



Shafafiyah

KIPCO Group Investors Forum

Event Organizer:



KAMCO 9 4 0 L K



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شركة العقارات المتحدة ش.م.ب.ك.
UNITED REAL ESTATE Co. S.A.K

Investor Presentation



Investors presentation

June 2005

Safe Harbour Statement

URC presentations sometimes contain forward-looking statements pertaining to management's current expectations as to URC's future business plans, results of operations, financial condition and trends. Management's expectations for the corporation's future necessarily involve a number of assumptions and estimates, and various factors could cause actual results to differ materially from these expectations.

AGENDA

- **URC Overview: Fuel for Growth**

- Strategy review: Stay Focused

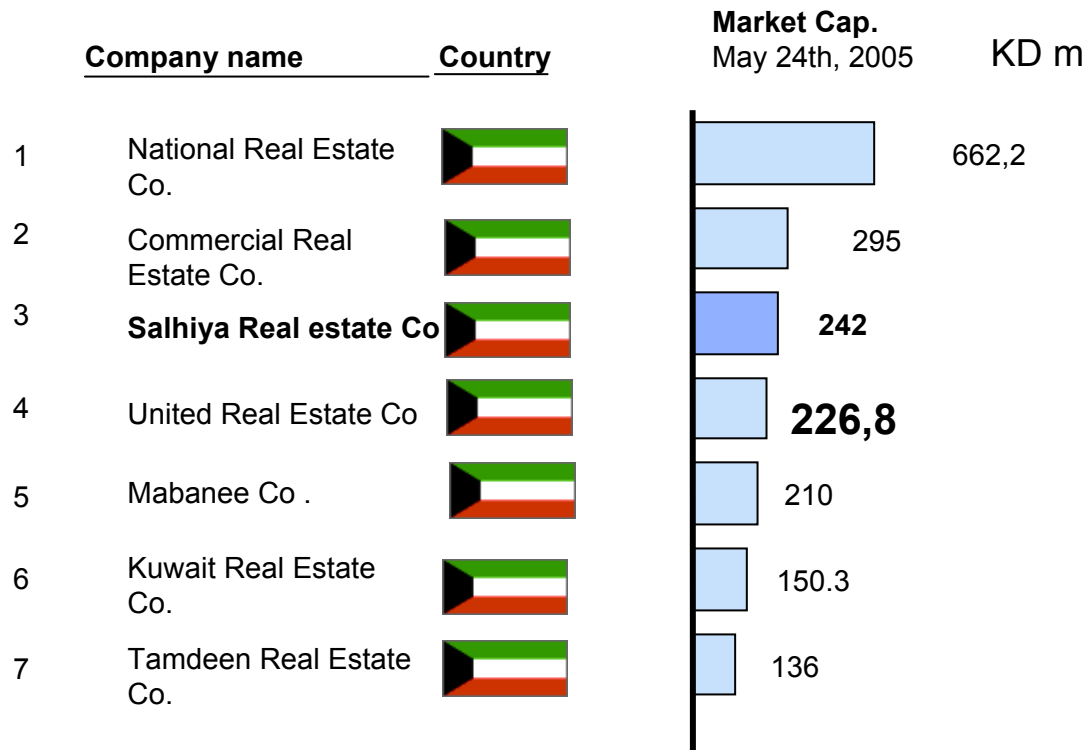
- Review of 2004: Stability & Financial Strength

