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INVESTORS SERVICE

Rating Action: Moody's downgrades Dubai GRI ratings

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DIFC, November 26, 2009 -- Moody's Investors Service has downgraded the ratings of all six government-related issuers (GRI's) in Dubai and left them on review for possible downgrade.

Ratings affected by today's action are the following:

- DP World issuer and debt ratings were downgraded to Baa2 from A3;

- Dubai Electricity & Water Authority (DEWA) issuer and debt ratings were downgraded to Baa2 from A3;

- DIFC Investments (DIFCI) issuer and debt ratings were downgraded to Ba1 from A3;

- Jebel Ali Free Zone (JAFZ) issuer and debt ratings were downgraded to Ba1 from Baa1;

- Dubai Holding Commercial Operations Group (DHCOG) issuer and debt ratings were downgraded to Ba2 from Baa1;

- Emaar Properties issuer ratings were downgraded to Ba2 from Baa1.

The rating action reflects today's announcement by the Dubai government of a restructuring of Dubai World, including a requested standstill on all financings to Dubai World and its subsidiary Nakheel. Moody's has to this point incorporated a substantial level of government support in the Dubai GRI ratings. However, following today's announcement we have reduced the government support that has been factored into its Dubai GRI ratings, moving them within one to three rating categories of their fundamental credit profiles.

Moody's has always highlighted that the way the government will deal with Nakheel's upcoming liabilities will represent a litmus test for Dubai. Although Nakheel is not rated by Moody's, it sets a major precedent for a high-profile, seemingly strategic company facing debt repayment difficulties and thus relying on the government for support. A restructuring of its obligations would indicate that the government is prepared to allow a GRI to default on its obligations -- a precedent that needs to be interpreted accordingly for those companies that are rated by Moody's.

Neither Dubai World nor Nakheel are rated by Moody's, however, two of Dubai World's subsidiaries, DP World and JAFZ, are rated. Moody's understands that debt obligations of DP World and JAFZ are not part of the restructuring announcement, though this remains to be confirmed. Also, no cross default provisions exist between Dubai World and DP World or JAFZ. However, the restructuring of its parent company creates uncertainty for both entities' ratings.

Moody's ongoing review of all of the Dubai GRIs will focus on the implication that the restructuring of Dubai World has on the expected level of government support for all of the rated entities in Dubai. We will also consider which entities within the Dubai World group are affected by the restructuring, the degree to which this poses additional risk to the credit profiles of rated subsidiaries of Dubai World, as well as the terms and conditions of the standstill request and the degree to which it gives creditors an option for timely repayment.

The government's decision to restructure highlights the government's intention to strictly adhere to its stated policy of supporting only those companies with viable long-term business prospects, which implies that support for distressed or weaker companies may be less forthcoming. Therefore, confirmation of such policy could result in further reductions in support assumptions that would align ratings entirely with the companies' fundamental credit profile.

The last rating action on Dubai's corporate GRI's was on November 4, 2009, when Moody's downgraded ratings of DP World, DIFC Investments, DEWA, JAFZ, and Dubai Holding Commercial Operations Group.

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

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