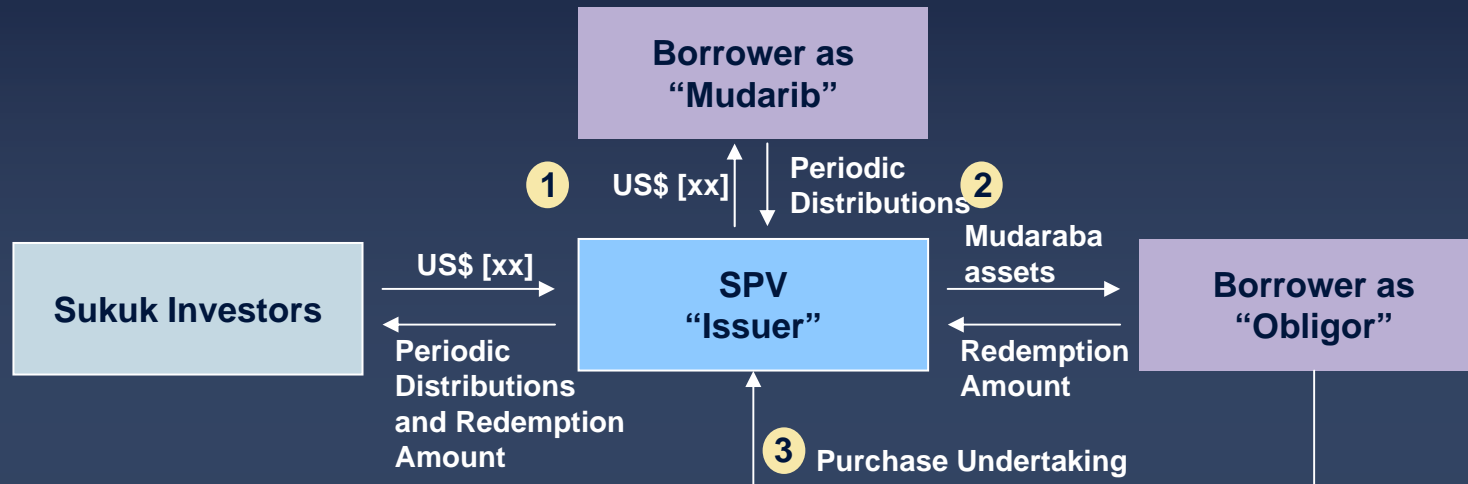
Historically, sukuk have been issued using Ijara (sukuk 1G) and Musharaka (sukuk 2G) structures.....

Issuer	Date	Structure	Size
Govt of Malaysia	June 2002	Ijara	US\$600m
Govt of Qatar	October 2003	Ijara	US\$700m
Dubai Global Sukuk	Nov 2004	Ijara	US\$1,000m
Wings FZCO	June 2005	Musharaka	US\$550m
PCFC Sukuk	January 2006	Musharaka	US\$3,500m
QREIC	September 2006	Musharaka	US\$270m
Nakheel Sukuk	December 2006	Ijara	US\$3,520m

However, these structures had disadvantages.....

- In an Ijara (leasing) sukuk, there is a need to transfer title to underlying assets equal to the sukuk value from the Obligor to the sukuk holders
- In a Musharaka (joint investment partnership) sukuk, there is a need for a partial transfer of title to underlying assets from the Obligor to the sukuk holders
- The transferred assets are encumbered for the duration of the sukuk
- In certain countries there may be adverse tax, accounting and legal implications (e.g. capital gains tax, property transfer tax etc.)
- An obligor may not have assets of sufficient value relative to the amount of sukuk being raised

This led to the Mudaraba sukuk (sukuk 3G) being developed



Mudaraba is an investment partnership between a manager (mudarib) and provider of funds (rab ul maal)

Sukuk proceeds are invested in accordance with a sharia compliant Business Plan

Returns to sukuk holders are derived from application of the Mudaraba Assets

Barclays Capital acted as Joint Lead Manager and Bookrunner for the innovative Aldar Properties' USD 2.53bn Exchangeable Sukuk