- Outlook for 2005

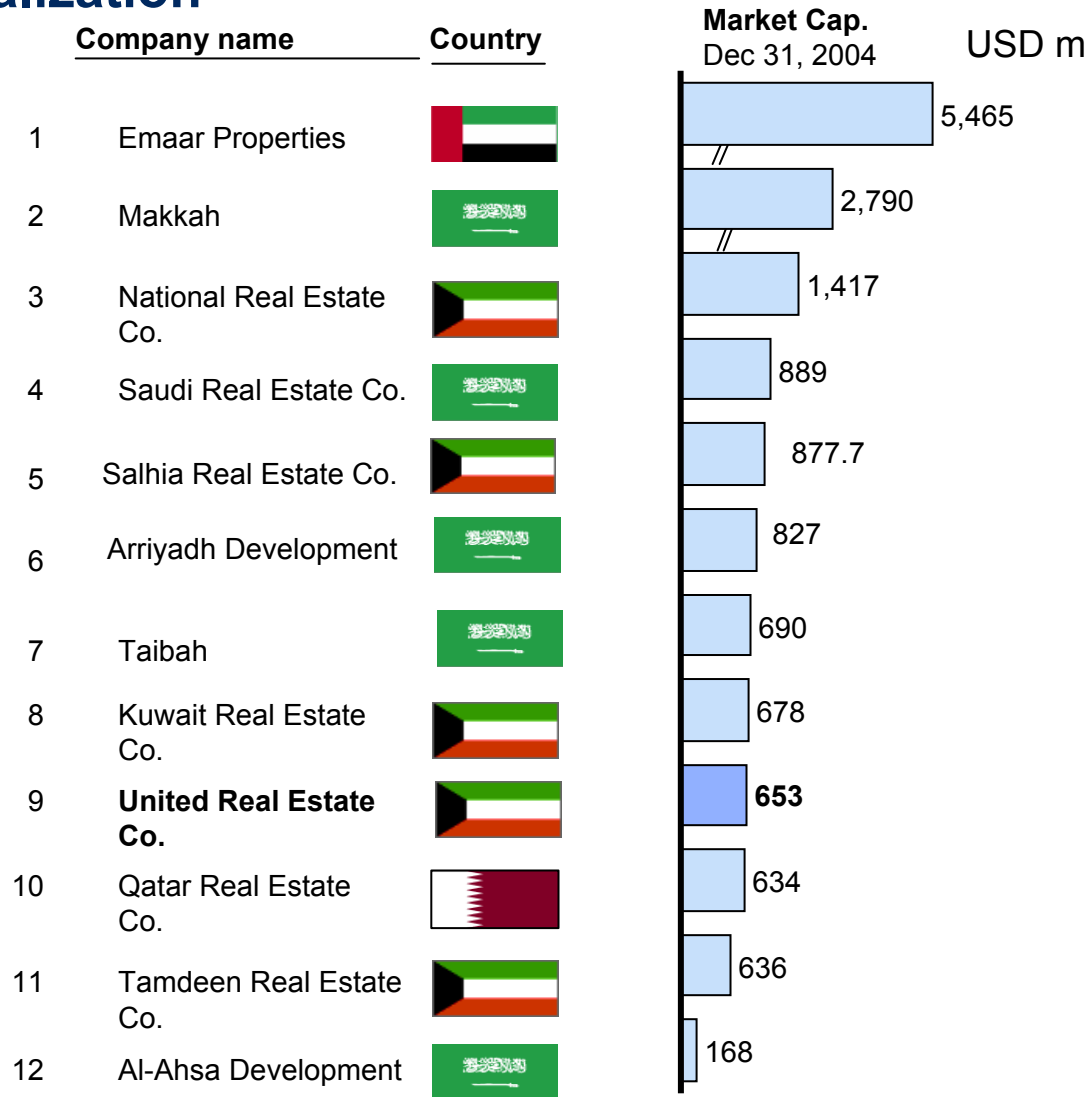
URC – Over 30 Years of Existence

In 1973, URC was established with the twin objectives of creating a market leading position in the Kuwaiti real estate market and a respected presence in the Middle East and internationally.

Today, URC is the 4th largest player in Kuwait by market capitalization and the 2ND largest in terms of assets



URC also ranks among the top 10 in the GCC by market capitalization



Equity plus debt

Source: Gulf Business; Annual reports; Bloomberg; McKinsey analysis

URC - Development Advantage

- prime land in strategic locations to be exploited :
 - Kuwait's top retail and office centers
 - Beirut's and Egypt's top hospitality centers
- Capitalize on establishing LT partners relationship to strengthen foothold in target markets

