

# Union Properties (UPRO.DU)

Rating	<b>UNDERPERFORM* [V]</b>
Price (22 Jan 10, Dhs)	0.64
Target Price (Dhs)	(from 0.80) 0.03 <sup>1</sup>
Market cap. (Dhs m)	2,154.79
Enterprise value (Dhs m)	8,701.6

\*Stock ratings are relative to the relevant country benchmark.  
<sup>1</sup>Target price is for 12 months.  
 [V] = Stock considered volatile (see Disclosure Appendix).

## Research Analysts

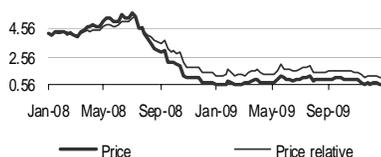
**Ahmed Badr**  
 971 4 362 0223  
 ahmed.badr@credit-suisse.com

DECREASE TARGET PRICE

## Debt burden wipes out equity value

- **Action:** We re-iterate our Underperform rating on Union Properties and significantly cut our TP to AED 0.03 per share as the existing debt burden wipes out the equity value, in our view.
- **Investment Case:** We reiterate our negative view on Union Properties as the company's debt pile of AED 6.8 bn (Net debt was 3x Market cap as of 3Q09) is weighing down on the equity value. From a valuation perspective, we argue that even if the company was able to overcome its current liquidity squeeze through collection of outstanding payments on delivery, sale of real estate assets, in addition to existing rental income, there wouldn't be equity value left after meeting all debt obligations (see Figure 1); 1) We expect UP to collect about AED 2 bn only upon delivery of remaining properties under construction which is not sufficient to meet debt obligations; 2) Although UP has attractive assets such as the Ritz Carlton Hotel in DIFC, and other operating rental properties in Dubai, we believe that it would be very difficult for UP to sell these assets at a profit in the current Dubai real estate market conditions. We value UP's investment properties portfolio (Rental properties and hotels) at AED 2.6 bn ; 3) Moreover, we expect the high provisions for receivables from UP's contracting subsidiary (which reached 28% of contracting revenue in 3Q09) to continue as the company finds it difficult to collect its outstanding payments from several Dubai clients which would in turn worsen the company's cash flow profile.
- **Catalysts:** We expect Q4 results to be negative and to include considerable losses on valuation of investment properties as well as receivables impairments from the company's contracting business.
- **Valuation:** UP is trading at P/B of 0.37x compared to a regional average of 0.95x for 2010E, a 62% discount to MENA peers, which we believe is justified given the company's liquidity position.

### Share price performance



The price relative chart measures performance against the Abu Dhabi - AD5M Index index which closed at 2636.73 on 22/01/10

On 22/01/10 the spot exchange rate was Dhs5.26/Eu 1. - Eu .7US\$1

Performance Over	1M	3M	12M
Absolute (%)	-7.2	-39.0	12.3
Relative (%)	-3.5	-27.9	-9.0

### Financial and valuation metrics

Year	12/08A	12/09E	12/10E	12/11E
Revenue (Dhs m)	3,637.0	4,625.5	5,977.0	4,711.7
EBITDA (Dhs m)	311.19	772.37	1,187.00	1,041.01
Net Income (Dhs m)	763.1	-425.6	289.5	807.9
CS adj. EPS (Dhs)	0.25	-0.13	0.09	0.24
Prev. EPS (Dhs)	—	0.71	0.67	0.18
ROIC (%)	5.25	-3.25	2.35	7.59
P/E (adj., x)	2.57	NM	7.44	2.67
P/E rel. (%)	6.4	NM	19.3	8.1
EV/EBITDA	26.7	11.3	6.2	5.0
Dividend (12/09E, Dhs)	—	IC (12/09E, Dhs m)		13,098.4
Dividend yield (%)	—	EV/IC		0.66
Net debt (12/09E, Dhs m)	6,546.8	Current WACC		9.2
Net debt/equity (%) (12/09E,	117.8	Free float (%)		51.0
BV/share (12/09E, Dhs)	1.7	Number of shares (m)		3,366.86

Source: Company data, Thomson Financial Datastream, Credit Suisse estimates.

**DISCLOSURE APPENDIX CONTAINS ANALYST CERTIFICATIONS AND THE STATUS OF NON-US ANALYSTS. U.S. Disclosure:** Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

