

Rating Action: Moody's assigns A1 rating to DP World

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First Time Rating

Dubai, June 07, 2007 -- Moody's Investors Service has assigned long term local and foreign currency issuer ratings of A1 to DP World ("DP World"), one of the largest global marine terminal operators. The outlook is stable. This is the first time that Moody's has assigned ratings to DP World.

"DP World's ratings reflect the combination of a strong, diversified and global business profile and high government support", says Dubai/DIFC based Philipp Lotter, Senior Credit Officer at Moody's and lead analyst for DP World. "At the same time, the expectation of rising financial leverage in pursuit of large investment programmes to grow capacity constrain ratings at present", Lotter adds.

DP World's A1 ratings reflect the group's intrinsic credit strength and the additional enhancement that can be derived from the financial strength of the Emirate of Dubai, which 100% owns the group through Dubai World. Accordingly, Moody's views DP World as a government-related issuer (GRI) and determines its rating in line with its methodology for such issuers.

In particular, ratings are supported by the company's well-diversified, global operations and strong market position and its operational track record both domestically and abroad. DP World operates the state-of-the-art Jebel Ali Port and Port Rashid in Dubai as part of its current portfolio of 42 terminals in 22 countries worldwide, acquired in recent years through CSX World Terminals and Peninsular & Oriental Steam Navigation Company (P&O).

Ratings further benefit from an experienced management team and the group's good customer relationships, as well as its well-balanced portfolio of mainly origin & destination (O&D) traffic rather than more cyclical transshipment traffic. Despite its global presence, Moody's essentially views the operational and financial performance of its domestic operations as the backbone of the group's fundamental creditworthiness, given the high margins and throughput that are achieved there.

Ratings are constrained by the expectation of rising leverage and a more aggressive financial profile as the company executes its expansion programme and re-aligns its capital structure. Given strong growth in containerised traffic and global capacity constraints, DP World is expected to invest up to USD 3.5 billion over the medium term in both expansion projects and new developments. While the shipping industry is inherently cyclical and closely associated with global GDP growth, Moody's takes comfort from DP World's flexibility to defer certain investments, should currently strong demand patterns change.

DP World's fundamental credit profile is further complemented by Moody's view of high government support that would be extended to the company, if needed. This view is supported by the strategic importance of DP World to Dubai and the wider region, given its operatorship of the Jebel Ali Port -- the largest in the Middle East -- and the vital role DP World plays in facilitating Dubai's maritime transportation and trade sectors.

Moody's regards the dependence between DP World and Dubai as high. While DP World remains fairly exposed to Dubai in financial terms, given the significant revenues it generates through its domestic ports and therefore the high correlation between these revenue streams and Dubai's economy, the material returns it generates from countries outside Dubai nonetheless reduces its dependence on Dubai to some degree.

DP World's ratings have a stable outlook. Moody's expects the company to flexibly execute its capacity expansion programme and selectively expand in core growth regions, by winning new concessions or potentially through smaller bolt-on asset acquisitions. Moody's also expects DP World to manage its financial profile in accordance with certain parameters, whilst continuing to benefit from a highly supportive government.

DP World, headquartered in the Dubai International Financial Centre (DIFC) / United Arab Emirates (UAE), ranks amongst the world's four largest container terminal operators by capacity and throughput, which in 2006, was 48.6 million twenty-foot equivalent units (TEU) and 36.8 million TEU, respectively (excluding POPNA, Shekou and Colombo which were divested in early 2007). The company is one of the most geographically diversified companies, operating a current total of 42 terminals in 22 countries.

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