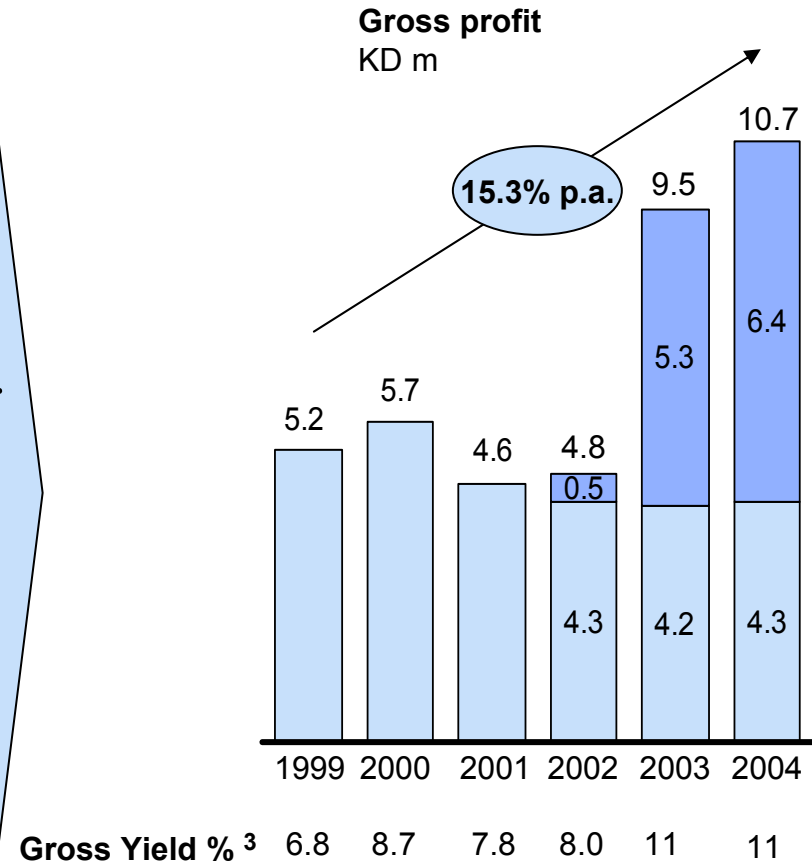
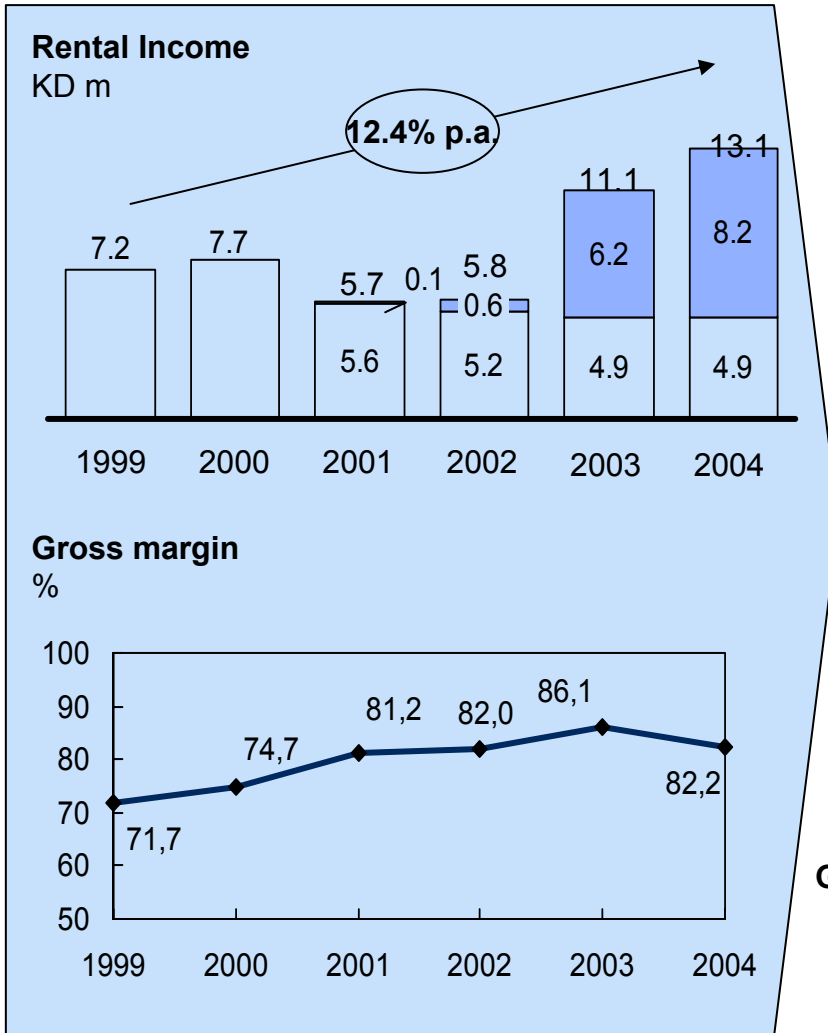
KBC - Sharq