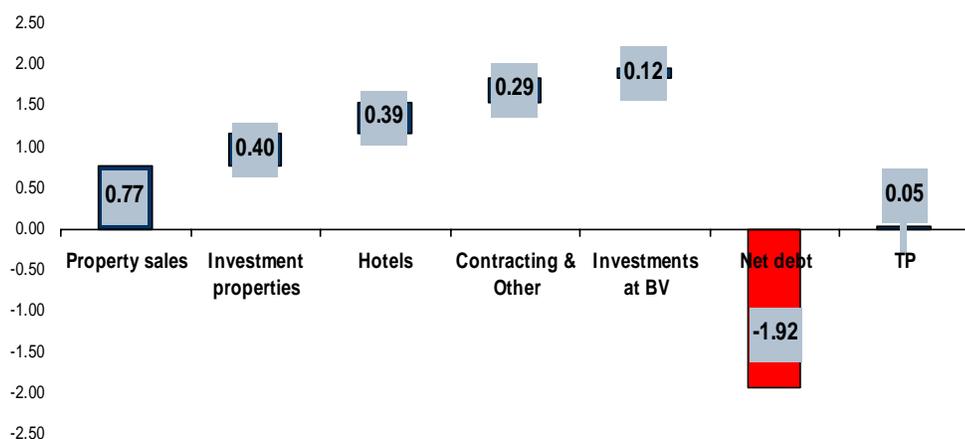
# Debt burden wipes out equity value

## How much equity value left?

We significantly reduce our TP for Union Properties to AED 0.03 per share as we believe the company's debt pile of AED 6.7 bn (Net debt/Equity is 118% in 2009E) is weighing down on the equity value. Our assumptions include that Union Properties will be able to generate enough cash flows to service its debt through collection of outstanding payments on delivery, sale of real estate assets, in addition to existing rental income. However, we argue that even if the company was able to overcome its current liquidity squeeze there wouldn't be equity value left after meeting all debt obligations (see Figure 1 and Figure 6).

**Figure 1: SOTP valuation breakdown by business segment**

*In AED per share, unless otherwise stated*



Source: Credit Suisse estimates

## Debt restructuring; short-term relief

The company successfully restructured AED 2.75 bn worth of short-term debt on 4 years in November last year which we believe gives it a breather to focus on delivery of the remaining properties under construction and collect the remaining cash on delivery. (we assume UP can collect about AED 2 bn on delivery of all projects under construction). However, on average 25% of these properties hasn't been sold (such as the office space in Index Tower and some residential units in Motor City project) and we would question the ability to generate enough cash flows from the delivery of the properties to meet all short-term obligations. In addition, unsold properties would be added to the company's investment properties portfolio upon completion, which we think represents an extra financing burden in the short-term. This means that the company has to start selling assets in order to meet all its existing contractual and debt obligations, in our view.

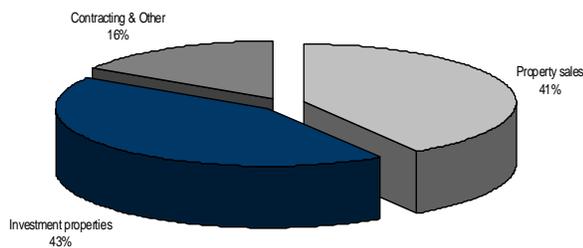
## Selling real estate assets to boost liquidity, but Dubai real estate market prospects remain weak...

Since the beginning of the liquidity squeeze in Q4 2008, UP has been trying to sell some of its property assets in order to generate liquidity. These assets are represented by Emicool (district cooling subsidiary), land and other operating rental properties in Dubai. Although some of these assets could be quiet attractive to investors (such as the Ritz Carlton Hotel in DIFC), we believe that it would be very difficult for UP to sell these assets at a profit in the current Dubai real estate market conditions.

## Investment properties portfolio is not enough to drive equity value, in our view

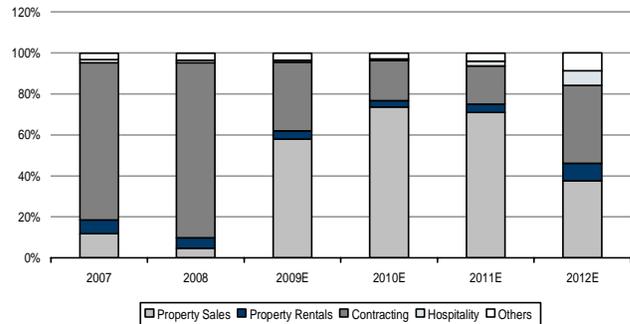
We believe that UP's investment properties portfolio is a key value driver (Including property rentals, hotels and other operations), representing 43% of our SOTP derived equity value for UP and 24% of total revenue by 2012E. Although we believe that future rental income will be the primary source of cash flows for Up, we don't believe that it provides sufficient equity value for shareholders, on our estimates. We value UP's investment properties portfolio at AED 2.6 bn compared to current net debt of AED 6.5 bn.

