

Financial Review

The financial information contained in this review is based on the consolidated financial statements.

HIGHLIGHTS

- Improved quality of earnings in 2015 as greater proportion of revenue was generated from recurring revenue assets as compared to 2014 where the primary driver of revenues was development handovers. As a result of this change in revenue, mix gross profit margins more than doubled from 23% in 2014 to 48% in 2015.
- Full-year gross profit from recurring revenues rose by 45% to AED 1.5 billion in 2015, underpinned by the stabilisation of key assets including Yas Mall, as well as an overall improvement in the operational performance across all asset classes.
- Increase in gross profit predominately reflects the contribution of Yas Mall which opened in Q4 2014.
- Gross debt fell 35% year-on-year to AED 6.0 billion and is now in line with debt policy.
- Successful development sales across Al Merief, Shams Meera and Mayan in 2015; total of 1,886 units across six development projects including Al Hadeel, Ansam and Al Nareel projects.
- Proposed cash dividend for 2015 is 10 fils per share, a 11% increase over 2014.

FINANCIAL ANALYSIS

ASSET MANAGEMENT

Revenues from our asset management portfolio, which includes investment properties, hotels, operative villages and leisure was up by 30% in 2015 to AED 2.4 billion.

Full-year gross profit from asset management revenues rose 54% to AED 1.4 billion in 2015, underpinned by the stabilisation of key assets including Yas Mall, as well as an overall improvement in the operational performance across all asset classes.

This growth is set to continue into 2016 with a fully stabilised Yas Mall and as assets are added pursuant to our announced AED 3.0 billion investment plan that has already been activated following the Daman House acquisition and AED 410 million and renovation extension of Al Jimi Mall in Al Ain.

Following the fair valuation of its investment properties, the Company recorded AED 487.0 million of net fair value gains for the year which resulted mainly from yield compression offset by some write downs on land.

Other operational achievements for the year 2015 were as follows:

Retail

- Yas Mall is reaching full occupancy with key anchors Apple Store and Tryano opening in Q4 2015. Since its opening the Mall has attracted over 20 million visitors, 18 million of whom visited in 2015.

Residential

- Residential portfolio is 98% leased with continued demand for quality residential in Abu Dhabi.

Office

- Office occupancy is 95% as at year end supported by the fully let Daman House acquisition in December 2015.

Hotels

- Hotel portfolio occupancy was in line with 2014 and continues to outperform the wider Abu Dhabi market in occupancy by 5%.

PROPERTY DEVELOPMENT & MANAGEMENT

Aldar's property development pipeline has been boosted by the successful launches of Al Merief in Khalifa City, Shams Meera on Al Reem Island and Mayan on Yas this year. These new launches are steadily supported by progress on projects such as Ansam on Yas Island, Al Hadeel at Al Raha Beach and Nareel Island, which were launched in 2014.

Property Development and Management, which includes Property Development and Sales and Development Management revenues for the year, amounted to AED 1,270 million during 2015, contributing AED 669.7 million to the gross profit.

Property Development and Sales revenue was lower in 2015 compared to the prior year predominantly due to large number of unit handovers in 2014 recorded under the previous IAS 18 revenue recognition method whereby 100% of revenues were recorded upon handover to customers. Growth in segmental property development profits year-on-year are derived from newly-launched off-plan residential projects where revenue and profit is recorded over time under IFRS 15, in addition to growth in income from our Development Management business that came from contracts with the Government of Abu Dhabi.

Other operational achievements for the year 2015 were as follows:**Project development**

- AED 2.0 billion development sales across over 715 off-plan unit sales.
- 73% sold across all units launched in the off-plan sales market as at 31 December 2015.

Development announcements

- AED 900 million in sales at West Yas during 2015, construction contract awarded.

ADJACENT BUSINESS

Our adjacent businesses also continue to perform well. Aldar Academies saw a 7% jump in student numbers for the 2015/16 academic year. Khidmah, our property and facilities management business also saw strong revenue growth on new contract signings. Our Pivot contracting division saw increased profit on successful closing of historical contracts.

Operational achievements for the year 2015 were as follows:

- Aldar Academies student enrolment up by 7% to 5,053 from 4,736 in previous academic year.
- Development of seventh Aldar Academies school, Al Mamoura, currently under construction, adding 1,800 of student capacity to the portfolio.

CORPORATE

Selling, general and administrative expenses (excluding depreciation, impairments and amortisation) were lower compared to the corresponding period mainly because of the preopening expenses attributable to Yas Mall in 2014. This is offset by an increase in marketing expenses incurred in 2015 on newly-launched projects.

Other Income represents mainly income recognised upon handover of infrastructure assets to the Government of Abu Dhabi and the release of liability/infrastructure cost accruals that have amounted to AED 457.7 million for the year.

CASH FLOWS

Total cash for the Group increases by AED 1.6 billion during the year.

The Group had net cash inflows of AED 6.0 billion from operating activities for the year ended 31 December 2015. This was mainly due to the collection of receivables from assets sold to the Government of Abu Dhabi amounting to AED 3.7 billion and collections from customers on our recent off-plan sales in addition to the cash collected from operating assets.

AED 3.5 billion of this cash was utilised in repayment of borrowings and the related finance costs. The Group redistributed AED 694 million of cash to its shareholders in the form dividends for the year 2015.

DEBT MANAGEMENT

During 2015, the Group continued to strengthen its balance sheet through the collection of receivables and further deleveraging. Gross debt stood at AED 6.0 billion as at 31 December 2015, down from AED 9.1 billion as at the end of 2014 and is operating in line with the debt policy whereby gross debt should be 35-40% of the value of our investment properties and operating businesses.

During the fourth quarter of 2015 Aldar successfully increased its committed bank credit facilities to AED 2.0 billion, from AED 1.8 billion, and extended the maturity of these facilities by just under 4 years to March 2021. The extended bank credit facilities, which are currently fully undrawn, were agreed at commercial terms in line with the previous facilities.

Greg Fewer

Chief Financial Officer
14 February 2016