MOODY'S
INVESTORS SERVICE

Rating Action: Moody's announces further downgrades to Dubai Inc. corporates

Global Credit Research - 08 Dec 2009

DIFC, December 08, 2009 -- Moody's Investors Service today downgraded all six Dubai government-related issuers (GRIs). This rating action follows recent comments and statements from government officials, which cause us to believe that no meaningful government support should be assumed for any entity that is not directly part of or formally guaranteed by the government. As a result, Moody's has reduced the government support assumptions for all six issuers. All ratings now reflect the respective company's stand-alone credit profile (baseline credit assessment) with the exception of Dubai Electricity & Water Authority (DEWA) and DIFC Investments, whose revised ratings include one notch uplift for government support recognising their stronger strategic linkage to Dubai's core economic development policies.

Moody's has also downgraded various baseline credit assessments to reflect (1) increased liquidity challenges in a tougher financing environment that we expect will continue for a protracted period, and (2) the longer term implications thereof on Dubai's economy.

Ratings affected by today's rating actions include the following:

- DP World issuer and debt ratings were downgraded to Ba1 from Baa2;

- Dubai Electricity & Water Authority (DEWA) issuer and debt ratings were downgraded to Ba2 from Baa2;

- Jebel Ali Free Zone (JAFZ) issuer and debt ratings were downgraded to B1 from Ba1;

- Dubai Holding Commercial Operations Group (DHCOG) issuer and debt ratings were downgraded to B1 from Ba2;

- Emaar Properties issuer ratings were downgraded to B1 from Ba2;

- DIFC Investments (DIFCI) issuer and debt ratings were downgraded to B2 from Ba1.

All ratings remain on review for further downgrade.

Since the announcement by the Dubai government on November 25 that it would restructure the debt of Dubai World and request a standstill on financings of some of its liabilities, the government has further clarified its position towards GRI obligations. In recent statements the government has highlighted that it sees no legal obligation to support non-guaranteed debt of its GRI's. GRI's that are able to demonstrate a viable business model and an ability to service their debt obligations over the long-term remain eligible for support from the government's Financial Support Fund. Taking into account the government's most recent position, Moody's no longer believes it appropriate to assume timely support that results in any uplift for the ratings of four of the GRIs. We view the probability of support for DEWA and DIFC as being diminished but sufficient to lift these ratings by one notch.

The ongoing review for downgrade reflects continuing uncertainty over the potential negative implications on ratings from (1) the Dubai World restructuring itself, including the risk of contagion effects for DP World and JAFZ as subsidiaries of Dubai World; (2) the potential for reduced investor confidence to diminish the ability of Dubai corporates to access the debt capital markets in order to refinance debt maturities, and (3) the possible longer term detrimental impact on Dubai's economy. Accordingly, Moody's will continue to closely monitor restructuring events involving Dubai World over the coming weeks.

In addition, the review of DHCOG and Emaar reflects prospects for a prolonged real estate market slump, as well as the evolving nature of both entities as a result of their pending merger.

The review of DEWA's ratings considers the potential for liquidity pressure due to the triggering of an acceleration clause on its USD 2 billion Receivables Securitisation Programme that is issued under Thor Asset Purchase Company Limited.

The last rating action on Dubai's corporate GRI's was on November 26, 2009, when Moody's downgraded ratings of DP World, DIFC Investments, DEWA, JAFZ, Emaar and Dubai Holding Commercial Operations Group.

The principal methodology used in rating these entities was "The Application of Joint Default Analysis to Government Related Issuers", published in April 2005, which determines ratings on the basis of a company's baseline credit assessment, as well as credit enhancement for exceptional government support. Accordingly, ratings were assigned by evaluating factors we believe are relevant to the baseline credit assessment of the issuers, such as i) the business risk and competitive position of the companies versus others within its industry, ii) the capital structure and financial risk of the companies, iii) the projected performance of the companies over the near to intermediate term, and iv) management's track record and tolerance for risk. These attributes were compared against other issuers both within and outside of the companies' core industries and ratings are believed to be comparable to those of other issuers of similar credit risk. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

DIFC
Philipp L. Lotter
Senior Vice President
Corporate Finance
Moody's Middle East Ltd.
Telephone: +971-44-01-9536

London
David G. Staples
Managing Director
Corporate Finance
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody’s Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY’S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER