CAPITAL intelligence

Salhia Real Estate Company

CORPORATE RATING

October 2007

Corporate Rating Report

Salhia Real Estate Company

Kuwait

October 2007

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Ref: KW4606CRR/10-07

SALHIA REAL ESTATE COMPANY

Kuwait, October 2007

RATINGS

	Current	Last Changed From	Date
Sovereign			
Long-Term:	AA-	A+	Apr 07
Short-Term:	A1+	A1	Apr 07
Outlook	Stable	-	-
Corporate Rating			
Long-Term	BBB+	BBB	Feb 05
Short-Term	A2	-	-
Outlook	Positive	Stable	Feb 05

FINANCIAL HIGHLIGHTS

USD (mn) KWD (mn)	12/2006 USD	12/2006 KWD	12/2005 KWD	12/2004 KWD
Operating Income	70.3	20.3	20.1	20.3
Non Financing Income	178.9	51.7	17.9	8.0
Operating Expenses	22.4	6.5	7.2	7.7
Net Profit	169.3	48.9	17.5	10.2
Total Assets	838.6	242.4	217.1	219.6
Total Debt	300.2	86.8	103.4	108.6
Total Equity	467.1	135.0	102.9	101.7
*Exchange Rate: USD/KWD		0.289	0.292	0.295
Total Equity / Total Assets		55.70	47.41	46.33
Leverage		0.80	1.11	1.16
ROAE(%)		41.15	17.10	11.27
ROAA (%)		21.31	8.02	4.95

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RATINGS DRIVERS

Supporting the Rating

- Well diversified revenue streams and substantial improvement in profitability
- Improving liquidity and leverage
- Good ROAA
- Substantial reduction in project risk

Constraining the Rating

- Sustainability of improved earnings over the medium term in view of potential oversupply in the office and hotel markets
- Still a relatively large portion of unquoted securities and funds in the investment portfolio

RATING RATIONALE

Salhia remains among the top ten largest and strongest real estate companies in Kuwait. Its portfolio is of high quality and well balanced between the office, mall and hotel segments in Kuwait with a large new development entering the construction phase through an associated company. Its real estate properties have maintained an occupancy rate of 100 percent. Geographical and segment diversification is provided by the German nursing home, UK real estate joint-venture and more recently the increased foreign managed portfolios. Very high earnings were seen in 2006 and a similar picture is anticipated for 2007 following the sale of various properties. Consequently leverage (which has been declining over the past three years) will further improve as surplus cash is used to repay long term borrowings. With the resulting lower funding costs, underlying profitability will further improve. At the same time, the pipeline of new quality developments remains strong and future profitability should benefit accordingly. CI therefore retains the corporate rating of BBB+ long term and A2 short term but with a 'Positive' outlook.

COMPANY HISTORY AND STRATEGIES

Company History

Salhia Real Estate Company was established in 1974 and its shares were listed on the Kuwait stock exchange (KSE) in September 1984.

Major Shareholders

Salhia's original promoters control 41.30% of the Company's share capital. Five single private investors hold more than 5% of Sahlia share capital. Salhia itself owns around 4.81% with the remaining 58.70% being held by a range of institutional.

Current Business Model

The business model is currently based on the following core activities:

- Shopping Malls
- Hospitality
- Offices
- Industrial & Logistic
- Nursing Homes

Shopping malls There are currently two malls in operation, the well-established Salhia Complex in Kuwait City and the more recent Arraya commercial centre. These successful and fully let complexes will be joined by the commercial mall of the Al Asima project.

Hospitality Salhia currently operates two hotels in Kuwait, the five star J W Marriott in Kuwait City (part of the Salhia Complex) and the four star Courtyard by Marriott in Sharq (which is part of the Arraya Complex).

Offices Salhia currently owns the following office properties - Salhia Complex, Sahab Tower, Arraya Commercial Centre and the Arraya Offices. The Arraya Tower is progressing on schedule and is expected to be completed by end of 2008.

International

- **Germany:** Care homes via Haddia GmbH with over seventeen properties in Northern Germany.
- **Bahrain:** Development of 60 floor office tower in partnership with Arcapita.
- **UK:** Historically Salhia's involvement in the UK development market has been through Key Property Investments, its very successful joint-venture with St Modwen.
- **UK:** Salhia also owns 50% of Drawbridge Securities in the UK.
- **UK:** More recently Salhia is in negotiation with third parties to directly acquire some real estate investments mostly in the United Kingdom.
- **Others:** Salhia is also considering smaller investments in Oman.

To some extent the Business Model is also defined by what Salhia is not. The Company is:

- Not usually involved in the development or letting of residential accommodation.
- Largely out of exposure to quoted Kuwaiti equities. The residual investment portfolios are largely private equity (KWD10mn at end year 2006).

(See Appendix 1 for further details on the above)

Non-real estate investments As at year end 2006, the Company's non real estate investments portfolio which were mainly in private equities stood at over KWD10mn.

Principal Business Strategies

The Company's primary objective has always been to achieve sustainable long term growth and maximise shareholder value. In the past this has primarily been through the development, redevelopment, acquisition and management of well located, high quality, retail property. The strategy has now broadened.

1. **Divestment of non-core holdings** Salhia is now much more ready to sell either properties or operations that it considers as non-core. The recent sale of the Super Block is a prime example (see *Significant Recent Events* below).

2. **Risk-sharing** Apart from KPI, Salhia had traditionally developed projects on its own. However with Al Asima, there is now a much greater readiness to share risk (and reduce asset concentration) by conducting developments on a joint-venture basis or via a SPV that takes in outside shareholders.

3. **Increased international diversification** Bahrain and Oman are new investment venues as well as a serious move to diversify the exposure in the UK to include non-KPI directly owned and operated developments and investments.

4. **Non real estate investments** As part of a new strategy effective 2007 and a shift from previous years, the new investment philosophy will be towards yield enhancing, full or partial capital guaranteed and at the same time liquid.

Supporting these strategies are the following operating norms. The Company will:

- Concentrate on carefully selected local and foreign geographic markets with a focus for high quality mixed use properties and other facilities.

- Maintain a focused leasing strategy that targets 100% occupancy rate.

- Explore joint-venture opportunities with leading local and international real estate companies and strategic institutional partners.

- Pursue on a very selective basis the sale of proprietary properties to take advantage of unrealised value of that has been created in the Company's core operating markets.

SIGNIFICANT RECENT EVENTS / ISSUES / DEVELOPMENTS

Al Asima Project The Company is currently developing (via an associated company) the Al Asima project which will be built on 21,414 square metres of land. This project will be one of the largest construction projects undertaken by the private sector. The public offering of 50% of Al Asima Real Estate Company's capital (KWD40mn) was successfully completed by November 2006. The remaining 50% of the Company's capital is owned by Salhia. Al Asima Real Estate Company is expected to start generating revenues in 2010. (See Appendix 1 for further details)

Super Block Project In July 2007, Salhia sold this land estimated at 3,605 square metres which had a book value of little over KWD10mn for KWD36mn, netting a profit of approximately KWD25mn.

RISK FACTORS AND MITIGANTS

- **Potential delay in H2 asset sales** Some planned sales may either not complete or be delayed until 2009, slowing planned reduction in borrowings.

  Mitigant: Super Block Project already sold; this makes up 57% of planned disposal gains for 2007.

- **New malls in Kuwait pressure rental levels and occupancy rates** A number of new malls have already opened and more are under construction.

  Mitigant: Both existing malls have waiting lists, and are seen as high end properties. Most of the newer malls being built are more mass market.

- **Potential glut of hotel rooms** This could hit occupancy and/or room rates.

  Mitigant: While this has already happened to some degree, the 5 star hotels have a cartel in operation (and have actually managed to raise rates this year slightly). Moreover the Salhia properties are well located in the two main business areas, with a loyal international clientele that is less rate sensitive.

- **Project completion risk** Delays can also impact the Company and so will be the booking of the revaluation gain normally achieved upon project completion.

  Mitigant: Salhia is a well established company in this field with a long record of accomplishment. The on going Arraya Towers project is on schedule to complete in 2008. In UK, Salhia normally mitigates such risks through the partnership with a local developer, St Modwen Properties PLC. This has so far been a successful and profitable joint-venture investment for the Company. The Company also follows the same approach with its projects in Bahrain.

- **Market risk - investments** The Company is exposed to market risk with respect to its investments.

  Mitigant: The Company mitigates this risk by maintaining a diversified portfolio managed largely by outside portfolio managers and by investing in situations where there is a full or partial capital guarantee of capital.

- **Currency risk** The Company is exposed to currency risk through its investments in overseas markets and borrowings in foreign currencies.

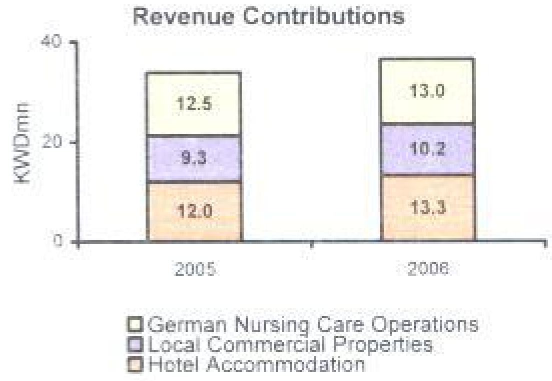
  Mitigant: The group limits its exposure by investing in US dollar, Japanese yen, euro and sterling Pound denominated markets and otherwise by borrowing in currencies that approximately match its investments in non-US dollar denominated markets.

KEY FINANCIAL ISSUES

AUDITORS AND DISCLOSURE

The accounts are audited to International Accounting Standards by Ernst & Young and by Burgan BDO. CI's analysis is based on the 2006 audited accounts.

FINANCIAL PERFORMANCE FYE DECEMBER 2006



Gain from sale of real estate asset boost profitability to an all time high Salhia's net profit reached an all time high of KWD48.9mn in 2006, 179.7% up over the previous year's KWD17.5mn. This rise owed a great deal to a substantial one time gain of KWD49mn related to the sale of a large site in the Sharq area to the Company's newly formed associate, Al Asima Real Estate Co.

Revenues grow strongly As illustrated in the revenue chart above, total property revenues regained their growth momentum in 2006 reaching KWD36.5mn supported primarily by increased rental proceeds in the Company's core local and foreign operating portfolios. Hotel accommodation revenues showed a gain of KWD1.2mn or 10.3% compared to 2005 on the back of higher occupancy rates and higher room revenue. Total hotel related revenues for 2006 contributed to around 36.3% of total property revenues for the year.

Local commercial property Revenue – 2006	**KWD mn**
Sahab Tower	1.34
Salhia Commercial Complex	5.63
Arraya Commercial Centre	3.25
Total	**10.22**

Local commercial property revenues were up KWD0.9mn or 10.1% in 2006 backed by year on year growth of 34.1% in Sahab Tower related revenues, driven primarily by an increase in the tower's average base rents. Revenues from Salhia Commercial Complex and Arraya Commercial Centre were up by 6.9% and 7.9% respectively in 2006 compared to 2005.

In total local revenues from hotel and commercial properties amounted to KWD23.5mn in 2006 up by 10.2% from 2005 and equated to around 64.3% of the Company's total property revenues.