**Figure 2: UP: EV breakdown by business segment**  
in %



Source: Credit Suisse estimates

**Figure 3: UP: Revenue breakdown by business segment**  
in %



Source: Credit Suisse estimates

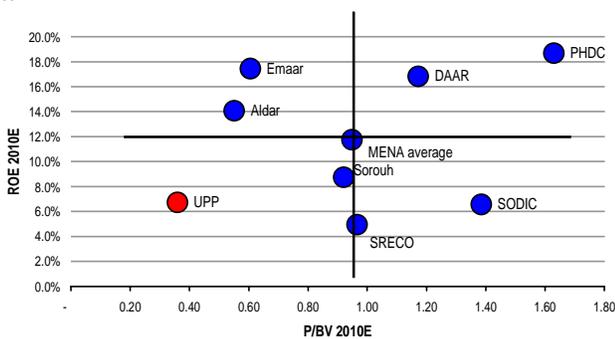
## Contracting business to put further pressure on cash flows

We are negative on UP's MEP contracting subsidiary (Thermo LLC) due to; 1) Lower than average profitability (4-year historical average GPM of 6.9% vs a sector average of 14%); 2) high provisions for contracting receivables that reached 28% of contracting revenue in 3Q09. We expect further provisions going forward as the company finds it difficult to collect its outstanding payments from several Dubai clients, which would in turn worsen the company's cash flow profile going forward.

## Valuation to remain depressed on weak prospects

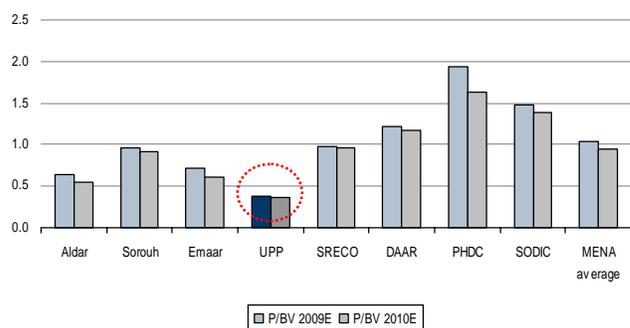
UP is trading at a significant discount to MENA peers which we believe is justified given the current liquidity risks and low cash flow generation prospects. The company is trading at P/B of 0.37x compared to a regional average of 0.95x for 2010E, a 62% discount to MENA peers.

**Figure 4: UP: 2010E ROE vs P/BV (MENA peer group)**  
in x



Source: Credit Suisse estimates

**Figure 5: UP: P/BV peer group multiples**  
in x



Source: Credit Suisse estimates

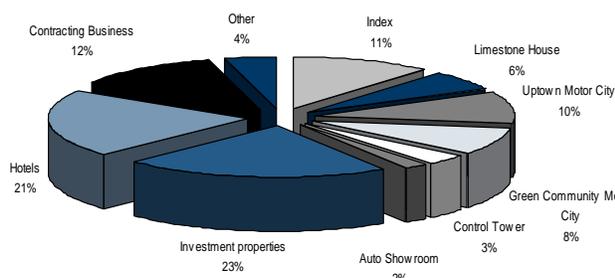
# Valuation

**Figure 6: UP: SOTP valuation summary**  
in AED millions, unless otherwise stated

Project	Valuation methodology	Valuation (AEDm)	WACC %	% of total valuation
<b>Property sales</b>				
Index	DCF analysis	700	9.2%	11%
Limestone House	DCF analysis	373	9.2%	6%
Uptown Motor City	DCF analysis	623	9.2%	10%
Green Community Motor City	DCF analysis	507	9.2%	8%
Control Tower	DCF analysis	213	9.2%	3%
Auto Showroom	DCF analysis	114	9.2%	2%
<b>Total Property sales</b>		<b>2,531</b>	<b>9.2%</b>	<b>41.1%</b>
<b>Investment properties</b>				
Hotels	DCF analysis	1,309	9.2%	
<b>Total investment properties</b>	7% Cap rate	<b>2,641</b>	<b>9.2%</b>	<b>42.9%</b>
<b>Contracting Business</b>				
Other	DCF analysis	252	9.2%	
<b>Total Contracting and Other</b>		<b>984</b>		<b>16.0%</b>
<b>Total EV</b>		<b>6,156</b>		
<b>less: net debt (3Q09)</b>		<b>(6,466)</b>		
less: minorities				
Plus: Investments at BV		403		
<b>Equity value</b>		<b>93</b>		
Number of shares		3,367		
<b>Equity value per share</b>		<b>0.03</b>		
Current share price		0.64		
Upside (downside) %		-95.7%		

Source: Company data, Credit Suisse estimates

**Figure 7: UP: EV breakdown by project**  
in millions, unless otherwise stated



Source: Credit Suisse estimates

**Figure 8: UP: WACC calculation summary**  
in millions, unless otherwise stated

	WACC
Risk free rate	4.3%
Market risk premium	7.0%
Beta	1.4
Cost of equity	13.1%
Cost of debt	8.0%
Tax Rate	0.0
Equity	24.4%
Debt	75.6%
<b>WACC</b>	<b>9.2%</b>

Source: Credit Suisse estimates

# Outlook and forecasts

## Pushing back property deliveries, declining asset prices, fair value losses and contracting provisions derive our earnings' downgrade

We significantly cut our earnings estimates (2009-2011E) on the back of; 1) Lower profitability margins from property sales resulting from the company offering 10% discount on final instalments for property delivered in 2009 in order to encourage buyers to settle payments earlier than scheduled. We believe that it is likely that the company will do the same with projects scheduled for delivery this year in order to generate liquidity to pay contractors and minimize defaults; 2) Expecting further losses on fair value from revaluation of investment properties (in addition to the losses in Q2 and Q3 of 2009) as asset prices in Dubai remain under pressure; 3) Pushing back property delivery in Index and Limestone House projects to 2010E and 2011E; and 4) Expecting further provisions for receivables from UP's contracting subsidiary, Thermo LLC. (see Figure 10)

**Figure 9: UP: Key assumptions summary**

*In AED millions, unless otherwise stated*

	2007A	2008A	2009E	2010E	2011E	2012E	2013E
<b>Revenues % of total</b>							
Property Sales	12%	5%	58%	74%	71%	38%	0%
Property Rentals	7%	5%	4%	3%	4%	9%	13%
Contracting	77%	85%	34%	19%	19%	38%	58%
Hospitality	1%	1%	1%	1%	2%	7%	15%
Others	3%	4%	3%	3%	4%	9%	14%
<b>Total revenues</b>	<b>100%</b>						
<b>Gross profit % of total</b>							
Property Sales	38%	24%	70%	81%	77%	29%	0%
Property Rentals	29%	34%	15%	10%	12%	35%	46%
Contracting	26%	58%	13%	6%	4%	12%	15%
Hospitality	5%	6%	3%	2%	5%	18%	30%
Others	2%	-22%	-1%	1%	2%	6%	9%
<b>Gross profit</b>	<b>100%</b>						
<b>Gross margin</b>							
Property Sales	59%	59%	25%	26%	27%	15%	
Property Rentals	81%	79%	79%	79%	78%	78%	78%
Contracting	6%	8%	8%	7%	6%	6%	6%
Hospitality	59%	57%	55%	50%	49%	48%	47%
Others	11%	-72%	-5%	5%	10%	14%	15%
<b>Overall GPM %</b>	<b>18%</b>	<b>12%</b>	<b>21%</b>	<b>23%</b>	<b>25%</b>	<b>19%</b>	<b>23%</b>

Source: Company data, Credit Suisse estimates

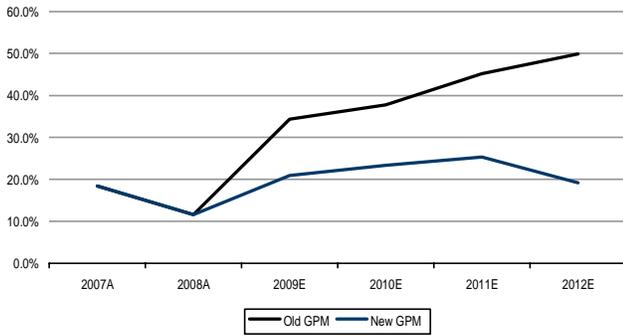
**Figure 10: UP: New vs old forecasts (2009-11E)**

*in AED millions, unless otherwise stated*

	2009E			2010E			2011E			Cumulative		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	4,625	7,380	-37%	5,977	6,166	-3%	4,712	1,500	214%	15,314	15,046	2%
EBITDA	772	2,245	-66%	1,187	2,085	-43%	1,041	620	68%	3,000	4,950	-39%
EBITDA Margin %	16.7%	30.4%	NA	19.9%	33.8%	NA	22.1%	41.3%	NA	NA	NA	NA
Net Income	(425.6)	2,175	-120%	289.5	2,047	-86%	807.9	567	43%	672	4,789	-86%

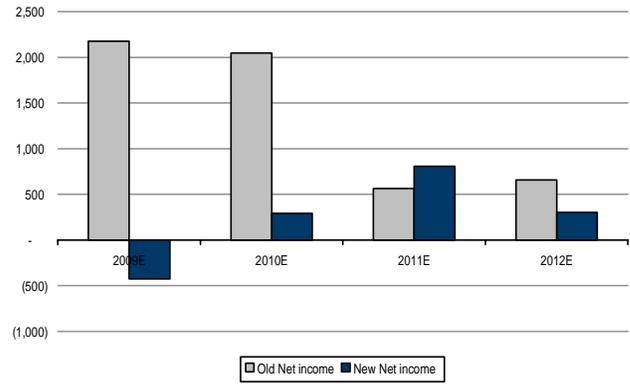
Source: Credit Suisse estimates

**Figure 11: UP: New vs old Gross Profit Margin estimates**  
In %



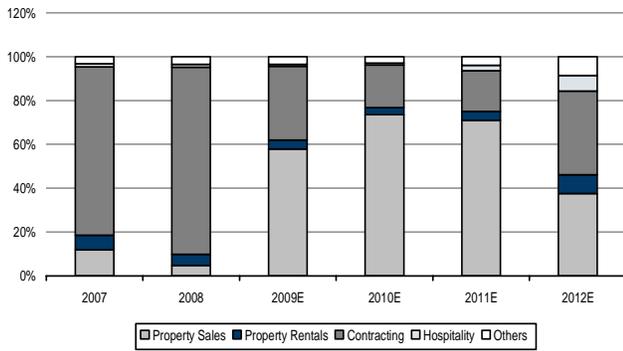
Source: Company data, Credit Suisse estimates

**Figure 12: UP: New vs old net income estimates**  
in millions, unless otherwise stated



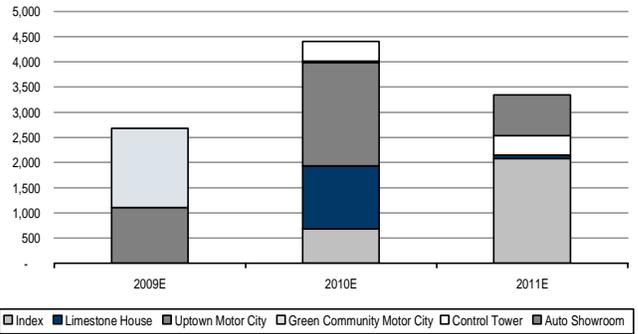
Source: Credit Suisse estimates

**Figure 13: UP: Revenue breakdown by business segment**  
in %



Source: Company data, Credit Suisse estimates

**Figure 14: UP: Revenue from property sales breakdown by project**  
in AED millions, unless otherwise stated



Source: Credit Suisse estimates

# Financial statements summary

**Figure 15: UP: Income statement summary**
*In AED millions, unless otherwise stated*

	2006A	2007A	2008A	2009E	2010E	2011E	2012E
Revenues	2,525.0	2,921.9	3,637.0	4,625.5	5,977.0	4,711.7	2,292.3
Revenue Growth %		15.7%	24.5%	27.2%	29.2%	-21.2%	-51.3%
EBITDA	385.7	442.9	311.2	772.4	1,187.0	1,041.0	387.5
EBITDA Margin %	15.3%	15.2%	8.6%	16.7%	19.9%	22.1%	16.9%
D & A	33.6	38.1	53.9	36.3	27.0	34.8	38.2
EBIT	352.1	404.8	257.3	736.1	1,160.0	1,006.2	349.3
Interest income (Expense)	(21.6)	(74.1)	(106.5)	(206.5)	(190.5)	(134.3)	(79.4)
Other non-operating income (expense)	283.5	353.7	612.3	(955.2)	(680.0)	(64.0)	32.1
Pre-Tax Profit	614.0	684.4	763.1	(425.6)	289.5	807.9	302.0
Taxes	-	-	-	-	-	-	-
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minority Interest	-	-	-	-	-	-	-
Net Income	614.0	684.4	763.1	(425.6)	289.5	807.9	302.0
NPM	24.3%	23.4%	21.0%	-9.2%	4.8%	17.1%	13.2%
Net income Growth %		11.5%	11.5%	-155.8%	-168.0%	179.1%	-62.6%
EPS (AED)	0.22	0.22	0.25	(0.13)	0.09	0.24	0.09

*Source: Company data, Credit Suisse estimates*
**Figure 16: UP: Cash flow statement summary**
*in AED millions, unless otherwise stated*

	2006A	2007A	2008A	2009E	2010E	2011E	2012E
Net Income	614.0	684.4	763.1	(425.6)	289.5	807.9	302.0
D & A	33.6	38.1	53.9	36.3	27.0	34.8	38.2
Change in Working Capital	(1,399.8)	(405.7)	2,144.6	543.1	(559.1)	(534.0)	18.8
Net Change in other Assets & Liabilities	(260.1)	(279.1)	(492.0)	944.3	786.8	223.4	57.7
Adjustment for income tax							
Adjustment for minority interest							
<b>Cash Provided (Used) By Opr. Actv.</b>	<b>(1,012.3)</b>	<b>37.7</b>	<b>2,469.6</b>	<b>1,098.1</b>	<b>544.2</b>	<b>532.1</b>	<b>416.7</b>
CAPEX	(325.8)	(157.8)	(66.2)	(35.1)	(185.3)	(193.2)	(94.0)
Other	(396.2)	(1,964.9)	(7,125.1)	19.4	968.4	2,199.9	1,653.3
<b>Cash Provided (Used) By Inv. Actv.</b>	<b>(721.9)</b>	<b>(2,122.8)</b>	<b>(7,191.4)</b>	<b>(15.7)</b>	<b>783.1</b>	<b>2,006.7</b>	<b>1,559.3</b>
Change in interest bearing debt	217.3	1,524.4	2,174.7	132.8	(1,500.0)	(1,500.0)	(1,500.0)
Treasury Stock	(5.0)	-	-	-	-	-	-
Other	44.8	322.5	1,617.3	(1,469.5)	42.7	(450.6)	(684.3)
<b>Cash Provided (Used) By Fin. Actv.</b>	<b>257.0</b>	<b>1,846.9</b>	<b>3,792.0</b>	<b>(1,336.6)</b>	<b>(1,457.3)</b>	<b>(1,950.6)</b>	<b>(2,184.3)</b>
<b>Net Cash Flow</b>	<b>(1,477.2)</b>	<b>(238.2)</b>	<b>(929.8)</b>	<b>(254.2)</b>	<b>(130.0)</b>	<b>588.2</b>	<b>(208.2)</b>

*Source: Company data, Credit Suisse estimates*

**Figure 17: UP: Balance sheet**  
in AED millions, unless otherwise stated

	2006A	2007A	2008A	2009E	2010E	2011E	2012E
<b>Current Assets</b>							
Bank balances and cash	51.3	88.3	250.8	247.3	117.3	705.5	497.3
Trade and other receivables (Net)	1,779.0	2,936.4	2,773.1	788.2	2,158.4	2,617.6	1,910.2
Due from related parties	20.5	7.1	7.9	11.7	27.7	21.9	10.6
Inventories	55.4	101.2	118.3	97.0	381.5	293.1	154.3
Other current assets	561.2	230.4	191.6	497.0	268.1	206.2	108.1
<b>Total Current Assets</b>	<b>2,467.3</b>	<b>3,363.4</b>	<b>3,341.7</b>	<b>1,641.1</b>	<b>2,953.0</b>	<b>3,844.3</b>	<b>2,680.5</b>
<b>Non-current assets</b>							
Property, plant & Equip. (Net)	366.9	375.9	151.3	135.2	173.9	190.9	178.0
Investment properties	2,629.0	2,814.0	3,278.7	3,116.1	2,588.5	2,599.8	2,668.6
Development properties	1,774.7	3,992.9	11,831.6	9,764.4	8,788.0	6,591.0	4,943.2
Goodwill & other intangibles	40.8	40.8	40.8	40.8	40.8	40.8	40.8
Other long-term assets	271.5	511.3	576.3	657.9	955.9	888.2	704.9
<b>Total Non-current Assets</b>	<b>5,082.9</b>	<b>7,734.9</b>	<b>15,878.6</b>	<b>13,714.4</b>	<b>12,547.1</b>	<b>10,310.7</b>	<b>8,535.5</b>
<b>Total Assets</b>	<b>7,550.2</b>	<b>11,098.3</b>	<b>19,220.3</b>	<b>15,355.5</b>	<b>15,500.0</b>	<b>14,155.0</b>	<b>11,216.0</b>
<b>Liabilities and Shareholders' Equity</b>							
<b>Current Liabilities</b>							
Trade & other payables	1,271.6	1,304.8	3,665.2	1,310.2	2,034.7	1,856.2	977.1
Advances & deposits	199.6	365.0	380.5	273.0	572.2	439.6	231.4
Due to related parties	3.0	5.6	5.5	10.9	6.4	8.8	4.6
Short-term debt	776.4	1,184.9	4,332.2	4,148.0	3,148.0	2,148.0	1,648.0
<b>Total current liabilities</b>	<b>2,250.6</b>	<b>2,860.3</b>	<b>8,383.5</b>	<b>5,742.1</b>	<b>5,761.3</b>	<b>4,452.6</b>	<b>2,861.1</b>
<b>Non-current Liabilities</b>							
Long-term debt	606.6	2,193.7	2,078.3	2,646.1	2,146.1	1,646.1	646.1
Other long-term liabilities	140.0	819.5	2,778.1	1,410.8	1,749.7	1,408.7	762.5
Minority interest							
<b>Total non-current liabilities</b>	<b>746.6</b>	<b>3,013.2</b>	<b>4,856.5</b>	<b>4,056.9</b>	<b>3,895.8</b>	<b>3,054.8</b>	<b>1,408.6</b>
<b>Total liabilities</b>	<b>2,997.2</b>	<b>5,873.5</b>	<b>13,240.0</b>	<b>9,799.0</b>	<b>9,657.1</b>	<b>7,507.4</b>	<b>4,269.7</b>
<b>Shareholders' Equity</b>	<b>4,553.1</b>	<b>5,224.8</b>	<b>5,980.3</b>	<b>5,556.5</b>	<b>5,842.9</b>	<b>6,647.7</b>	<b>6,946.3</b>
<b>Total liabilities &amp; Shareholders' Equity</b>	<b>7,550.2</b>	<b>11,098.3</b>	<b>19,220.3</b>	<b>15,355.5</b>	<b>15,500.0</b>	<b>14,155.0</b>	<b>11,216.0</b>