Lebanon



Financial Strength : Increasing Profitability and Stable Cash Flows from Successful, Fully Let Developments



3 Ratio of Gross profit on Investment properties

 Properties added since 1999

Our Distinctive Capabilities

Understanding the market

- Understanding market cycles, trends and customer needs
- Translating market insight into an adequate concept

Deal making

- Leveraging our existing network
- Structuring successful BOT-projects

Project management

- Delivering on time
- Implementing stringent cost control

Leasing strategy

- Designing superior tenant mix strategy
- Executing leasing strategy with appropriate contracts

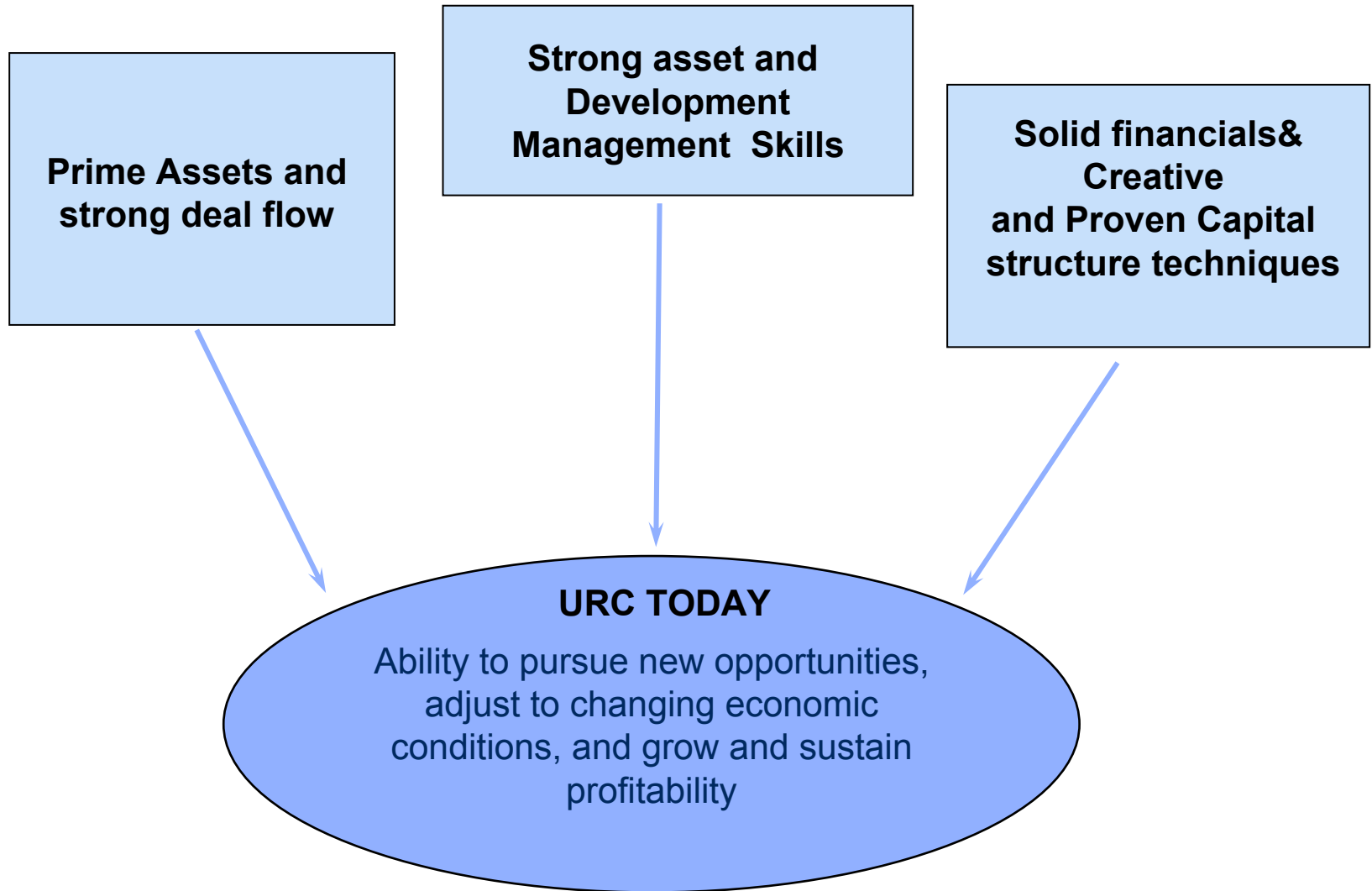