On the international front, the Company's foreign operating portfolio relates to the Company's German-based Care Home operations. Year on year growth for 2006 was at a slower rate of 4.4% to reach KWD13mn or 35.7% of total property revenues.

But costs also rose Total property operating costs increased by 18.4% to KWD16.2mn due the increased level of sales in the Hotel operations along with an increased staff and associated labour costs in the nursing care operations in Germany. Retail commercial property costs more than tripled for the year to reach KWD2.4mn contributing to around 14.7% of total property costs. Hotel and Care Home-related operating costs grew by 5.1% and 7.7% in 2006 compared to 2005 contributing 28.5% and 56.8% respectively of total property costs for the year.

General and administrative expenses inched up by 2.3% for the year to KWD5.3mn as a result of higher salaries, benefits and related costs. Sales and marketing expenses for the year dropped substantial from KWD2.1mn to KWD1.0mn. In total, operating expenses showed a drop of 9.8% to KWD6.5mn

Total realised investment income for the year showed a substantial drop of 98.6% to KWD0.1mn from KWD10.4mn in 2005 due to lower disposal. The composition of investment income changed in favour of dividend income although this has dropped to KWD0.7mn from KWD1mn in 2005.

Effect of Al Asima Transaction

- Increase in the share capital of Al Asima Real Estate from KWD1mn to KWD80mn resulted in a drop in the Company's equity interest in the latter to 50%.
- The Company sold a real estate asset (land) to Al Asima resulting in a total gain of KWD98.1mn of which KWD49.1mn were the Company's profit share.
- As a result, total non operating income recorded a significant jump to KWD51.7mn from KWD17.9mn in the previous year.
- The ability of the Company to repay more than KWD50mn in short and medium term debt, thus allowing a great improvement in the debt/equity ratio.

Despite repayment of around KWD11.5mn of long term loans and a substantial drop in bank overdrafts which occurred quite late in the year (November), interest expense showed an increase to KWD8.8mn from KWD7.1mn in 2005. This increase was driven by higher costs of debt financing in the local and international markets and timing effects.

BALANCE SHEET

Main Assets Class Growth

Moderate growth Salhia's balance sheet expanded at a steady growth rate of 11.7% to KWD242.4mn. The main asset classes on the balance sheet are fixed assets, investment properties, investments and the investment in Key Property Investments Ltd.

Little increase in fixed assets due to Asima sale These remain the largest asset class, growing marginally by 4.7% to KWD104mn (2005: KWD99.3mn) despite the sale of land with a carrying value of KWD16.5mn to associate, Al Asima Real Estate Co. The additions to fixed assets of KWD15.9mn relates mainly to the on-going Arraya Office Tower Project.

Buildings totalled KWD65.19mn (KWD67.5mn). This decrease was due to depreciation of those assets charged during the year.

Furniture and equipment rose sharply from KWD6.2mn to KWD13.2mn following the transfer of KWD8.6mn from investment properties to fixed assets. This was partly offset by depreciation of KWD2mn.

Freehold land dropped significantly to KWD8.8mn following the transfer of land to the Al Asima Project.

Investment properties shrunk by 19.2% to KWD51.8mn following the transfer of KWD11mn to fixed assets relating to land value is KWD30.4mn. The other components are composed of the Salhia, Sahab and Arraya complexes.

Note on real estate valuations *Investment properties are recorded at cost. The fair value in 2006 of the investment properties amounted to KWD231.8mn (2005: KWD215.8mn). These have been determined by reference to independent third-party valuations provided by professionally qualified valuers using acceptable methods of calculation such as sales comparison and income capitalisation.*

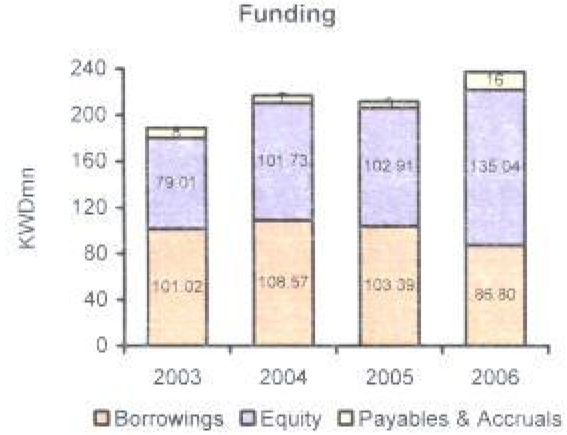
Available for sale investments portfolio increased by 31% to KWD36.8mn from KWD28.1mn. This increase was due mainly to increases in foreign unquoted securities of KWD6.9mn and local managed portfolios of KWD2mn. These two types of investments equated to 44.2% and 29.6% of the total portfolio respectively. The remaining portfolio was made up of 19.2% of managed funds and 7% of unquoted funds. Unquoted funds and securities amounting to KWD18.8mn are carried at cost less impairment as fair values cannot be reliably estimated. This portfolio is relatively well diversified in terms of industrial sectors.

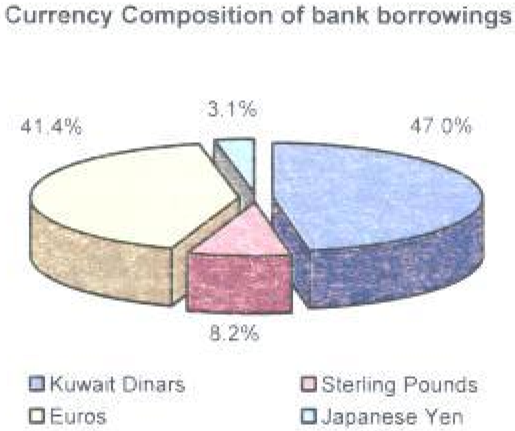
Investment in joint-venture represents the group's 50% interest in Key Property Investments. The increase to KWD18.5mn from KWD15.4mn relates to foreign currency translation adjustment of KWD2.3mn and share of joint-venture's results net of tax of KWD789k. The total asset base of the company based on a cost accounting valuation methodology was around GBP300mn in 2006.

The above four assets class totalled KWD211.2mn (2005: KWD207mn) equated to 87.1% of the Company's balance sheet.

Cash and banks jumped to KWD22.4mn from KWD2.5mn on the back of the substantial gain on the sale of the Company's real estate asset to an associated company during 2006. The Company deposited around KWD20mn in fixed deposits. These deposits have maturities of three months.

The other remaining assets totalled KWD8.4mn (2005: KWD7.1mn). Of which KWD4.4mn (2005: KWD6mn) relates to hotel, care home and rent receivables. The other significant asset class was due from associates of KWD2.2mn (Asima) while payments due to contractors rose to KWD1.1mn from KW67k in the previous year.





Bank borrowings sharply reduced Total bank borrowings decreased by 16% to KWD86.8mn from KWD103.3mn, the lowest level in four years. This reflected the strong cash position of the Company following the sale of the Al Asima land. In line with the nature of business, 92% of the remaining borrowings are long term. These bank borrowings have a maturity profile of 20% short term, 34.8% medium term (one - four years) and 45.2% long term (over four years) and a provided by a group of five local banks.

Bank loans of KWD79.9mn were secured by investment properties with a carrying value of KWD14.7mn and fixed assets with a carrying value of KWD18.2mn. Of these bank loans, KWD34.2mn was obtained by subsidiaries (German companies) with no recourse to the parent Company. A loan of €21mn equated to 41.7% of total Euro bank borrowings was obtained by a subsidiary company in December 2003 based on an assurance provided by the parent company.

Note: KPI is funded separately. Its borrowings do not appear on the Salhia balance sheet, and there is no recourse to Salhia.

As at end 2006, short-term borrowings fell to KWD6.9mn from KWD19.5mn in the previous year. These borrowings were all in KWD and were provided by the same five local banks in Kuwait.

Total bank borrowings funded 35.8% of total assets compared to 47.6% in the previous year. Equity was the largest source of funding at 55.7%.

Effect of super block sale The payments from the June sale should be received in full by December 2007. As well as producing a very substantial gain, the sale proceeds of KWD36mn would go a long way to making Salhia debt free on a net basis should certain other prospective disposals also take place.

Capital strengthened by the almost doubling of retained earnings of KWD48.5mn as well as the increases in statutory and voluntary reserves of KWD10.2mn and foreign currency translation gain of KWD1.5mn.

In terms of finance costs, the real estate operations paid interest charges of KWD6.7mn while the nursing home operations paid interest charges equivalent to KWD2.1mn. As borrowings by the hotel operation are minimal, interest paid was only KWD0.1mn.

Deferred gain See Appendix section on Al Asima Transaction for details. The deferred gain of KWD9.0mn will be offset against future increases in the carrying value of the associate until deferred gain is fully utilised. Al Asima Real Estate Co is expected to begin generating revenues in 2010.

Leverage This ratio improved as the reduction in bank borrowings. The company is in a strong cash position following the sale of land to the Al Asima Project and it is likely to maintain this position with the recent sale of the Super Block project and other projects/developments between now and end 2008. Although some additional funds will be required to fund the on going Arraya Office Tower Project, these are unlikely to be substantial as project completion is in 2008.

The Al Asima Project is to begin operation in 2010 but as any associated borrowings will be booked at the new associated Company, funding for this project will not be on Salhia's own books.

It should also be noted that notwithstanding the recent sales the Company still has considerable hidden value in the asset base in the form of the difference between the book and market values of investment properties and of fixed assets. The investment properties with a book value of KWD51.8mn in 2006 were valued at KWD231.8mn as at year end 2006. Although there is no stated market valuation for the fixed assets portfolio, evidence of hidden value was well demonstrated with the sale of land with a book value of KWD16.5mn to Al Asima, resulting in a gain of KWD98.1mn.

Liquidity As might be expected for a real estate company, intrinsic liquidity is low although this has improved significantly in 2006 to 1.16 from 0.26 following the gain from sale of real estate asset to an associated company plus a significant decrease in short term bank borrowings of 64.4%. At the same time, this ratio treats the investment portfolios as non-current assets. In reality as per details provided to CI KWD18.0mn of the total should be readily saleable in case of need. This would move the current ratio up to an even more comfortable 1.83 times. Salhia also has substantial unused short term bank lines of KWD52.3mn, adding a further layer of liquidity support.

EBIT interest coverage almost doubled to 6.93 times from 3.62 times in the previous year in view of the substantial gain from sale of land to Al Asima which boosted earnings.

CASH FLOW

Salhia continued to have a strong operational cash flow although net cash from operating activities decreased by 12.6% to KWD11.3mn. This decrease was driven by a KWD2.0mn increase in receivables and prepaid expenses for the year compared to 2005.

In relation to the Company's 50% share in the gain of KWD98mn sale of real estate asset to an associated Company, receivables from related parties during 2006 increased by KWD1.6mn compared to 2005 while advance payments to contractors showed a gain of KWD1.1mn over the same period.

The proceeds from sale of investment properties and fixed assets amounted to KWD115mn was used:

KWD39mn additional investment in Al Asima
KWD20.4mn of additional available for sale investments
As well as going expenditure on the Arraya Project.