Largest convertible issue to date from a listed Middle Eastern issuer

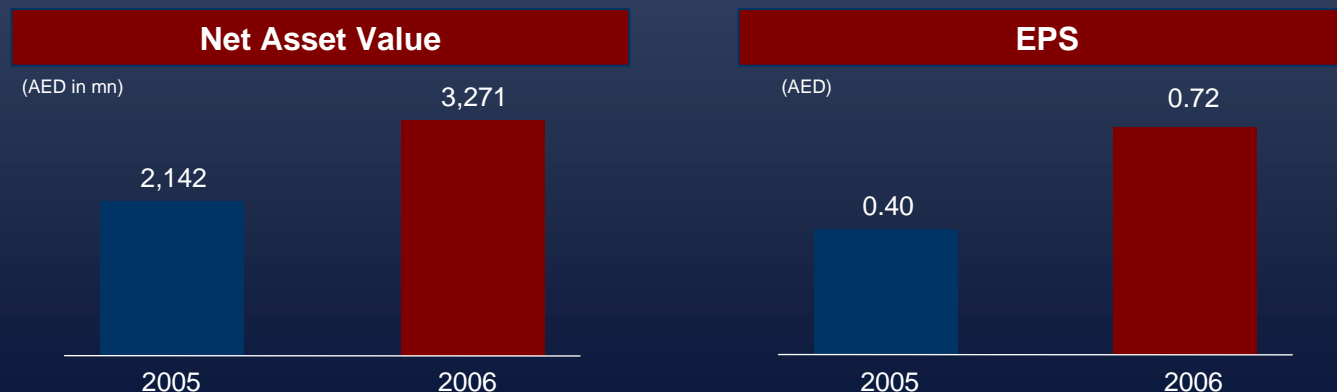
Shari'a compliant structure, documented according to eurobond standards, tradeable and clearable in order to appeal also to non-islamic investors

Resounding success with an orderbook in excess of USD 13 bn. The transaction was upsized from USD 1.3bn to USD 2.53bn and a pricing at the tight end of the price talk

The Aldar transaction is a clear demonstration of the value that Barclays Capital is able to generate for its clients through innovative structuring and thorough distribution

Overview of Aldar Properties PJSC

- Aldar is the leading real estate developer in Abu Dhabi, the largest and richest emirate of the United Arab Emirates
- It was incorporated as a private joint stock company in October 2004, then IPOed on 4 April 2005. The IPO generated US\$ 102bn in demand and raised US\$ 408mn
- Aldar is now one of the largest UAE listed property development companies by market value (about US\$ 1.9 bn)
- Aldar owns over 30mn square meters of land, valued over US\$ 10bn (CB Richard Ellis). The majority of this land is already earmarked for specific developments, the value of which is in excess of US\$ 50 bn
- Aldar has close links with the Government of Abu Dhabi, which still owns (directly and indirectly) about 17% of Aldar



Aldar faced a number of challenges in the context of financing its substantial pipeline of real estate projects in Abu Dhabi...

Challenges

- Capacity and liquidity were limited in domestic equity markets
- Restriction on foreign ownership of equity prevented international equity issuance
- Regional banks already significantly exposed to the real estate sector
- Overhang on equity due to substantial financing requirement
- Short management track-record

Strengths

- Substantial asset base: Market value of development projects estimated at >US\$10 billion
- Low equity valuation: Foreign investment restrictions leads equity to trade at a valuation discount to international multiples
- Importance to Abu Dhabi: Aldar's projects are of strategic importance to Abu Dhabi, the UAE's wealthiest emirate
- World-class management team: The recently-hired management team have an impressive record of delivering value

...and an equity-linked sukuk structure matched Aldar's requirements in a format that appealed to a broad international investor base

Structuring considerations

- There were several key considerations in structuring the Aldar Exchangeable:
 - Tap into both local and international investor demand
 - Leverage Aldar's substantial asset base to achieve a large transaction size
 - Unlock the value of Aldar's equity which was being limited by foreign ownership restrictions

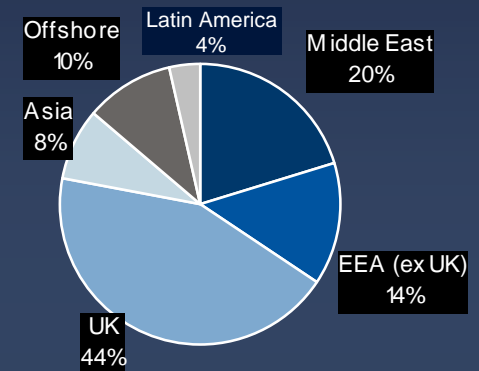
Response

- Sukuk format, but documented according to Eurobond standard, feature which allowed international investors to invest in it
- Cash settlement feature: Allows international investors to receive synthetic exposure to Aldar equity
- Well-prepared marketing effort and roadshow which allowed the company to present its credit and equity story in 41 1-on-1 investor meetings and 9 group presentations with over 200 investors