Property management

- Maintaining good tenant relationships
- Selecting and monitoring efficient facility managers

Marketing

- Building high awareness
- Ensuring “the right” traffic

Fuel For Growth



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- **Strategy review: Stay Focused**

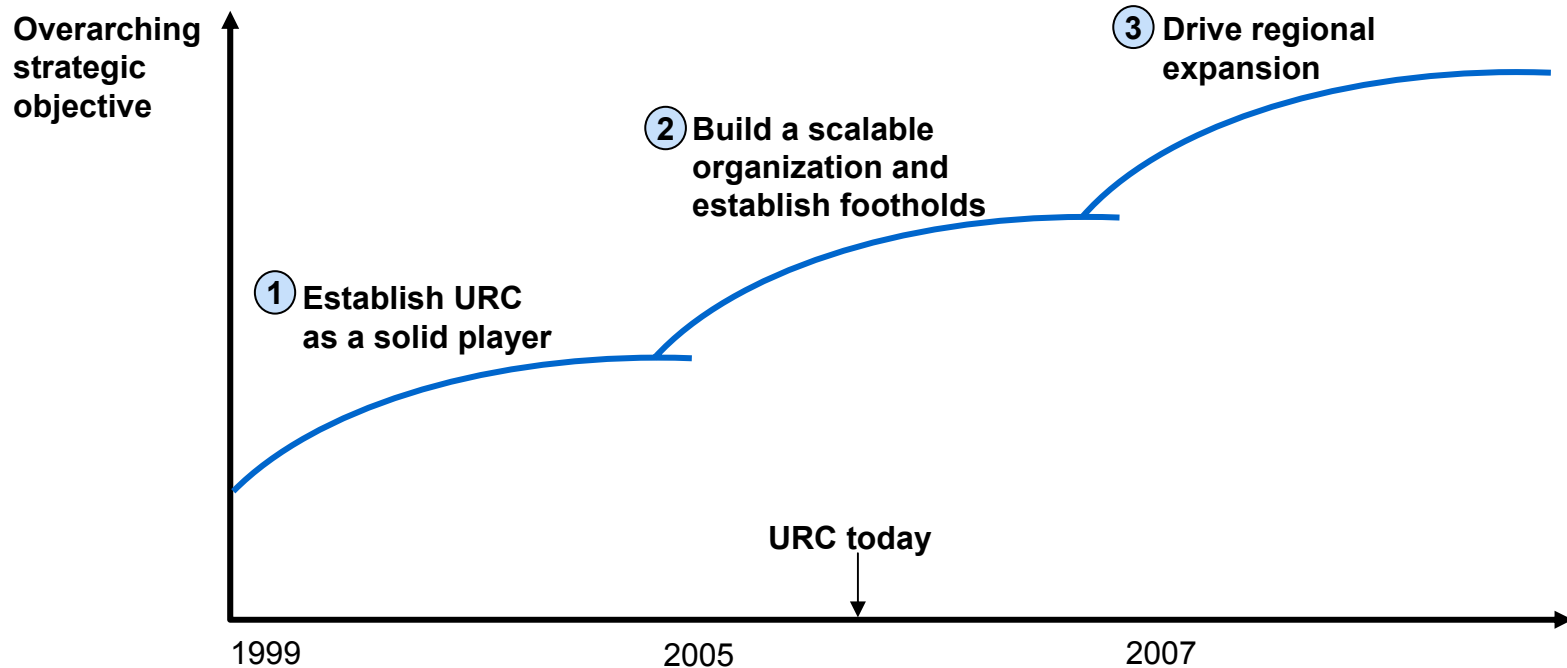
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Our vision

By 2010, we want to be the leading real estate company in Kuwait and a main player in the region on the basis of market capitalization. With focus on distinctive retail, office, and hospitality assets; with an unmatched asset and development management skills.