Contribution from sale of investment fell to KWD9.2mn in view of the KSE correction. The net cash from investing activities thus stood at KWD49.8mn compared to KWD4.9mn in 2005.
The Company also repaid loans of KWD11.5mn and paid dividend of KWD15mn. Ending cash balance at year end thus jumped to KWD15.5mn in comparison to a negative position of KWD16.9mn in 2005.

HALF YEAR 2007 UPDATE

KWDmn	H1 2007	2006	Δ%
Total Assets	252.2	242.4	4.02
Property & Equipment	104.1	103.9	0.12
Total Investments	133.8	107.2	24.85
Total Debt	98.3	86.8	13.22
Total Equity	136.8	135.0	1.28

	H1 2007	2006
Leverage (Times)	0.78	0.80
Total Debt / Total Equity (Times)	0.72	0.64
ROAA (%)	8.84	21.31

	H1 2007	H12006	Δ%
Operating Income	12.52	10.21	17.56
Operating Expenses	-3.37	-2.71	24.35
Non operating income	9.93	1.36	630.15
Depreciation	-2.59	-2.57	0.78
EBIT	**16.49**	**6.29**	**162.16**
Interest income	0.54	0.02	2,600.00
Interest expense	-3.41	-4.10	-16.83
Profit before tax	**13.62**	**2.21**	**516.36**
Taxes	0.38	0.06	533.33
Foreign tax	2.30	0.28	721.43
Net Profit	**10.94**	**1.87**	**685.03**

Profit and Loss

- Operating income grew steadily despite a less than one percent increase in the real estate properties portfolio.
- The main contributor to the improved performance was non-operating income which jumped to KWD9.93mn representing a 630% increase over the same period in 2006. This was attributed mainly to KWD3.9mn in investment income and the KWD4.2mn share of the joint-venture's results. Together these total equated to 81.6% of total non operating income. A sale of real estate

by the Company's UK subsidiary recorded a gain of KWD1.6mn which contributed a further 16.4% of total non operating income.

- Investment income comprised KWD3.3mn of disposal gains and KWD0.6mn in dividend income.
- Despite an overall increase in bank borrowings, finance costs declined to KWD3.4mn from KWD4.1mn in view of the lower costs of the short term funding.

Balance Sheet

- The main growth area in the second quarter 2007 was the available for sale investments portfolio which grew from KWD36.8mn to KWD64.9mn. This portfolio now contains mostly of foreign managed portfolios. These rose to KWD46.8mn from KWD10.9mn at year end 2006. The increase was partially offset by a decrease in unquoted securities portfolio; this shrunk by half to KWD8.2mn. The purchase of the foreign portfolios securities was partly funded by a short term facility from a foreign bank.
- Apart from the small increase of KWD1.5mn in the joint-venture investment – KPI, all other asset classes remained at almost the same level.
- The fixed deposits of KWD20mn as at end 2006, were used in part to repay long term debt. This declined from KWD79.9mn at year end to KWD KWD69.5mn. However as the increase of the investment portfolio was partially funded by short term borrowings, these increased from KWD6.9mn at year end to KWD28.8mn at end H1 2007. There was therefore an overall increase in bank borrowings by KWD11.5mn to KWD98.3mn.
- The short term facility obtained to fund investments of KWD11.5mn was secured by an investment portfolio with a carrying value of KWD36mn.
- Share capital increased to KWD36.2mn through the issue of bonus shares of 15% as part of dividend payment for year end 2006 performance. Retained earnings declined reflecting the payment of the cash portion of the dividend. Consequently, total equity showed only a marginal increase of 1.28% to KWD136.8mn.

Ratios

Despite the increase in bank borrowings, leverage showed a marginal improvement to 0.78 from 0.80 times. Profitability and return ratios were greatly boosted at year end 2006 in view of the significant gain from the sale of real estate assets and therefore comparisons with the ratios as at H1 2007 have little relevance.

Outlook for 2007 as a whole

Current strategy mandates diversification of revenue streams in terms of both source and geographically. The investment philosophy is to invest in assets with good returns which are either partially or completely capital assured while at the same time being liquid. Accordingly the Company increased its managed portfolio substantially in the second quarter of 2007. As at H1 the Company's investment portfolio had reached KWD64.9mn (2006: KWD36.8mn) while the target for year end is KWD110.5mn. This would represent an increase of 173% over 2006.

This together with the sales of various assets targeted for the second half of the year will alter the shape of the balance sheet at year end 2007. The fixed assets and investment properties portfolio is projected to decline to KWD141.2mn from KWD155.8m while the balance sheet will grow by an overall 18% due mainly to the increased investments portfolio.

Although the funds generated from the sales of assets will be used to repay some long term borrowings, the substantial increase of the investment portfolio is to be funded by borrowings. Total borrowings are therefore expected to reach KWD111.7mn by year end. Despite this, leverage is expected to improve to 0.75 in view of the stronger shareholder equity base.

Net profit at year end is projected at KWD36.4mn. As at H1 2007 net profit had only reached KWD10.9mn. That said, this latter figure did not include the already achieved net profit of approximately KWD25mn from the sale of Super Block in July 2007. Another very successful year is thus assured.

FINANCIAL FORECASTS 2008 – 13

Balance Sheet

Asset Growth	2008	2009	2010	2011	2012	2013
Fixed Assets & Invest properties	114.2	115.1	111.0	106.4	101.8	97.2
Investments - AFS	108.2	109.5	109.1	108.7	108.3	112.9
Investments – JV/KPI	16.4	13.7	11.5	9.8	8.0	6.3
Investments - Affiliate	-	-	-	7.7	13.9	16.5

The picture at end 2007 The Company anticipates the completion of a number of planned asset disposals by the last quarter of 2007 and also projects a substantial increase in its investment portfolio.

A significant decline in fixed assets and investment properties is thus anticipated by year end 2007 while the investment portfolio is projected to grow to KWD110.5mn. The latter had reached KWD64.9mn as at H1 2007. The projected year end balance sheet is expected to increase by 18.1% to KWD286.2mn and at H1 had already reached KWD252.2mn.

Further ahead During the forecast period, the Company anticipates a further decrease in fixed assets and investment properties from KWD141.2mn to KWD114.2mn in 2008 reflecting further disposal of assets. The marginal increase in 2009 reflects the completion of various projects in the UK offset by the annual depreciation charge. No other fixed assets increase is projected for the period from 2010 2013 and consequently the shrinkage each year reflects the annual depreciation charge of between KWD4.1mn and KWD4.6mn. The106.4 101/8i97.2nvestment portfolio is forecast to reduce slightly in 2008 and hover between KWD108.2mn and KWD112.9mn over the remainder of the forecast period. The investment in KPI is projected to gradually decrease over the forecast period to KWD6.3mn in 2013 from KWD19mn at year end 2007.* Additional investments to the Assima project will begin in 2011 at between KWD7.7mn and KWD6.5mn each year to 2013. At the same time, the Company projects a first dividend from this investment in 2013 of around KWD4mn.

- *Salhia is always conservative in its forecasting. The KPI numbers therefore include only ongoing projects. In reality, it is probable that KPI will embark on new projects before the forecast period ends and the decline shown in the forecasts may therefore not occur.*

Main Sources of Funds	2008	2009	2010	2011	2012
Borrowings	**53.5**	**53.5**	**42.5**	**39.5**	**31.5**
Shareholder Equity	**176.6**	**179.1**	**180.2**	**197.2**	**204.6**
Share Capital	36.2	39.8	43.8	43.8	43.8
Bonus Shares	3.6	3.9	-	-	-
Share Premium	27.5	27.5	27.5	27.5	27.5
Treasury Shares	-6.2	-3.5	-1.6	-1.6	-1.6
Gain on sale of treasury Shares	1.6	2.2	2.6	2.6	2.6
Reserves	46.1	50	52.1	56.2	59.3
FX Translation	2.7	3	3	3	3
Cumulative fair value change	-2.5	-1.5	-1.5	-1.5	-1.5
Retained Earnings	67.6	57.5	54.2	67.2	71.5

Borrowings to Dive The surplus cash from the Company's asset sales in 2007 and 2008 will be used to reduce long term borrowings. Consequently total borrowings are anticipated to reduce dramatically from KWD111.7mn at end 2007 to KWD53.5mn at end 2008. The latter comprises KWD9mn in additional funding of the Arraya Tower project and KWD43.5mn funding for the increase in the investment portfolio. The further reductions in total borrowings for the period 2009 to 2013 reflect the scheduled annual repayments. There are no short term borrowings as these are to be repaid by year end 2007.

Steady increases in retained earnings and reserves strengthen equity base for the forecast period Apart from the projected 10% share capital increase for 2008 to 2009 through bonus share issues of 10% annually, share capital will remain stable for the forecast period.

The Company projects purchases of treasury shares of KWD6.2mn in 2008, KWD3.5mn in 2009 and KWD1.6mn annually for the remaining period to 2013. Voluntary reserves will be built up over the forecast period to reach KWD36.8mn in 2013 from KWD18.8mn in 2007. Retained earnings will reach their highest level in 2008 at KWD67.6mn following the further projected disposal of assets and then to reduce for 2009 and 2010 before picking up again following the coming on stream of the Assima project from 2011 onwards.

Profit and Loss

KWDmn	2008	2009	2010	2011	2012	2013
Rental & Hotel Income	26.57	28.63	29.65	30.54	31.46	32.4
Operating Costs	6.75	6.95	7.16	7.37	7.6	7.82
Total Operating Income	**19.82**	**21.68**	**22.49**	**23.17**	**23.86**	**24.58**
Operating Expenses	6.38	6.46	6.54	6.73	6.93	7.15
Investment Income	12.99	13.14	13.09	13.04	13	13.55
Share in JV's Results	2.98	1.9	1.9	2.5	2.5	2.5
Provision Invest Portfolio	-0.36	-0.36	-0.36	-0.3	-0.3	-0.3
Income – Assima	-0.35	-0.35	-0.35	17.5	6.19	6.57
Gain – sale of FA	14.5	-	-	-	-	-
Total Non Operating Income	**29.76**	**14.33**	**14.28**	**32.74**	**21.39**	**22.32**
Depreciation	4.1	4.1	4.6	4.6	4.6	4.6
EBIT	**39.1**	**25.45**	**25.63**	**44.58**	**33.72**	**35.15**
Interest Income	0.24	0	0	0	0	0
Interest Expense	4.41	4.41	3.42	3.15	2.43	2.16
Profit Before Tax	**34.93**	**21.04**	**22.21**	**41.43**	**31.29**	**32.99**
Foreign Tax	1.16	0.57	0.57	0.75	0.75	0.75
KFAS	0.3	0.18	0.19	0.37	0.28	0.29
Taxes	0.75	0.45	0.48	0.9	0.68	0.71
Zakat	0.33	0.2	0.21	0.4	0.3	0.32
Directors Fees	0.16	0.16	0.16	0.16	0.16	0.16
Net Profit	**32.23**	**19.48**	**20.6**	**38.85**	**29.12**	**30.76**

A new picture The sales of various properties in 2006, 2007 and 2008 will have produced very high profits for those years. For 2009 and 2010, there are no projected fixed assets/investment properties disposals. This, together with the new investments policy adopted in 2007, will change the Company's revenue composition significantly. Core revenue from rentals and hotel operations will reach its lowest level in 2008 at KWD26.6mn (highest in 2007 at KWD39.5mn) in view of the much reduced fixed assets and investment properties portfolio but will pick up again in 2009 following the completion of the Arraya Tower.

Investment income is to increase by 69% in 2008 and then to remain the main contributor to non-operating income until 2011. The Assima project will start generating income from 2011 onwards contributing 53.4% in 2001 and around 29% for 2012 and 2013 to total non operating income.

Yield assumptions for the investment portfolio are a flat 12% pa throughout the forecast period while the Company anticipates growth of core revenue to slow down from 7.7% in 2009 to 3.3% from 2010 onwards.

In view of the much lower borrowings, finance costs in 2008 are projected to decline sharply by 45.5% from the 2007 figure and then decline further over the forecast period. The projected net profit for 2008 thus will remain high in view of forecast asset sales. Excluding the KWD14.5mn from gains on sale of fixed assets, net profit for the forecast period shows a steady increase for 2009 and 2010. In 2011, net profit is seen to surge to KWD38.8mn from KWD20.6mn in the previous year, following the anticipated generation of revenue from the Assima project.

Projected	Times
2008	0.39
2009	0.38
2010	0.32
2011	0.23
2012	0.18
2013	0.16

Leverage is projected to improve in view of the declining total borrowings over the forecast period.

APPENDIX 1

Local Investments

Salhia Commercial Complex This high-end commercial complex in Kuwait was one of the first in Kuwait. The complex was first developed in 1978 but has undergone extensive remodelling and upgrades in subsequent years. It includes around 16,698 square metres of store space that is leased to a diversified up-market tenant base with renowned brands and products. It also includes around 25,500 square metres of rentable office space that are leased to commercial corporations and government agencies.

Salhia Car Park Approximately 450 vehicles can part in the new facilities at any one time.

Salhia Plaza With the completion of the car park facilities, the spacious area above provided a strip for cafes and restaurants. All of them were operational as of the date of writing this report.

Sahab Tower Established and developed in 1997. The tower encompasses a total of 11,739 square metres of rentable space, around two thirds of which is dedicated to office use and is leased to major local and international firms. The remaining 1,244 square metres are designated for commercial activities and are leased to major brand anchor stores.

Arraya Commercial Centre Established in 2004. It includes a 10,904 square metres of commercial rentable space encompassing a 3 floor premium mall with a diversified store base providing luxurious, high quality brands and products and a four star hotel. It also includes a 5,950 square metres of high quality; IT based office space that is leased to international and local firms.

Arraya Mall Arraya Commercial Complex (Mall) consists of 3 floors for stores and a basement for the use of tenants. The Complex is connected to the rest of the Centre through a number of gates.

Arraya Offices Elevators link these Office floors and they have been separated from the elevators serving the floors of the hotel. The offices are all equipped with the latest information and communication technologies.

Arraya Car Park Six floors and a basement account for the total space of 8,000 square meters that can accommodate 1,400 cars.

Arraya Tower The first tower to benefit from the new rules and regulations adopted by the Municipality whereas construction is allowed at the height of 100 floors. Arraya Tower at 60 floors will be one of Kuwait's tallest buildings on a spread of 1,058 square metres. Construction is progressing as planned, 45 floors of the Tower have been constructed and the Tower is expected to be completed by end of 2008.

Kuwait Marriott Hotels Kuwait Marriott Hotels developed several projects during 2006, such as the new family program applied at the JW Marriott and the Courtyard Marriott Hotel. Meeting and activity facilities and their relevant amenities at the JW Marriott were expanded to offer more choices. The JW Marriott continues to be the hotel of preference for visitors and activities requiring a high level of luxury and personal treatment. The Courtyard Marriott continues to be a primary attraction for visiting professionals and families.

Arraya Hall maintained its position as a luxurious hall for celebrations and formal activities. The hall successfully hosted the NATO conference.

Al-Asima Project The Company is currently developing the Al Asima project with will be built on 21,414 square metres of land. This project will be one of the largest construction projects undertaken by the private sector in Kuwait A 50% shareholding in the new company was successfully place in November 2006. The remaining 50% of the Company's capital is owned by Salhia. Al Asima Real Estate Company is expected to start generating revenues in 2010. This mega project will host facilities including:

Commercial mall
Car park
Cafes, restaurants and cinemas
Four star hotel apartments, multi function halls and a health club
A 70 floor tower of office space
Internal plaza

Some of the world's leading specialised firms have been contracted to design this project. Preparatory works which including digging and installing supports were expected to be completed by end of 2007.

Foreign Investments

Care home operations in Germany The Company operates care homes business in Germany through its subsidiary, Haddia Holding Company. Its primary activities are the development, ownership and management of nursing homes and senior residence in northern Germany. Salhia also owns 89.7% of SAREC Co which specialises in leasing properties. SAREC mainly leases nursing homes to Dana Company, another subsidiary of Salhia. Dana Company is the operating company of the care homes operation of Salhia. Salhia began operating in Germany 14 years ago and currently has 900 employees in its German subsidiaries.

Joint-ventures in the UK The Company also has two operating companies in the UK which form part of its consolidated financials:

- A 50/50 joint-venture with a UK public listed real estate property developer, St Mowden Properties under the name of Key Property Investments (KPI). Between 1998 and 2005, KPI acquired 3 commercial complexes and 30 properties which are mainly industrial buildings and warehouses facilities; in addition KPI purchased 65% of Basingstoke Mall.

- Salhia also owns 50% of Drawbridge Securities in the UK. The main activity of the Company is to purchase exclusive land options. Drawbridge might sell the land options afterwards, or enter into joint-venture to redevelop the land with capital gain shared among Drawbridge and co partners.

Other markets Besides the German and UK operations, the Company is also contemplating to venture into other GCC countries. The Company has initiated studies of commercial projects in Bahrain, which will be developed on an area of 5,100 square meters at a total cost of KWD23mn. Salhia is also considering entering into commercial projects in Oman.

APPENDIX 2

Current local development properties

Arraya Office Tower Expected completion date during the last quarter of 2008. The tower is expected to be among Kuwait's tallest office buildings extending to a height of 60 floors built on a spread of land of 1,058 square metres.

UK development projects

Elephant & Castle A 30,683 thousand square metres of land in central London to be regenerated and developed directly by Salhia into a multi-facet community centre incorporating shopping malls, hotels as well as office and residential accommodations.

The cost of the whole area development project is estimated at around GBP3.3 billion (KWD1.5 billion) which once approved, construction will be phased across 10 years, starting in 2010.

Farnborough Town Centre A 33,274 thousand square metres of land to be developed into a leisure and retail scheme incorporating shopping centres, residential and leisure space. Project demolition has already started in May 2007.

Southampton Office Building A 4 storey office building. Sale already completed and recorded in the books of KPI in May 2007.

Boughton Rd/Leicester Rd/Mill Rd, Rugby Upon receiving planning consent (imminent), this industrial site will be developed into a mixed use scheme. Land uses include housing on 28 acres, employment on 10 acres, industrial on 6.4 acres, DIY retail on 5 acres, landscape on 7.66 acres and infrastructure on 5 acres and Rugby College on 7 acres. The residential site will be marketed for sale Q2/Q3 of 2007 and construction of the college to commence at that time. The scheme is scheduled to be completed in Q1 2010 at a cost of GBP22.2mn.

Subsidiaries

	Ownership (%)	Country of Incorporation	Principal Activity
Haddia Holding GMBH	89.72	Germany	Holding company
SAREC GMBH	89.72	Germany	Leasing properties
Dana GMBH	89.72	Germany	Care home operator
Dana ambulance GMBH	89.72	Germany	Care home service provider
Gredo GMBH	89.72	Germany	Care home catering service provider
Drawbridge Securities Ltd	50.00	UK	Property development
Bunyan Al-Salhia Project*	100.00	Kuwait	Project management

* This company was established in 2006. The purpose is to provide professional technical and labour support services to the Company's Al Asima Project with a long term vision to bid for third-party management mandates.

APPENDIX 3

INDUSTRY OVERVIEW

GCC real estate sector grew at unprecedented level over the past few years fuelled by high oil revenues and abundant levels of liquidity in the region. Construction projects planned or under development in GCC have crossed the USD1trillion mark. Other factors that have contributed to the trend include high government capital spending, easy availability of credit and the establishment of real estate funds investing in the region.

Key drivers of the real estate sector in Kuwait

- Continued economic growth and liquidity thanks to high old prices. Real GDP growth rate in 2006 is estimated to be in the range of 6.5% - 7.0% (2005 was 8.1% and 2004 was 6.2%).
- Rapid population growth. The latest available date for September 2006 revealed a rise in total Kuwait population to 3.117mn, registering a growth of 4.22% over end of 2005.
- Increase in employment opportunities and inflow of expatriates, which accounted for 67% of Kuwait total population in 2006, grew by 11% on a year on year basis.
- Favourable demographics with around 29% of total population in the age group of 15-30.
- Higher purchasing power with a per capita GDP of USD28,100 compared to an average per capita CDP of USD17,425 for the entire GCC region.
- Salaries increased by 8% in 2006 while inflation is estimated at 3.5% in 2006.
- Variety of home financing products such as Ibarra and increase in housing finance companies.

Industry Structure

Real estate in Kuwait is broadly divided into three main segments: Residential, Investment and Commercial.

Residential

This segment is the most important and comprised of the freehold market. In the absence of regulations allowing foreign ownership, the freehold market is only targeting Kuwaitis while expatriates dominate the rental market.

Investment

This segment represents investments in land and construction of either villas or apartment buildings for the purpose of rent. The construction usually takes the form of high rise apartment buildings. Although not substantially different from the residential segments, the main difference is the final user not being the investor and is unlikely to become the owner of the property.

Commercial

This segment represents the construction of commercial complexes and sale or rent of spaces in commercial complexes either for office use or for retail use. The main commercial areas in Kuwait are Kuwait City, Sharq, Farwaniya, Hawally and parts of Salmiya. While commercial space in Kuwait City comprises largely of offices, Salmiya, Hawally and Farwaniya mostly have retail commercial space.

Industry Performance 2006

The number of real estate transactions traded in 2006 among residential, commercial, warehousing and industrial segments amounted to 10,370 transactions for total value of KWD2.7 billion increasing by 22% on year on year basis compared to KWD2.2 billion in 2005.

The residential segment accounted for 83% of the total transactions and accounted for 60% of the total value of transactions. Followed by the investment segment which accounted for 15% of the total transactions and 28% of the total value of transactions. Finally, the commercial segment with 2% of total transactions accounted for 12% of the total value of transactions.

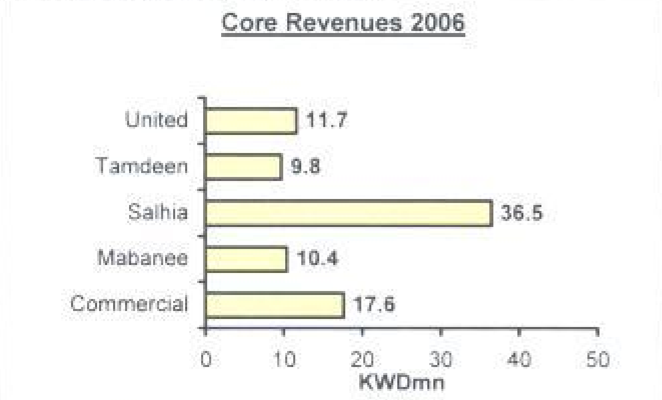
See also Appendices 4 & 5

APPENDIX 4 Peer Group Comparison

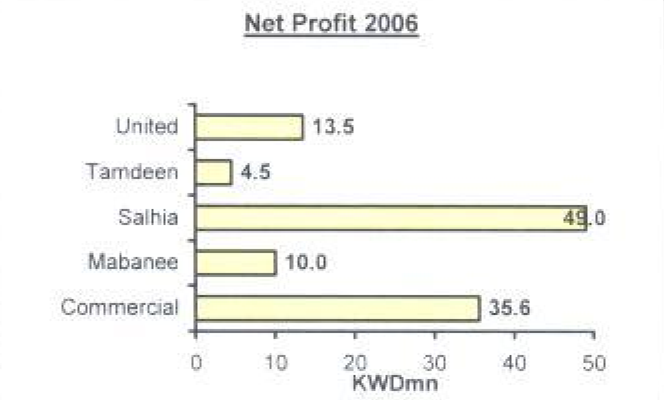
(Source: Global Research)

Peer group consists of five companies including Salhia, United Real Estate, Commercial Real Estate, Tamdeen Real Estate Company and Mabanee Real Estate Company based on the following criteria: Assets size (valued on a historical cost basis), Revenues from real estate operations and Market capitalisation.

Core Revenues and Net Profit

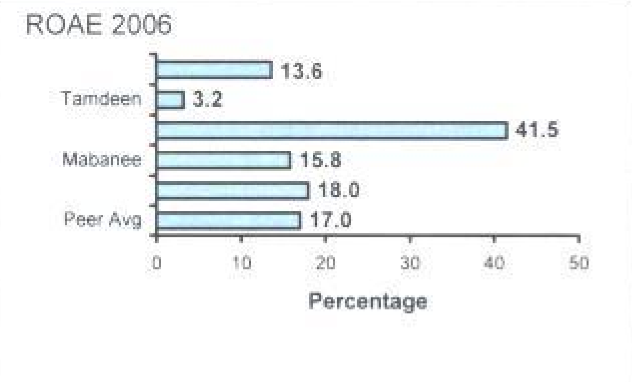


Source: Annual Reports

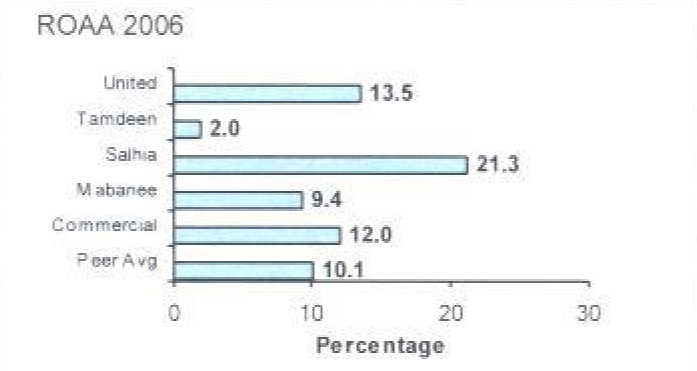


Source: Annual Reports

Return Ratios



Source: Annual Reports



Source: Annual Reports

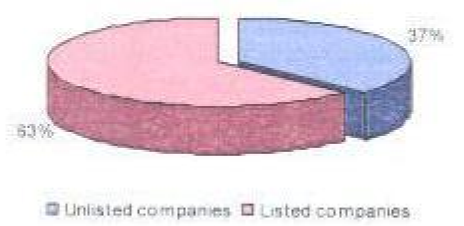
Trading Comparables

	Market Cap (KWD'000)	Price (Fils)	PSE (Fils)	BVPS (Fils)	P/E	P/BV
Commercial	412,670	285	27.2	148.2	10.5	1.9
Mabanee	304,920	840	30.7	207.6	27.3	4.0
Salhia	181,081	500	163.2	425.9	3.1	1.2
Tamdeen	142,464	420	13.4	626.3	31.3	0.7
United	106,106	178	25.6	188.8	6.9	

APPENDIX 5 – INDUSTRY

REAL ESTATE MARKET ANALYSIS

Real Estate Companies



There are currently 29 real estate companies listed on the KSE at year end 2006. However this is a very active sector and several new listings are to be expected each year. The current players in the real estate sectors are categorised based on the portfolio of services targeted by these players. Leading real estate companies have a presence in most of the sub sectors namely residential, commercial, retail and hotel sectors. Few of these companies are also involved in mixed use projects as these tend to be limited. Small listed companies are typically niche players in one or two sub sectors. Market analysis suggests that there are currently around 75 private real estate companies registered with Ministry of Commence in Kuwait.

Office Market Analysis

The Kuwaiti office market experienced substantial growth in the development of office space in the post Saddam era after 2003. Most of this growth was as a result of increased demand from companies serving the US led allied forces operating in Iraq. This increase demand was also a result of increased investment by Kuwaiti businessmen in Kuwait and a buoyant stock market.

During the last three years, there has therefore been a quantum expansion in the amount of office space provided on an annual basis. The transient demand for office space caused as a direct result of the second Iraq war may have left a temporary void but strong growth in GDP on the back of high oil prices and a buoyant stock market (2006 notwithstanding) has ensured that rental rates have maintained at the post Iraqi war levels or above. As per a report from Colliers International, office rents in Kuwait have risen by over 100 percent since the launch of Operation Iraqi Freedom.

The current supply of office space in Kuwait is served by number of towers and buildings and office space in shopping complexes. No reliable data is available on the total availability of prime space. Between 2003 and 2006, a total of 70,640 square meters of prime space was placed on the market, almost all of which was readily absorbed. The current apparent 100% percent market occupancy rate indicates that the market is currently undersupplied with respect to office space.

In 2005, Kuwait Municipality relaxed its regulations on the allowable height of buildings and now allows the construction of buildings with up to 100 floors as against the previous restriction of 40 floors. This easing of regulations has resulted in a surge in the number of high rise projects in Kuwait City, most of which are planned as office towers. As per estimates by Colliers International, by 2010, Kuwait will have an additional 500,000 square meters of office space.

	2005	2006	2007	2008	2009	2010
Real GPD growth % increase		5.70%	2.60%	2.90%	2.20%	2.50%
(m2)						
Projected demand	741,076	783,317	803,684	826,990	845,184	866,314
Projected supply	748,000	819,775	885,515	992,087	1,081,969	1,165,446

The expansion of the oil sector, the opening of banking and financial sector and the increasing requirement of existing companies have all contributed to the rise in demand for commercial and office space in Kuwait in the past few years.

Summary

The high demand for office space in Kuwait is expected to continue, at least in the short term. Once the new office inventory becomes available Kuwait City may experience an oversupply of office space. This may not however necessarily lead to a significant softening of money rental rates as many companies would treat an easier supply situation to upgrade their accommodation.

Lodging Market Analysis

Although there is significant pressure on GCC countries such as Kuwait to diversify their economies away from the reliance on oil, the growth of the non-oil sectors has been slow. However recent developments in Kuwait indicate a rise in the pace of the process, with the long awaited master plan for development of the tourism industry has been finally approved. The plan will be implemented over a period of 20 years in co-ordination with the World Tourism Organisation and United Nations Development Programme and will include major developments in the country's hotels and resorts, leisure and recreation, and scientific, ecological and technological exhibits.

There are currently about 45 hotels in Kuwait, out of which nine are classified as 5 star, eight are 4 star and the remaining are below 4 star standard. The total room supply by these hotels is 4,487 rooms, comprising 4,127 (92%) rooms and suites and approximately 360 (8%) chalets and apartments.

The boom period witnessed in 2003 and 2004 when the room rates and the occupancy rates touched a record high is now over, and the hospitality industry in Kuwait seems to be entering a stable phase with relatively lower average room rates in 2004 and 2005. Market sources based on 5 stars and 4 stars hotel properties indicates a further increase to 5,180 rooms by the end of 2008.

Hotels (Occupancy Rates) %	2004	2005	6/2006
Kempinski Hotel Julai'a	0.00	84.29	51.90
J W Marriot Hotel	61.39	51.06	57.21
Sheraton Hotel & Towers	58.80	48.84	51.02
Radisson SAS	89.95	90.09	82.40
Hilton Resort	84.73	94.72	87.34
Crowne Plaza	71.86	78.25	83.63
Safir International	60.63	65.42	61.50
Four Points Sheraton	60.61	63.08	72.97
Moevenpick	0.00	74.14	90.81
Holiday Inn	0.00	0.00	68.41
Courtyard Marriott	49.27	58.72	61.61

Summary

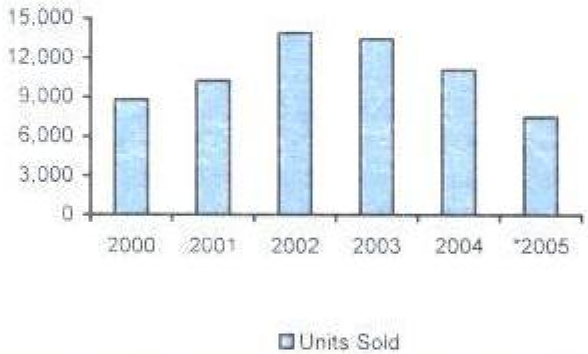
The performance witnessed in 2005 and first half of 2006 indicates that the market has peaked and is returning to normal conditions of the pre-2003 days. According to a newspaper reports, the Ministry of Commerce has already approved 86 applications for hotel licenses in Kuwait, which according to some of the applicants would translate into up to 16,000 additional rooms. All granted license applications are however not likely to result in new hotels, especially as there is no indication that demand will rise at a rate that is higher than real GDP growth rates. The lodging market in Kuwait may therefore see overcapacity resulting in lower occupancy rates and increased pressure on average room rates.

Residential Market Analysis

This analysis is divided into two segments – the housing segment mainly deals with housing requirements, such as villas and houses for Kuwaiti nationals while the investment segment represents investments in land and construction of villas or buildings for the purpose of renting out. This latter segment mainly caters to the requirements of the expatriate population.

Implementation of the Kuwait Government's objective to provide decent housing for every Kuwaiti citizen is the responsibility of the Public Authority for Housing Welfare (PAHW). PAHW has however been unable to meet the increasing requirement for housing by nationals and consequently the government of Kuwait is also exploring private finance initiatives in this sector by inviting the private sector to participate in the development of townships for nationals, usually by adopting the build-operate-transfer model. The success of this approach has yet to be tested as no projects have yet been awarded on this procurement model. This is unlikely to change in the short term as there is currently a freeze on new BOT contracts of any type due to perceived (by parliamentary deputies) abuses.

Housing Segment Property Sales (in Units)



** Annualised: 5,612 units sold for 9months ended 30/9/2005*

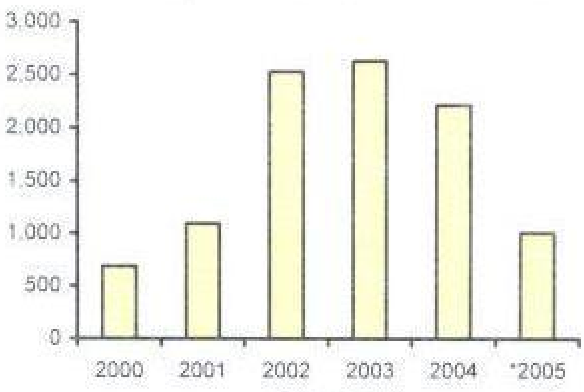
Unit sales in the housing segment peaked in 2002 and 2003 with sales of more than 13,000 units in each year and showed a declining trend thereafter. Unit sales in 2005 (annualised) showed a year-on-year decline of 32.4%. CAGR for five years during 2000 – 2005 (annualised) showed a decline of 3.2% as illustrated in the accompanying chart.

Housing property sales in value terms increased at CAGR of 22.7% over a period of five years between 2000 and 2005 (annualised). Property sales in value terms in 2005 (annualised), showed a year-on year increase of 52.9%.

Investment segment

For high rise apartment buildings, the final user is generally an expatriate and not the investor and the tenant is unlikely to become the owner of the property. Most apartment buildings are usually occupied by expatriates although some younger Kuwaiti families are now taking space in high-end residential complexes. With the increase of the expatriate population and a shift of the existing expatriate population to better neighbourhoods, the investment in high-rise buildings has increased. Following a trend similar to that for the housing segment, the unit property sales in the investment segment peaked in 2002 and 2003 with the sale of more than 2,500 units each year and then showed a declining trend thereafter. Unit property sales in 2005 (annualised) showed a year-on-year decline of 54.6%. CAGR for five years between 2000 – 2005 (annualised) however showed an overall increase of 7.9%.

Investment Segment Property Sales (in Units)



** Annualised: 5,612 units sold for 9months ended 30/9/2005*

Investment property sales in value terms over the period between 2000 and 2005 (annualised) increased at a CAGR of 67.2%. Property sales in value terms in 2005 (annualised) showed a year-on-year increase of 92.3%.

In Salmiya a maximum height of about 20 floors is currently allowed for residential buildings but authorities are considering increasing the maximum to 30 – 40 floors in Salmiya. This development will be critical as suitable land for development of buildings is scarce in Kuwait. It will do nothing however to alleviate the already difficult traffic condition within Salmiya and between Salmiya and the central business districts of Kuwait City and Sharq. Parking (already difficult) will also be a problem.

The Kuwaiti Government has until recently been encouraging private sector participation (especially in technical and investment related activities) in the provision of housing through BOT projects. A few of housing projects being sponsored by the Government/Government agencies are:

- Arifjan Project
- Khiran Project
- Sheikh Jabar City
- Low Cost Housing Project (Labour Camp), West Mina Abdullah
- Low Cost Housing Project (Labour Camp), Jahra

Summary

The age distribution and growth rate of the Kuwait population are the main drivers for the growth in demand for purchase of houses and villas. The demographic profile shows that more than 50% of the Kuwaiti-national population is below 20 years of age and will therefore enter the job market in the next few years and a majority of them will seek to purchase their first homes after marriage. This will be one of the factors driving the demand in the residential sub sector for purchase of houses and villas. At present foreigners may not own land in Kuwait.

Retail Market Analysis

Kuwait has an active retail sector which ranges from crowded market streets in the centre of the city to the increasing number of shopping centres both in up-market suburbs, in Sharq and in Kuwait City itself. Large malls have contributed to the recent rapid growth in retail franchising, particularly for clothing outlets and the very large malls currently under construction will reinforce this trend. Household goods, electrical appliances, fast food and food and drink services are other key retail areas.

Rental rates range from KWD8 to KWD45 per square metre (or more) per month; depending on such attributes as floor level and accessibility. Leading international brands are given preference as tenants and lease rental rates are negotiable for leading brands or for anchor tenants. The average vacancy rate is less than 2 percent, indicating strong demand for retail space in the shopping areas of Salmiya and Sharq/Kuwait City; up market malls like Marina Mall and Al Fanar have 100 percent occupancy and a long waiting list.

The current trend in the real estate sector is to develop distinctive mall properties. There is no standard concept for malls.

Overview of up-coming projects:

Mall of Kuwait – expected to open in 2008 is being developed by Tamdeen Shopping Centre Development and will be located in Sabahiya. The Mall will have a massive GLA of around 130,000 square meters with five anchor stores and a hypermarket.

360 degree Kuwait – expected to be open by the end of 2007 and again being developed by TSCD. The mall is located in the residential area of South Surra and has a GLA of around 59,000 square meters. The mall will have two anchor stores of 12,000 square meter each, a hypermarket of 14,000 square meter, food courts, restaurants, cafes, bowling alley, multi level parking facilities for 3,000 cares and 15-screen multiplex cinema.

The Avenue – located in Al Rai area and developed by Mabanee Company. This project is being constructed in three phases. Phase 1 is expected to be completed this year with the other two phases are expected for completion by 2008. Upon completion, the Avenue will have a gross built up area of

500,000 square meters. The Avenue-1 is a two storey shopping mall with a GLA of around 160,000 square meters and will have parking facility for 6,000 cars. The estimated construction cost of the Avenue-1 is approximately USD189mn. The Avenue-1 has 250 retail stores, a 10 screen multiplex cinema, 35 restaurants, cafes and coffee shops and a food court. Carrefour – the French hypermarket chain, Ikea and the Shaya Group are the key tenants of the Avenues-1. The demand for retail space in the Avenues-1 is eminent from the fact that Mabanee Company received more than 700 applications for retail space in the mall from prospective tenants.

	2005	2006	2007	2008	2009	2010
Population growth	2.7	2.87	2.99	3.12	3.25	3.38
% increase (m2)		4.4	4.2	4.3	4.2	4.0
Projected demand\	340,360	355,212	370,064	386,154	402,244	418,333
Projected supply	300,000	345,000	564,000	694,000	705,820	705,820

Demand analysis

Growth in population over past few years has been one of the major factors influencing demand of retail space. The correlation factor for retail demand growth and population growth, using historic data from 2003 until 2005, is calculated at 98.8%.

Summary

The increase in the purchasing power of individuals combined with higher degree of brand awareness has increased the tendency to shop among Kuwait's population. Given the lack of entertainment avenues in Kuwait, the act of shopping is itself seen as a leisure and entertainment activity and had led to the mushrooming of modern shopping malls. However with the addition of so much new retail space over the next two to three years, it is widely expected that Kuwait city will experience an over supply of retail space. This does not however mean that these new malls will not be successful. Instead the impact is likely to be felt more in secondary or strip malls and in less attractive locations.

REAL ESTATE DEVELOPMENT INDUSTRY RISK – KUWAIT

There are two main and one lesser risks that potentially affect participants in this sector. The two main risks are demand risk and pricing risk. The lesser risk is Utilities/Regulatory risk.

Demand risk The real estate sector is buoyant in Kuwait at present. The population is growing, the number of households is growing even faster and rents are rising. Demand is therefore strong. Unlike Dubai and the other UAE emirates, and to a lesser extent Bahrain however, there is limited additional demand from offshore investors, and restrictions on real estate ownership by resident non-Kuwaitis remain strict.

Pricing risk Land prices in Kuwait are high, and land availability is limited. The result tends to be that the land cost represents a relatively high proportion of the cost of a real estate development compared to other GCC countries. The availability of long term housing finance is also limited. Affordability is therefore a concern.

Utilities/regulatory risk Kuwait has bottlenecks in the provision of utilities, and in particular power. There may therefore be a risk that utilities connections for new properties may be delayed until existing demand can be satisfied. Similarly the provision of new and upgraded road systems has been slow in recent years. Lastly the bureaucracy can at time be slow and inflexible; this may impact zoning decisions and plot density approvals.

SALHIA REAL ESTATE COMPANY K.S.C.

19-Nov-2007
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SUMMARY RATIOS		External Audit	AUD 12/2006	AUD 12/2005	AUD 12/2004	AUD 12/2003
A .	**SIZE FACTORS (KWD 000)**					
1 .	Total Assets		242,453	217,063	219,570	191,982
2 .	Total Equity		135,036	102,905	101,729	79,014
3 .	Tangible Net-Worth		135,036	102,905	101,729	79,014
4 .	Working Capital		4,380	-28,271	-6,318	-10,412
5 .	Total Debt		86,801	103,388	108,572	101,020
6 .	Net Rental Income		20,324	20,110	20,343	15,302
7 .	Net Profit		48,957	17,501	10,189	9,518
B .	**LIQUIDITY AND COVERAGE (Times)**					
8 .	Current Ratio		1.16	0.26	0.64	0.45
9 .	Cash Ratio		0.83	0.07	0.24	0.19
10 .	EBIT Interest Coverage Ratio		6.82	3.58	3.15	3.16
11 .	EBITDA Interest Coverage Ratio		7.41	4.31	4.01	3.79
12 .	Funds From Operations / Total Debt		0.14	0.13	0.12	0.11
13 .	Cash Flow From Operations / Current Liabilities		0.10	0.21	0.31	-0.23
C .	**CAPITAL AND LEVERAGE**					
14 .	Total Equity Growth Rate (%)		31.22	1.16	28.75	
15 .	Total Equity / Total Assets (%)		55.70	47.41	46.33	41.16
16 .	Leverage (Times)		0.80	1.11	1.16	1.43
17 .	Leverage - Excluding Minority Interest (Times)		0.80	1.12	1.17	1.43
18 .	Total Liabilities / Tangible Net-Worth (Times)		0.80	1.11	1.16	1.43
19 .	Total Debt / Total Equity (Times)		0.64	1.00	1.07	1.28
20 .	Total Liabilities / Net Rental Income (Times)		5.29	5.68	5.79	7.38
D .	**PROFITABILITY (%)**					
21 .	Return on Average Total Assets (ROAA)		21.31	8.02	4.95	9.92
22 .	Return on Average Total Equity (ROAE)		41.15	17.10	11.27	24.09
23 .	Net Rental Income / Total Income		28.21	52.95	71.70	75.09
24 .	Rental Margin		55.68	59.54	59.54	59.22
25 .	Operating Margin		37.93	38.28	36.96	33.89
26 .	Operating Expenses / Net Rental Income		9.88	23.32	37.34	47.30
27 .	EBIT Margin		165.39	75.79	47.55	44.60
28 .	Net Profit Margin		134.12	51.81	29.82	36.84
29 .	Dividend Payout Ratio		0.00	77.27	0.00	
E .	**INVESTMENT**					
30 .	Market Capitalization (KWD 000)					
31 .	Share Price (KWD)					
32 .	Earnings Per Share (KWD)		0.163	0.058	0.034	0.036
33 .	Earnings Per Share Growth (%)		182.25	69.00	-5.91	
34 .	Price / Earnings Ratio (Times)					
35 .	Price / Book Ratio (Times)		0.00	0.00	0.00	0.00
36 .	Cash Dividend Per Share (KWD)		0.050	0.050	0.025	0.000
37 .	Stock Dividend Per Share (%)		15.00	0.00	0.00	10.00
	REFERENCE DATA					
	Exchange Rate (Units per USD)		0.2891	0.2920	0.2947	0.2949
	Inflation Rate (%)		3.08	4.10	1.14	1.20

NOTES:

SALHIA REAL ESTATE COMPANY K.S.C.

External Audit BALANCE SHEET - ASSETS (KWD 000)	2006 USD 000	AUD 12/2006	AUD 12/2005	AUD 12/2004	AUD 12/2003	Growth (%) 12/2006	12/2005	12/2004	12/2003	Breakdown (%) 12/2006	12/2005	12/2004	12/2003
CURRENT ASSETS:													
Cash & Banks	77,683	22,458	2,540	4,259	3,624	784.15	-40.36	17.53		9.26	1.17	1.94	1.89
Receivables	15,341	4,435	5,987	5,926	3,015	-25.93	1.04	96.52		1.83	2.76	2.70	1.57
Prepayments & Accruals	5,837	1,688	506	138	466	233.33	266.26	-70.34		0.70	0.23	0.06	0.24
Investments Held-For-Trading													
Real Estate Held-For-Trading													
Due From Associates - Short-Term	7,773	2,247	614	647	1,402	265.99	-5.16	-53.82		0.93	0.28	0.29	0.73
Other Current Assets	1,599	462	430	409	131	7.46	5.15	212.72		0.19	0.20	0.19	0.07
TOTAL CURRENT ASSETS	**108,234**	**31,290**	**10,078**	**11,379**	**8,638**	**210.48**	**-11.44**	**31.74**		**12.91**	**4.64**	**5.18**	**4.50**
NON-CURRENT ASSETS:													
Investments Available-For-Sale	127,357	36,819	28,099	23,066	20,860	31.03	21.82	10.57		15.19	12.95	10.51	10.87
Investments Held-To-Maturity													
Investments In Unc. Subs & Associates	64,252	18,575	15,447	17,188	13,960	20.25	-10.13	23.12		7.66	7.12	7.83	7.27
Investment Properties	179,220	51,812	64,159	67,311	44,142	-19.24	-4.68	52.49		21.37	29.56	30.66	22.99
Projects Under Construction													
Fixed Assets - Net Book Value	359,585	103,956	99,281	100,625	104,382	4.71	-1.34	-3.60		42.88	45.74	45.83	54.37
Long-Term Receivables													
Goodwill & Other Intangible Assets													
Due From Associates - Long-Term													
Other Non-Current Assets													
TOTAL NON-CURRENT ASSETS	**730,414**	**211,163**	**206,985**	**208,191**	**183,344**	**2.02**	**-0.58**	**13.55**		**87.09**	**95.36**	**94.82**	**95.50**
TOTAL ASSETS	**838,647**	**242,453**	**217,063**	**219,570**	**191,982**	**11.70**	**-1.14**	**14.37**		**100.00**	**100.00**	**100.00**	**100.00**

SALHIA REAL ESTATE COMPANY K.S.C.

External Audit BALANCE SHEET - LIABILITIES (KWD 000)	2006 USD 000	AUD 12/2006	AUD 12/2005	AUD 12/2004	AUD 12/2003	Growth (%) 12/2006	12/2005	12/2004	12/2003	Breakdown (%) 12/2006	12/2005	12/2004	12/2003
CURRENT LIABILITIES:													
Short-Term Borrowings (Due To Banks & Other FI)	23,955	6,925	19,477	9,770	8,307	-64.44	99.37	17.61		2.86	8.97	4.45	4.33
Current Portion of Long-Term Debt	36,025	10,415	9,807			6.20				4.30	4.52		
Payables	11,453	3,311	3,625	5,660	7,397	-8.66	-35.95	-23.48		1.37	1.67	2.58	3.85
Prepayments & Accruals	11,114	3,213	1,705	1,055	1,063	88.44	61.62	-0.79		1.33	0.79	0.48	0.55
Due To Associates - Short-Term					891			-100.00					0.46
Other Current Liabilities	10,538	3,047	3,735	1,213	1,392	-18.43	207.99	-12.86		1.26	1.72	0.55	0.72
TOTAL CURRENT LIABILITIES	**93,085**	**26,911**	**38,349**	**17,697**	**19,050**	**-29.83**	**116.69**	**-7.10**		**11.10**	**17.67**	**8.06**	**9.92**
NON-CURRENT LIABILITIES:													
Long-Term Borrowings	240,265	69,461	74,104	98,802	92,714	-6.27	-25.00	6.57		28.65	34.14	45.00	48.29
Bonds Outstanding													
Long-Term Payables	31,327	9,057								3.74			
Reserve for Retirement Pay & Insurance	6,880	1,989	1,705	1,342	1,205	16.66	27.07	11.34		0.82	0.79	0.61	0.63
Due To Associates - Long-Term													
Other Non-Current Liabilities													
TOTAL NON-CURRENT LIABILITIES	**278,472**	**80,506**	**75,809**	**100,144**	**93,919**	**6.20**	**-24.30**	**6.63**		**33.20**	**34.92**	**45.61**	**48.92**
TOTAL LIABILITIES	**371,557**	**107,417**	**114,158**	**117,841**	**112,968**	**-5.91**	**-3.13**	**4.31**		**44.30**	**52.59**	**53.67**	**58.84**
EQUITY:													
Equity Attributable To Shareholders of Parent Co.													
Share Capital	108,932	31,492	31,492	31,492	23,841			32.09		12.99	14.51	14.34	12.42
Share Premium	95,209	27,525	27,525	27,525	14,457			90.39		11.35	12.68	12.54	7.53
Less: Treasury Shares	-32,652	-9,440	-8,746	-2,779		7.94	214.67			-3.89	-4.03	-1.27	
Statutory Reserves	52,006	15,035	9,943	8,121	7,054	51.22	22.44	15.11		6.20	4.58	3.70	3.67
Voluntary Reserves	52,006	15,035	9,943	8,121	7,054	51.22	22.44	15.11		6.20	4.58	3.70	3.67
General Reserves	14,701	4,250	4,250	4,250	4,250					1.75	1.96	1.94	2.21
Cumulative Change in Fair Value	-9,324	-2,696	-66	978	6,520	3956.35	-106.80	-85.01		-1.11	-0.03	0.45	3.40
Gain on Sale of Treasury Shares	3,439	994	994							0.41	0.46		
Foreign Currency Translation	11,678	3,376	1,898	4,637	2,874	77.89	-59.07	61.37		1.39	0.87	2.11	1.50
Proposed Dividends													
Retained Earnings	167,893	48,538	24,733	18,451	12,715	96.25	34.05	45.11		20.02	11.39	8.40	6.62
SUB-TOTAL	**463,889**	**134,110**	**101,965**	**100,794**	**78,766**	**31.53**	**1.16**	**27.97**		**55.31**	**46.97**	**45.91**	**41.03**
Minority Interests	3,202	926	940	935	247	-1.52	0.57	278.05		0.38	0.43	0.43	0.13
TOTAL EQUITY	**467,091**	**135,036**	**102,905**	**101,729**	**79,014**	**31.22**	**1.16**	**28.75**		**55.70**	**47.41**	**46.33**	**41.16**
TOTAL LIABILITIES & EQUITY	**838,647**	**242,453**	**217,063**	**219,570**	**191,982**	**11.70**	**-1.14**	**14.37**		**100.00**	**100.00**	**100.00**	**100.00**

SALHIA REAL ESTATE COMPANY K.S.C.

External Audit PROFIT AND LOSS ACCOUNT (KWD 000)	2006 USD 000	AUD 12/2006	AUD 12/2005	AUD 12/2004	AUD 12/2003	Growth (%) 12/2006	12/2005	12/2004	12/2003	Breakdown (%) 12/2006	12/2005	12/2004	12/2003
Gross Rental Income	126,266	36,503	33,778	34,165	25,841	8.07	-1.13	32.22		15.06	15.56	15.56	13.46
Properties Operating Costs	-55,966	-16,180	-13,667	-13,822	-10,539	18.38	-1.12	31.16		-6.67	-6.30	-6.30	-5.49
NET RENTAL INCOME	**70,299**	**20,324**	**20,110**	**20,343**	**15,302**	**1.06**	**-1.14**	**32.94**		**8.38**	**9.26**	**9.26**	**7.97**
Other Operating Income													
TOTAL OPERATING INCOME	**70,299**	**20,324**	**20,110**	**20,343**	**15,302**	**1.06**	**-1.14**	**32.94**		**8.38**	**9.26**	**9.26**	**7.97**
Sales & Marketing Expense	3,414	987	2,140	2,439	1,678	-53.89	-12.25	45.35		0.41	0.99	1.11	0.87
Administrative Expenses	18,411	5,323	5,204	4,904	3,536	2.28	6.13	38.69		2.20	2.40	2.23	1.84
Provisions (Recoveries) Against (From) Receivables	692	200	123	254	622	62.46	-51.47	-59.21		0.08	0.06	0.12	0.32
Foreign Exchange Loss/(Gain)	-105	-30	-286	118	708	-89.42	-342.71	-83.35		-0.01	-0.13	0.05	0.37
Other Operating Expense													
TOTAL OPERATING EXPENSES	**22,412**	**6,479**	**7,181**	**7,714**	**6,544**	**-9.77**	**-6.91**	**17.88**		**2.67**	**3.31**	**3.51**	**3.41**
Dividend Income	2,554	738	1,032	756	758	-28.48	36.56	-0.22		0.30	0.48	0.34	0.39
Gain/(Loss) on Investments	506	146	10,435	5,167	1,820	-98.60	101.95	183.97		0.06	4.81	2.35	0.95
Gain/(Loss) on Investment Properties	169,687	49,057	4,912			898.76				20.23	2.26		
(Provisions) / Recoveries - Investments													
Share of Results in Unc. Subsidiaries & Associates	5,768	1,668	1,498	2,094	2,329	11.34	-28.48	-10.09		0.69	0.69	0.95	1.21
Profit on Sale of Unc. Subsidiaries & Associates													
Profit on Sale / (Partial Sale) of Investment in Subsidia													
Other Non-Operating Income / (Expense)	416	120	-8	11	171	-1559.68	-175.21	-93.58		0.05	0.00	0.00	0.09
TOTAL NON-OPERATING INCOME / (EXPENSE)	**178,931**	**51,729**	**17,868**	**8,028**	**5,077**	**189.50**	**122.57**	**58.12**		**21.34**	**8.23**	**3.66**	**2.64**
EBITDA	**226,818**	**65,573**	**30,797**	**20,657**	**13,835**	**112.92**	**49.09**	**49.30**		**27.05**	**14.19**	**9.41**	**7.21**
Depreciation & Amortization	17,988	5,200	5,198	4,410	2,310	0.04	17.87	90.93		2.14	2.39	2.01	1.20
EBIT	**208,830**	**60,373**	**25,599**	**16,247**	**11,526**	**135.84**	**57.57**	**40.96**		**24.90**	**11.79**	**7.40**	**6.00**
Interest Income	454	131	69	28	32	90.37	145.51	-12.97		0.05	0.03	0.01	0.02
Interest Expense	-30,600	-8,846	-7,145	-5,150	-3,647	23.82	38.73	41.20		-3.65	-3.29	-2.35	-1.90
PROFIT (LOSS) BEFORE TAX & EXTRAORDINARY I	**178,684**	**51,658**	**18,524**	**11,125**	**7,911**	**178.87**	**66.51**	**40.63**		**21.31**	**8.53**	**5.07**	**4.12**
Extraordinary Items					2,549			-100.00					1.33
Pre-Tax Profit	**178,684**	**51,658**	**18,524**	**11,125**	**10,460**	**178.87**	**66.51**	**6.35**		**21.31**	**8.53**	**5.07**	**5.45**
Taxes	-9,342	-2,701	-1,023	-935	-942	164.02	9.35	-0.64		-1.11	-0.47	-0.43	-0.49
NET PROFIT (LOSS)	**169,342**	**48,957**	**17,501**	**10,189**	**9,518**	**179.74**	**71.76**	**7.05**		**20.19**	**8.06**	**4.64**	**4.96**
APPROPRIATION:													
Attributable To Minority Interests			43	63	26	-100.00	-31.63	136.89			0.02	0.03	0.01
Dividends				7,873			-100.00		-100.00			3.59	
Transfer To Equity	**169,342**	**48,957**	**17,458**	**2,253**	**9,492**	**180.43**	**674.70**	**-76.26**	**-299.07**	**20.19**	**8.04**	**1.03**	**4.94**
Bonus Shares Issued				2,384			-100.00					1.09	
Changes In Equity Not Through P&L	**-58,152**	**-16,812**	**-16,287**	**19,775**		**3.22**	**-182.36**			**-6.93**	**-7.50**	**9.01**	