Source: Company data, Credit Suisse estimates

**Companies Mentioned** (Price as of 22 Jan 10)

Aldar Properties (ALDR.AD, Dhs4.38, OUTPERFORM [V], TP Dhs8.47)  
 Dar Al Arkan Real Estate Development Company (4300.SE, SRIs14.05, NEUTRAL, TP SRIs18.21)  
 Emaar Properties (EMAR.DU, Dhs3.29, OUTPERFORM [V], TP Dhs5.25)  
 Palm Hills Development Company (PHDC.CA, £E8.83, NEUTRAL, TP £E9.14)  
 Saudi Real Estate Company (4020.SE, SRIs25.00, OUTPERFORM, TP SRIs34.11)  
 Six of October Development and Investment Company (OCDI.CA, £E89.68, OUTPERFORM [V], TP £E114.00)  
 Sorouh Real Estate (SOR.AD, Dhs2.40, OUTPERFORM [V], TP Dhs3.60)  
 Union Properties (UPRO.DU, Dhs.64, UNDERPERFORM [V], TP Dhs.03)

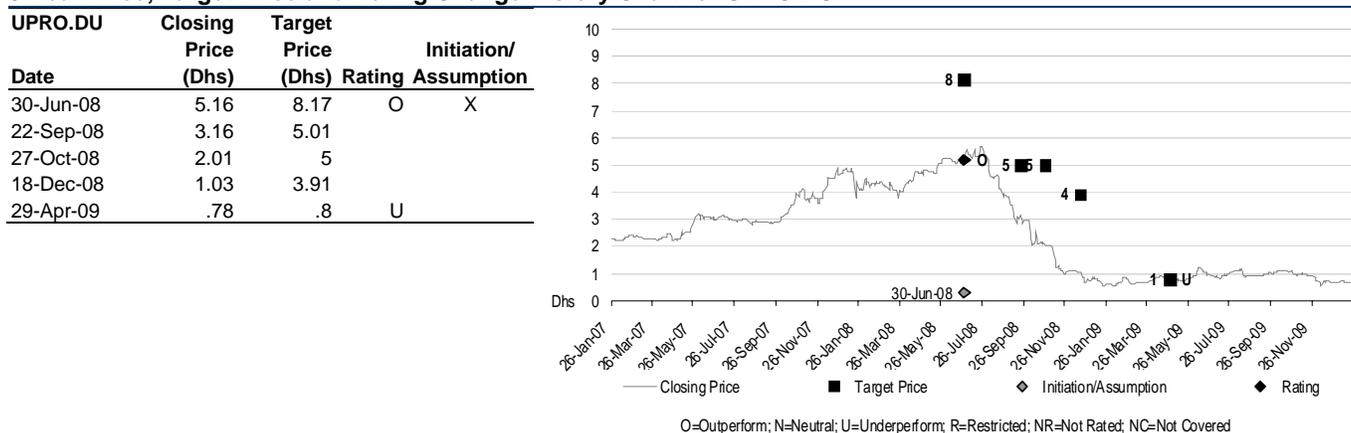
## Disclosure Appendix

### Important Global Disclosures

The analysts identified in this report each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

See the Companies Mentioned section for full company names.

### 3-Year Price, Target Price and Rating Change History Chart for UPRO.DU



The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities.

### Analysts' stock ratings are defined as follows:

**Outperform (O):** The stock's total return is expected to outperform the relevant benchmark\* by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

**Neutral (N):** The stock's total return is expected to be in line with the relevant benchmark\* (range of ±10-15%) over the next 12 months.

**Underperform (U):** The stock's total return is expected to underperform the relevant benchmark\* by 10-15% or more over the next 12 months.

\*Relevant benchmark by region: As of 29<sup>th</sup> May 2009, Australia, New Zealand, U.S. and Canadian ratings are based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe\*\*, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry factors. For Latin American, Japanese, and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; for European stocks, ratings are based on a stock's total return relative to the analyst's coverage universe\*\*. For Australian and New Zealand stocks a 22% and a 12% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively, subject to analysts' perceived risk. The 22% and 12% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively, subject to analysts' perceived risk.

\*\*An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.

**Restricted (R):** In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

**Volatility Indicator [V]:** A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

**Analysts' coverage universe weightings are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe\* versus the relevant broad market benchmark\*\*:**

**Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

**Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

*\*An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

*\*\*The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

---

**Credit Suisse's distribution of stock ratings (and banking clients) is:**

	Global Ratings Distribution	
<b>Outperform/Buy*</b>	42%	(58% banking clients)
<b>Neutral/Hold*</b>	42%	(59% banking clients)
<b>Underperform/Sell*</b>	15%	(51% banking clients)
<b>Restricted</b>	2%	

*\*For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: [http://www.csfb.com/research-and-analytics/disclaimer/managing\\_conflicts\\_disclaimer.html](http://www.csfb.com/research-and-analytics/disclaimer/managing_conflicts_disclaimer.html)

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

*See the Companies Mentioned section for full company names.*

**Price Target:** (12 months) for (UPRO.DU)

**Method:** Our TP of AED 0.3 per share is based on a SOTP approach whereby we value each business segment. We used a WACC of 9.2%, which is derived from a cost of equity of 11.3% and a cost of debt of 8%. The cost of equity is based on a risk free rate of 4.25%, an emerging markets risk premium of 7%, and a beta of 1.4.