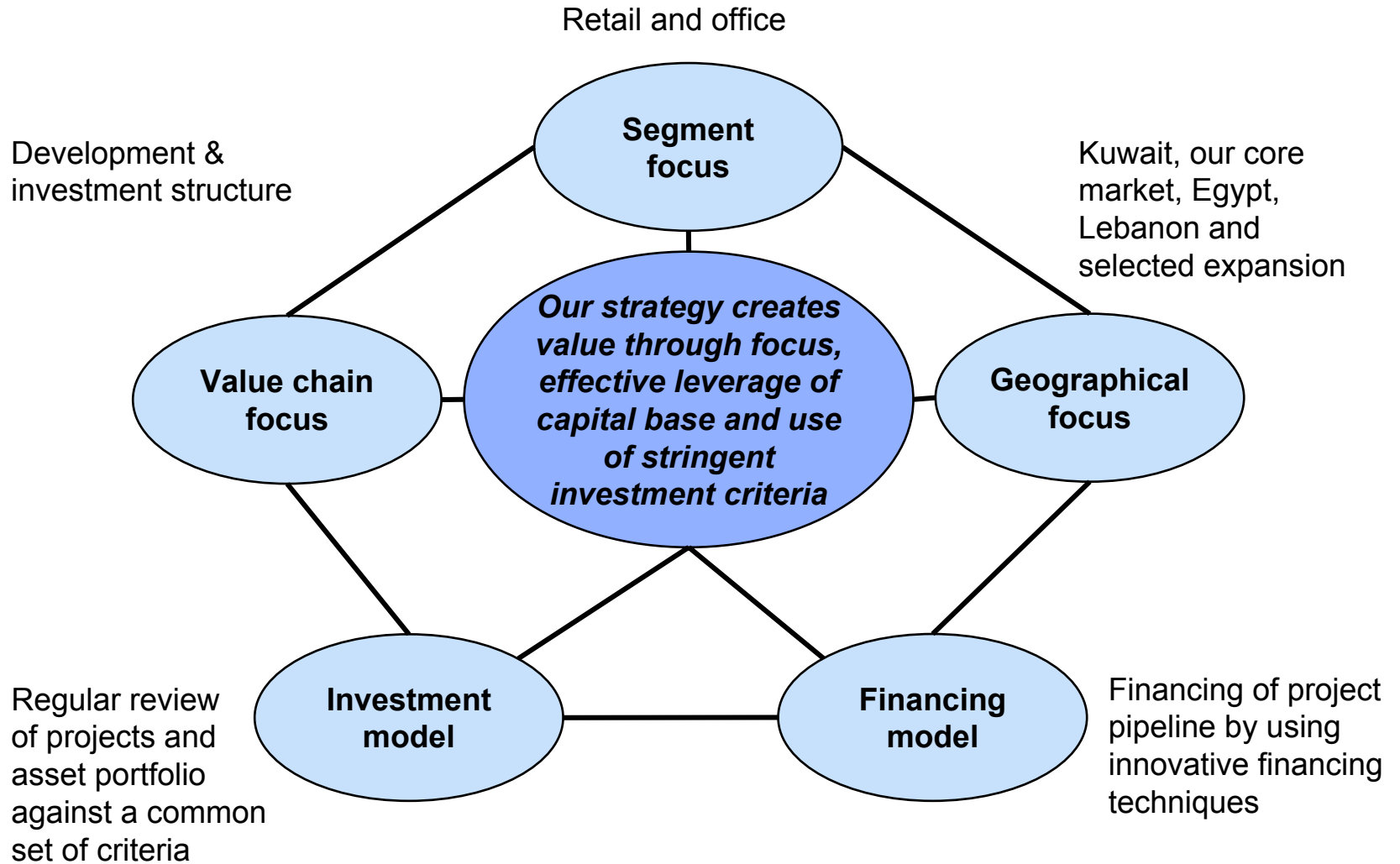
The path to our vision can be mapped along 3 horizons



