MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades DP World to Baa3; outlook stable

Global Credit Research - 11 Apr 2011

USD 3.25 billion of rated debt affected

DIFC - Dubai, April 11, 2011 -- Moody's Investors Service has today upgraded to Baa3 from Ba1 the long-term foreign and domestic currency ratings of DP World Limited ("DP World" or "the company") and the rating on the USD 1.5 billion sukuk issued by DP World Sukuk Limited and due 2017. All ratings have a stable outlook.

RATINGS RATIONALE

"Today's one-notch upgrade of DP World into investment grade reflects Moody's view that the company has achieved credit metrics that are commensurate with a higher rating category and are likely to be maintained over the medium term," says Franck Nowak, Associate Analyst at Moody's in Dubai. Specifically, Moody's notes (1) the company's rapid recovery in terms of operating performance over 2010 and continuing into 2011; (2) the sound industry fundamentals for the port operators; and (3) material, credit-positive actions taken by DP World to adhere to self-assigned financial targets. These factors incorporate the prospect of this performance being maintained in the medium term. More specifically, gross throughput for the group rose by 14% in 2010 compared to the previous year while DP World reported strong EBITDA margins -- above 46% for 2010 as adjusted by Moody's -- which have helped cash generation. Moreover, the disposal of the company's Australian assets, with USD 1.5 billon of proceeds earmarked for debt reduction, is also credit-positive and reflects DP World's commitment to reducing and maintaining its leverage (expressed as net debt to EBITDA as reported by the company) to below 4.0x.

Moody's says that the current Baa3 ratings are sustained by the company's diversified global operations, the expected growth in international container traffic as well as solid profitability and a strong liquidity profile. The Baa3 ratings also rest on the expected improvements in DP World's financial profile through the adherence to its leverage target, as well as the built-in flexible approach to future growth spending so as to ensure anticipated improvements in the capital structure. The ratings remain constrained by the inherent volatility of the industry and risks that are linked to its strong correlation to global trade volumes. Event risk is also a constraint, although Moody's expects DP World to refrain from large-scale acquisitions.

The stable outlook is based on Moody's expectation that DP World will maintain its position as a global leading port operator, maintain operating margins at historical levels with an unchanged share of captive origin and destination revenues, and prudently manage and use its currently strong liquidity position. In addition, Moody's expects DP World to remain within the boundaries of its leverage target by avoiding large acquisitions, and gradually improving cash generation by limiting expansion and related cash outflows to those earmarked to the capital expenditures plan (USD2.5 billion to the end of 2012) as well as to moderate shareholder returns. This would, in Moody's opinion, translate into FFO interest cover that is constantly above 3.0x and retained cash flow to net debt in the low teens (%) in the medium term. Lastly, Moody's continues to assume the absence of negative interference from DP World's parent or the government of Dubai as the ultimate majority owner.

Moody's does not expect any upward pressure on the company's rating or outlook over the near term. Nevertheless, the rating could be upgraded or outlook changed to positive if DP World's financial profile strengthens materially and if the company establishes a track record of higher-than-expected cash generation that would result in FFO interest cover above 3.5x and retained cash flow to net debt in the mid teens (%).

Although Moody's also does not anticipate this in the near term, negative pressure on DP World's rating or outlook could result from weaker liquidity management, a departure from the expected positive or close-to-breakeven free cash flow generation, or from persistently higher leverage, with FFO interest cover below 3.0x and retained cash flow trending to below 10%. Furthermore, the rating or outlook could be negatively affected if DP World changes its current financial policy guidelines or embarks on higher-risk development projects or greater M&A activity than is currently envisaged.

PREVIOUS RATING ACTION & METHODOLOGY

Moody's previous rating action on DP World was implemented on 2 November 2010, when the rating agency changed the outlook on the company's Ba1 rating to positive from stable and affirmed the rating.

The principal methodology used in this rating was Government-Related Issuers: Methodology Update published in July 2010.

DP World, incorporated in the Dubai International Financial Centre (DIFC) in the United Arab Emirates (UAE), ranks amongst the world's four largest container terminal operators by capacity and throughput.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of maintaining a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

DIFC - Dubai
Martin Kohlhase
Asst Vice President - Analyst
Corporate Finance Group
Moody's Middle East Limited
Telephone: 00971 4237 9536

London
David G. Staples
MD - Corporate Finance
Corporate Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Moody's Middle East Limited
Gate Precinct 3, Level 3
P.O. Box 506845
DIFC - Dubai
UAE
Telephone: 00971 4237 9536

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