CORPORATE RATIO FORMULAE - REAL ESTATE

A . SIZE FACTORS	
1 . TOTAL ASSETS	TOTAL ASSETS
2 . TOTAL EQUITY	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT CO + MINORITY INTEREST
3 . TANGIBLE NET-WORTH	TOTAL EQUITY - GOODWILL - OTHER INTANGIBLE ASSETS
4 . WORKING CAPITAL	CURRENT ASSETS – CURRENT LIABILITIES
5 . TOTAL DEBT	ST-BORROWINGS + LT-BORROWINGS + CURRENT PORTION OF LT DEBT + BONDS
6 . NET RENTAL INCOME	GROSS RENTAL INCOME - PROPERTIES OPERATING COSTS
7 . NET PROFIT	NET PROFIT
B . LIQUIDITY AND COVERAGE (Times)	
8 . CURRENT RATIO	$\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$
9 . CASH RATIO	$\frac{\text{CASH + QUOTED INVESTMENTS}}{\text{TOTAL LIABILITIES}}$
10 . EBIT INTEREST COVERAGE RATIO	$\frac{\text{EARNINGS BEFORE INTEREST \& TAX (EBIT)}}{\text{INTEREST EXPENSE}}$
11 . EBITDA INTEREST COVERAGE RATIO	$\frac{\text{EARNINGS BEFORE INTEREST, TAX, DEPRECIATION \& AMORTIZATION (EBITDA)}}{\text{INTEREST EXPENSE}}$
12 . FUNDS FROM OPERATIONS / TOTAL DEBT	$\frac{\text{FUNDS FROM OPERATIONS (FFO)}}{\text{TOTAL DEBT}}$
13 . CASH FLOW FROM OPERATIONS / CURRENT LIABILITIES	$\frac{\text{CASH FLOW FROM OPERATIONS}}{\text{CURRENT LIABILITIES}}$
C . CAPITAL AND LEVERAGE	
14 . TOTAL EQUITY GROWTH RATE (%)	$\frac{\text{CURRENT YEAR TOTAL EQUITY - PREVIOUS YEAR TOTAL EQUITY}}{\text{PREVIOUS YEAR TOTAL EQUITY}} \times 100$
15 . TOTAL EQUITY / TOTAL ASSETS (%)	$\frac{\text{TOTAL EQUITY}}{\text{TOTAL ASSETS}} \times 100$
16 . LEVERAGE (TIMES)	$\frac{\text{TOTAL LIABILITIES}}{\text{TOTAL EQUITY}}$
17 . LEVERAGE - EXCLUDING MINORITY INTEREST (TIMES)	$\frac{\text{TOTAL LIABILITIES}}{\text{TOTAL EQUITY - MINORITY INTERESTS}}$
19 . TOTAL LIABILITIES / TANGIBLE NET-WORTH (TIMES)	$\frac{\text{TOTAL LIABILITIES}}{\text{TOTAL EQUITY - GOODWILL - OTHER INTANGIBLE ASSETS}}$
18 . TOTAL DEBT / TOTAL EQUITY (TIMES)	$\frac{\text{TOTAL DEBT}}{\text{TOTAL EQUITY}}$
20 . TOTAL LIABILITIES / NET RENTAL INCOME (TIMES)	$\frac{\text{TOTAL LIABILITIES}}{\text{NET RENTAL INCOME}}$
D . PROFITABILITY (%)	
21 . RETURN ON AVERAGE TOTAL ASSETS (ROAA)	$\frac{\text{NET PROFIT}}{\text{AVERAGE ASSETS}} \times 100$
22 . RETURN ON AVERAGE TOTAL EQUITY (ROAE)	$\frac{\text{NET PROFIT}}{\text{AVERAGE TOTAL EQUITY}} \times 100$
23 . NET RENTAL INCOME / TOTAL INCOME	$\frac{\text{NET RENTAL INCOME}}{\text{TOTAL INCOME}}$
24 . RENTAL MARGIN	$\frac{\text{NET RENTAL INCOME}}{\text{GROSS RENTAL INCOME}} \times 100$
25 . OPERATING MARGIN	$\frac{\text{TOTAL OPERATING INCOME - TOTAL OPERATING EXPENSES}}{\text{GROSS RENTAL INCOME}} \times 100$
26 . OPERATING EXPENSES / NET RENTAL INCOME	$\frac{\text{OPERATING EXPENSES}}{\text{NET RENTAL INCOME}} \times 100$
27 . EBIT MARGIN	$\frac{\text{EARNINGS BEFORE INTEREST \& TAX (EBIT)}}{\text{GROSS RENTAL INCOME}} \times 100$
28 . NET PROFIT MARGIN	$\frac{\text{NET PROFIT}}{\text{GROSS RENTAL INCOME}} \times 100$
29 . DIVIDEND PAYOUT RATIO	$\frac{\text{CASH DIVIDENDS}}{\text{NET PROFIT}} \times 100$
E . INVESTMENT	
30 . MARKET CAPITALIZATION	WEIGHTED AVG. NUM. OF SHARES OUTSTANDING X END OF PERIOD SHARE PRICE
31 . SHARE PRICE	END OF PERIOD SHARE PRICE
32 . EARNINGS PER SHARE	$\frac{\text{NET PROFIT}}{\text{WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING}}$
33 . EARNINGS PER SHARE GROWTH (%)	$\frac{\text{(CURRENT Y. EARNINGS PER SHARE - PREVIOUS Y. EARNINGS PER SHARE)}}{\text{PREVIOUS Y. EARNINGS PER SHARE}} \times 100$
34 . PRICE / EARNINGS RATIO (TIMES)	$\frac{\text{END OF PERIOD SHARE PRICE}}{\text{EARNINGS PER SHARE}}$
35 . PRICE / BOOK RATIO (TIMES)	$\frac{\text{END OF PERIOD SHARE PRICE}}{\text{(TOTAL EQUITY / WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING)}}$
36 . CASH DIVIDEND PER SHARE	CASH DIVIDEND PAID PER SHARE
37 . STOCK DIVIDEND PER SHARE (%)	STOCK DIVIDEND PAID PER SHARE AS A PERCENTAGE OF SHARE PAR VALUE

RATINGS DEFINITIONS

Foreign & Local Currency Ratings For Corporates

Foreign currency ratings refer to an entity's ability and willingness to meet its foreign currency denominated financial obligations as they come due. Foreign currency ratings take into account the likelihood of a government imposing restrictions on the conversion of local currency to foreign currency or on the transfer of foreign currency to residents and non-residents.

Local currency ratings for non-sovereign issuers are an opinion of an entity's ability and willingness to meet all of its financial obligations on a timely basis, regardless of the currency in which those obligations are denominated and absent transfer and convertibility restrictions. Both foreign currency and local currency ratings are internationally comparable assessments.

Foreign and local currency ratings take into account the economic, financial and country risks that may affect creditworthiness as well as the likelihood that an entity would receive external support in the event of financial difficulties.

Ratings assigned to corporates and financial institutions are generally not higher than the local and foreign currency ratings assigned by CI to the relevant sovereign government. However, it may be possible for an issuer with particular strengths and attributes such as inherent financial strength, geographically diversified cash flow, substantial foreign assets, and guaranteed external support, to be rated above the sovereign.

The following rating scale applies to both foreign currency and local currency ratings. Short-term ratings assess the time period up to one year.

Long-Term Issuer Ratings

Investment Grade

AAA The highest credit quality. Exceptional capacity for timely fulfilment of financial obligations and most unlikely to be affected by any foreseeable adversity. Extremely strong financial condition and very positive non-financial factors.

AA Very high credit quality. Very strong capacity for timely fulfilment of financial obligations. Unlikely to have repayment problems over the long term and unquestioned over the short and medium terms. Adverse changes in business, economic and financial conditions are unlikely to affect the institution significantly.

A High credit quality. Strong capacity for timely fulfilment of financial obligations. Possesses many favourable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions.

BBB Good credit quality. Satisfactory capacity for timely fulfilment of financial obligations. Acceptable credit characteristics but some vulnerability to adverse changes in business, economic and financial conditions. Medium grade credit characteristics and the lowest investment grade category.

Speculative Grade

BB Speculative credit quality. Capacity for timely fulfilment of financial obligations is vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors do not provide significant safeguard and the possibility of investment risk may develop.

B Significant credit risk. Capacity for timely fulfilment of financial obligations is very vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors provide weak protection; high probability for investment risk exists.

C Substantial credit risk is apparent and the likelihood of default is high. Considerable uncertainty as to the timely repayment of financial obligations. Credit is of poor standing with financial and/or non-financial factors providing little protection.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Short-Term Issuer Ratings

Investment Grade

A1 Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities. Institutions with a particularly strong credit profile have a "+" affixed to the rating.

A2 Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.

A3 Strong capacity for timely repayment that may be affected by unexpected adversities.

Speculative Grade

B Adequate capacity for timely repayment that could be seriously affected by unexpected adversities.

C Inadequate capacity for timely repayment if unexpected adversities are encountered in the short term.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Capital Intelligence appends "+" and "-" signs to foreign and local currency **long term** ratings in the categories from "AA" to "C" to indicate that the strength of a particular corporate is, respectively, slightly greater or less than that of similarly rated peers.

Outlook – expectations of improvement, no change or deterioration in a rating over the 12 months following its publication are denoted Positive, Stable or Negative.

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