Key items on strategic agenda

- Restructure portfolio
- Turn around profitability
- Build project development, retail and office skills
- Develop landmark assets (e.g., Marina Mall)
- Build a dynamic management team
- Complement development and asset management/ownership capabilities
- Strengthen segment capabilities
- Execute a strong project development pipeline
- Institute a state-of-the-art investment process
- Apply innovative financial techniques
- Establish footholds and/or seek partners in attractive countries
- Roll out established business systems and processes across regional footholds
- Accelerate regional expansion strategy in selected geographies

Our strategy is based on 5 cornerstones



A Focused, Capital Efficient Business Strategy

- Focus on High-End Retail / Office segments
- Focus on BOT developments: opportunities requiring minimal capital commitments

Kuwait



Strong Asset & Development management Skills

- Enhance shareholder value through proven development skills to build below market value
- Strong and stable cash flows from lower risk/higher return commercial rental portfolio

Kuwait



A disciplined asset management process to ensure value creation at property level

Portfolio strategy

- Assess market trends by asset class (e.g., cyclicality, long-term demand)
- Assess diversification potential and benefits

Define asset allocation strategy

Asset strategy

1. Does this property fit our overall portfolio strategy?
2. Does the capitalisation rate of this property surpass our hurdle rate?
3. Can we achieve a higher return by selling now?

Buy/sell/hold decision at asset level

Strong and Promising Pipeline

Weighted IRR of development pipeline is 15%

	Completed assets	Asset value*	Development pipeline	Development Cost **
Retail	<ul style="list-style-type: none"> Marina World, Kuwait Marina Plaza Al-Muthaida, Kuwait Al-Maseel, Kuwait Mubarakia, Kuwait 	<ul style="list-style-type: none"> 39.2 5.89 1.41 2.21 9.23 	<ul style="list-style-type: none"> New Commercial Center, South of Kuwait City New commercial Center Kuwait City - Verdun Mall, Lebanon 	<ul style="list-style-type: none"> 34 45 50
Office	<ul style="list-style-type: none"> Shaheed Tower, Kuwait City Tower, Kuwait 	<ul style="list-style-type: none"> 13.05 8.6 	<ul style="list-style-type: none"> Kuwait Business Centre 	<ul style="list-style-type: none"> 50
Other	<ul style="list-style-type: none"> Saleh Shehab, Kuwait Al-Khour Resort, Kuwait 	<ul style="list-style-type: none"> 2 0.9 	<ul style="list-style-type: none"> Al-Abdali Warehouse, Kuwait Rouche Hotel, Lebanon Marina Hotel & Hall, Kuwait Bhamdoun Hotel, Lebanon 	<ul style="list-style-type: none"> 220 25 12 6.4

*KD million, as of 12/2004

** URC investment is a function of the shareholding structure

Expansion in Kuwait and in established regional footholds

Kuwait



Egypt



Lebanon



Project Funding Strategy

- Strong control processes to execute projects successfully and within budget.
- Use of alternative financing techniques other than equity
- Continuous review of our pipeline to apply new financing techniques to carefully selected projects

Applying alternative financing techniques to carefully selected projects

Development project pipeline	Current equity stake %	Total investment KD m
Kuwait Business Centre, Kuwait	50	25
New Commercial Center, South of Kuwait City	55	18.7
Rouche, Lebanon	55	13.7
Bhamdoun, Lebanon	100	6.4
Gulf Egypt, Egypt	46	7
Verdun Mall, Lebanon	45	22.5
Al-Abdali Project, Kuwait	90	180

- Screening for eligibility project-by-project
- Progress on financial structure has been made with bankers, lawyers and investors

Kuwait Business City project



- High-end development with different components
 - 31,000 sq m office space
 - 8,000 sq m for apartment units
 - 4,000 sq m retail space
- Prime location in Kuwait city, directly neighboring City Tower and Shaheed Tower
- Construction start in 12/2004, final completion in 2009
- Total project cost of KD 50m

Profiles of Bhamdoon and Raouche Hotels projects



- The project consists of two main components
 - A commercial center over 3,000 retail space (3 floors)
 - A 68-keys four- star hotel tower including 16 suites (8 floors)
- Prime location on the main street of Bhamdoon Mhatta, overlooking the famous La Martin valley.
- The hotel is already operating (opening was done on June 2005)
- Total project cost of KD 22 m.