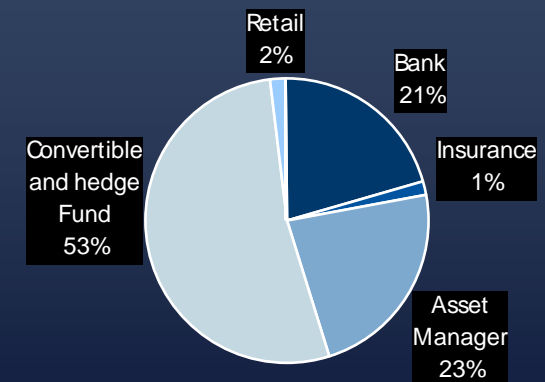
Resounding market success

- Transaction extremely well received with an orderbook that exceeded USD 13 bn
- Upsized from USD 1.3bn to USD 2.53bn
- Priced at 65 bps, tighter than the initial price talk (75 to 125bps). Conversion premium set at 37%, the higher end of the initial talk (27% to 37%)
- Exceptionally strong demand out of the international investor base, which resulted in a broad distribution across Europe (c.60%), Middle East (20%) and ROW (20%)
- The innovative structural features and the strong marketing efforts also allowed Aldar to attract a broad range of investor types in addition to the usual CB investors base

Allocation by region



Allocation by investor type



Press Commentary supports the conclusion that the pricing and allocation were successful for Aldar

EuroWeek

Abu Dhabi's Aldar doubles blowout sukuk CB to \$2.53bn (Euroweek - 992 – February 23 2006)

“Aldar Properties, the Abu Dhabi based property group, celebrated a stellar debut in the international capital markets this week when it priced inside guidance a \$2.53bn convertible sukuk – doubled from its initial size – after attracting a \$13bn book....

...With \$13bn of orders from more than 200 investors, on Sunday (February 18) the leads priced the deal – increased to \$2.53bn from the original \$1.3bn size – at 65bp over mid-swaps, well inside the marketed range. The conversion premium was set at 37% over the volume weighted average share price, the high end of the indicated range.

“We thought pricing inside the range might upset some investors but not a single account dropped out of the deal and the size of the order book did not change from the original price talk to the eventual pricing level,” said a banker on the trade.”

ifr

Aldar sukuk soars (IFR, 24 February 2007)

“Demand for Middle East converts continues unabated, a trend highlighted by Aldar Properties, which garnered a US\$13bn order book for its US\$2.53bn offering. Despite an apparently aggressive valuation, the stock soared through marketing and the bond flew in the aftermarket, highlighting the range of valuation metrics used by an increasingly diverse investor group in such transactions. Helen Bartholomew reports....

...Lead managers Barclays Capital, Credit Suisse and National Bank of Abu Dhabi took the company on a lengthy two-week roadshow across Europe, Asia and the Middle East, as the issuer was keen to broaden its investor base through international placement.

The move appears to have paid off. Not only was the company able to allocate 80% of the transaction to international investors outside the Gulf region, but the roadshow presentations helped to focus investor interest on Aldar stock as well as the bond. The shares climbed more than 26% between launch and pricing....”

Key terms of the Sukuk

Issuer	Aldar Funding Limited, an offshore SPV established in Jersey
Structure	Trust Certificates (<i>Sukuk al-Mudarabah</i>), exchangeable into ordinary shares of Aldar Properties PJSC
Shari'a structure	Underlying Mudarabah structure, to conform with the principles of Islamic Shari'a
Obligor	Aldar Properties PJSC
Amount	USD 2,530,000,000
Settlement date	8 March 2007
Sukuk Maturity	10 November 2011
Profit Rate	5.767% per annum
Periodic Distribution	Payable quarterly, starting on 10 May 2007
Premium	37%
Redemption	100%, or value of underlying shares (paid in shares or cash-equivalent) at Aldar's option
Covenant Package	<ul style="list-style-type: none"> • Limitations on financial indebtedness • Negative pledge • Maintenance of insurance
Issuer call	Redemption at the Issuer's option from (1) year 2.5 subject to a 140% share price trigger and (2) year 3 subject to a 125% share price trigger
Status/Security	Senior, secured by mortgage with a market value at least equal to 120% of the outstanding aggregate principal amount
Stabilisation	ICMA/FSA. Barclays Capital is the Stabilising Manager
Listing	Application has been made for the Certificates to be admitted to trading on the Professional Securities Market of the London Stock Exchange
Selling Restrictions	No sales into the US (Reg. S only), Australia, Canada, Japan and Italy. Sales restricted to institutional/qualified investors in UK, Jersey, UAE, DIFC, Bahrain, Saudi Arabia, Kuwait, Qatar, Singapore, Hong Kong, Malaysia, Switzerland.
Joint Bookrunners	Barclays Capital, Credit Suisse, National Bank of Abu Dhabi

Disclaimer

This document has been prepared by Barclays Capital, the investment banking division of Barclays Bank PLC ("Barclays"), for information purposes only. This document is an indicative summary of the terms and conditions of the securities/transaction described herein and may be amended, superseded or replaced by subsequent summaries. The final terms and conditions of the securities/transaction will be set out in full in the applicable offering document(s) or binding transaction document(s).

This document shall not constitute an underwriting commitment, an offer of financing, an offer to sell, or the solicitation of an offer to buy any securities described herein, which shall be subject to Barclays' internal approvals. No transaction or service related thereto is contemplated without Barclays' subsequent formal agreement. Barclays is acting solely as principal and not as advisor or fiduciary. Accordingly you must independently determine, with your own advisors, the appropriateness for you of the securities/transaction before investing or transacting. Barclays accepts no liability whatsoever for any consequential losses arising from the use of this document or reliance on the information contained herein.

Barclays does not guarantee the accuracy or completeness of information which is contained in this document and which is stated to have been obtained from or is based upon trade and statistical services or other third party sources. Any data on past performance, modelling or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modelling or back-testing. All opinions and estimates are given as of the date hereof and are subject to change. The value of any investment may fluctuate as a result of market changes. The information in this document is not intended to predict actual results and no assurances are given with respect thereto.

Barclays, its affiliates and the individuals associated therewith may (in various capacities) have positions or deal in transactions or securities (or related derivatives) identical or similar to those described herein.

This document is being made available in the UK to persons who are investment professionals as defined in Article 19 of the FSMA 2000 (Financial Promotion Order) 2005. Outside of the UK, it is directed at persons who have professional experience in matters relating to investments. Any investments to which this document relates will be entered into only with such persons. Clients should contract and execute transactions through a Barclays Bank PLC branch or affiliate in their home jurisdiction unless local regulations permit otherwise. This document is not for distribution to retail customers.

NO ACTION HAS BEEN MADE OR WILL BE TAKEN THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED HEREIN IN ANY JURISDICTION IN WHICH ACTION FOR THAT PURPOSE IS REQUIRED. NO OFFERS, SALES, REALES OR DELIVERY OF THE SECURITIES DESCRIBED HEREIN OR DISTRIBUTION OF ANY OFFERING MATERIAL RELATING TO SUCH SECURITIES MAY BE MADE IN OR FROM ANY JURISDICTION EXCEPT IN CIRCUMSTANCES WHICH WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS AND WHICH WILL NOT IMPOSE ANY OBLIGATION ON BARCLAYS OR ANY OF ITS AFFILIATES.

THIS DOCUMENT DOES NOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ISSUES RELATED TO AN INVESTMENT IN THE SECURITIES/TRANSACTION. PRIOR TO TRANSACTING, POTENTIAL INVESTORS SHOULD ENSURE THAT THEY FULLY UNDERSTAND THE TERMS OF THE SECURITIES/TRANSACTION AND ANY APPLICABLE RISKS. THIS DOCUMENT IS NOT A PROSPECTUS FOR ANY SECURITIES DESCRIBED HEREIN. INVESTORS SHOULD ONLY SUBSCRIBE FOR ANY TRANSFERABLE SECURITIES DESCRIBED HEREIN ON THE BASIS OF INFORMATION IN THE RELEVANT PROSPECTUS (WHICH HAS BEEN OR WILL BE PUBLISHED AND MAY BE OBTAINED FROM BARCLAYS), AND NOT ON THE BASIS OF ANY INFORMATION PROVIDED HEREIN.

Barclays Bank PLC is registered in England No. 1026167. Registered Office: 1 Churchill Place, London E14 5HP. Copyright Barclays Bank PLC, 2006 (all rights reserved). This document is confidential, and no part of it may be reproduced, distributed or transmitted without the prior written permission of Barclays.

Barclays Capital is the investment banking division of Barclays Bank PLC, which is authorised and regulated by the UK Financial Services Authority and a member of the London Stock Exchange.