**Risks:** Downside risks: Geopolitical risk, oversupply risk in the real estate market in Dubai, and geographical risk as a result of only operating in the UAE. We also see upside risks to our TP of AED 0.3 per share for Union Properties represented by; a faster than expected recovery in the real estate market in Dubai, company receives a cash injection from the government, and/or selling real estate assets at a higher than expected premium which could have a material impact on our TP.

Please refer to the firm's disclosure website at [www.credit-suisse.com/researchdisclosures](http://www.credit-suisse.com/researchdisclosures) for the definitions of abbreviations typically used in the target price method and risk sections.

*See the Companies Mentioned section for full company names.*

The subject company (UPRO.DU) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (UPRO.DU) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (UPRO.DU) within the past 12 months.

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (UPRO.DU) within the next 3 months.

As of the end of the preceding month, Credit Suisse beneficially owned 1% or more of a class of common equity securities of (UPRO.DU). This holding is calculated according to U.S. regulatory requirements which are based on Section 13(d) of the Securities and Exchange Act of 1934.

---

**Important Regional Disclosures**

Singapore recipients should contact a Singapore financial adviser for any matters arising from this research report.

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company (UPRO.DU) within the past 12 months.

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit [http://www.csfb.com/legal\\_terms/canada\\_research\\_policy.shtml](http://www.csfb.com/legal_terms/canada_research_policy.shtml).

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at anytime after that.

To the extent this is a report authored in whole or in part by a non-U.S. analyst and is made available in the U.S., the following are important disclosures regarding any non-U.S. analyst contributors:

The non-U.S. research analysts listed below (if any) are not registered/qualified as research analysts with FINRA. The non-U.S. research analysts listed below may not be associated persons of CSSU and therefore may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

- Ahmed Badr, non-U.S. analyst, is a research analyst employed by Credit Suisse Securities (Europe) Limited.

---

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at [www.credit-suisse.com/researchdisclosures](http://www.credit-suisse.com/researchdisclosures) or call +1 (877) 291-2683.

Disclaimers continue on next page.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse AG, the Swiss bank, or its subsidiaries or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates.

The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients as its customers by virtue of their receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you. CS does not offer advice on the tax consequences of investment and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change.

CS believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. Information and opinions presented in the other sections of the report were obtained or derived from sources CS believes are reliable, but CS makes no representations as to their accuracy or completeness. Additional information is available upon request. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, a trading call regarding this security. Trading calls are short term trading opportunities based on market events and catalysts, while stock ratings reflect investment recommendations based on expected total return over a 12-month period as defined in the disclosure section. Because trading calls and stock ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the stock rating. In addition, CS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. CS is involved in many businesses that relate to companies mentioned in this report. These businesses include specialized trading, risk arbitrage, market making, and other proprietary trading.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgement at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk.

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase.

Some investments discussed in this report have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment, in such circumstances you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed.

This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk.

This report is issued and distributed in Europe (except Switzerland) by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is regulated in the United Kingdom by The Financial Services Authority ("FSA"). This report is being distributed in Germany by Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht ("BaFin"). This report is being distributed in the United States by Credit Suisse Securities (USA) LLC ; in Switzerland by Credit Suisse AG; in Canada by Credit Suisse Securities (Canada), Inc.; in Brazil by Banco de Investimentos Credit Suisse (Brasil) S.A.; in Japan by Credit Suisse Securities (Japan) Limited, Financial Instrument Firm, Director-General of Kanto Local Finance Bureau (Kinsho) No. 66, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Securities Investment Advisers Association; elsewhere in Asia/Pacific by whichever of the following is the appropriately authorised entity in the relevant jurisdiction: Credit Suisse (Hong Kong) Limited, Credit Suisse Equities (Australia) Limited, Credit Suisse Securities (Thailand) Limited, Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse AG, Singapore Branch, Credit Suisse Securities (India) Private Limited, Credit Suisse Securities (Europe) Limited, Seoul Branch, Credit Suisse AG, Taipei Securities Branch, PT Credit Suisse Securities Indonesia, and elsewhere in the world by the relevant authorised affiliate of the above. Research on Taiwanese securities produced by Credit Suisse AG, Taipei Securities Branch has been prepared by a registered Senior Business Person. Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn. Bhd., to whom they should direct any queries on +603 2723 2020.

In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. U.S. customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the U.S.

Please note that this report was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA or in respect of which the protections of the FSA for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report.

Any Nielsen Media Research material contained in this report represents Nielsen Media Research's estimates and does not represent facts. NMR has neither reviewed nor approved this report and/or any of the statements made herein.

If this report is being distributed by a financial institution other than Credit Suisse AG, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by Credit Suisse to the clients of the distributing financial institution, and neither Credit Suisse AG, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content.

Copyright 2010 CREDIT SUISSE AG and/or its affiliates. All rights reserved.

**CREDIT SUISSE SECURITIES (Europe) Limited**  
Europe: +44 (20) 7888-8888