- A 5 star hotel with an exclusive location on main street of Rawche with a wide view stretching from BIA till the Rawche Rock
 - 5 floor car park basement for 272 keys
 - 23 floors hotel tower with 272 keys including 20 suites
- Construction start in 2005, completion mid 2007
- Total project cost of KD 25m

New Hotel in Heliopolis Cairo - Egypt



It is a five stars hotel with a prime location directly on Aruba street.

The project consists on :

- 275 keys .**
- Convention center with a capacity of 1500 pax and a car par for 400 cars**

AGENDA

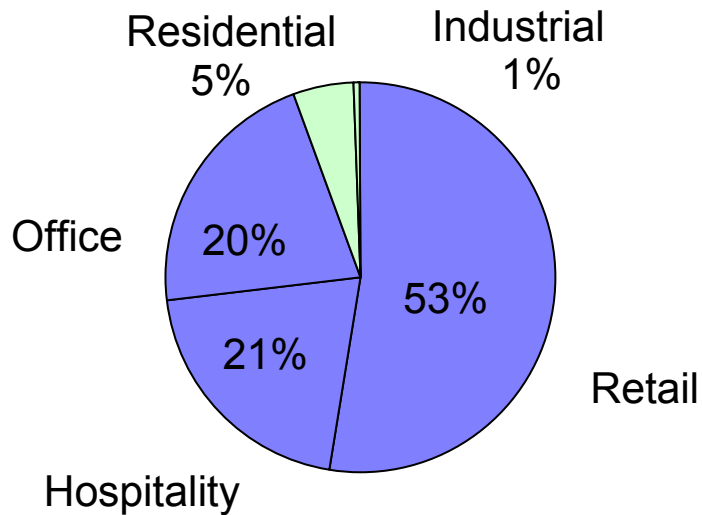
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Asset Allocation

Dec 31, 2004

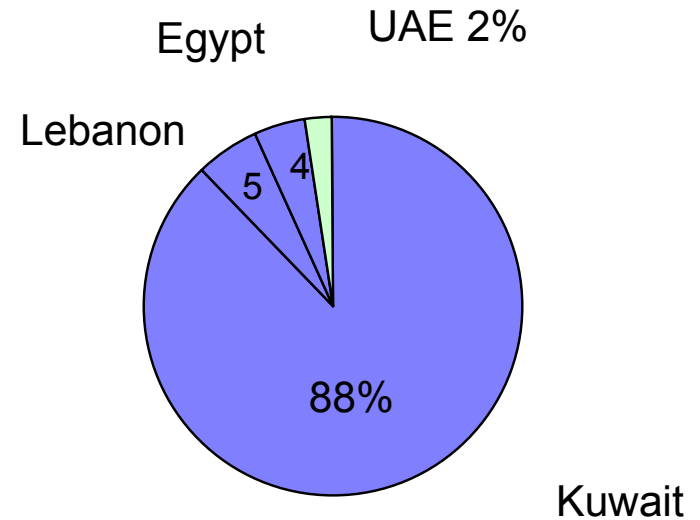
Segment split

100% = KD 159.46m



Regional split

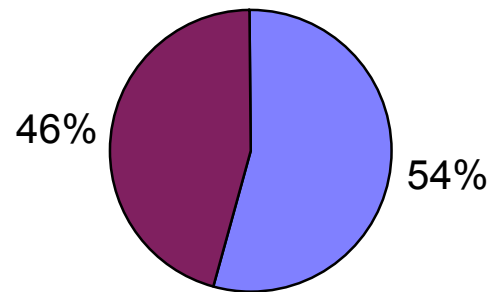
100% = KD 159.46m



* Includes land, projects under construction, and associates

85% Growth in Rentable Area Over the Past Five Years

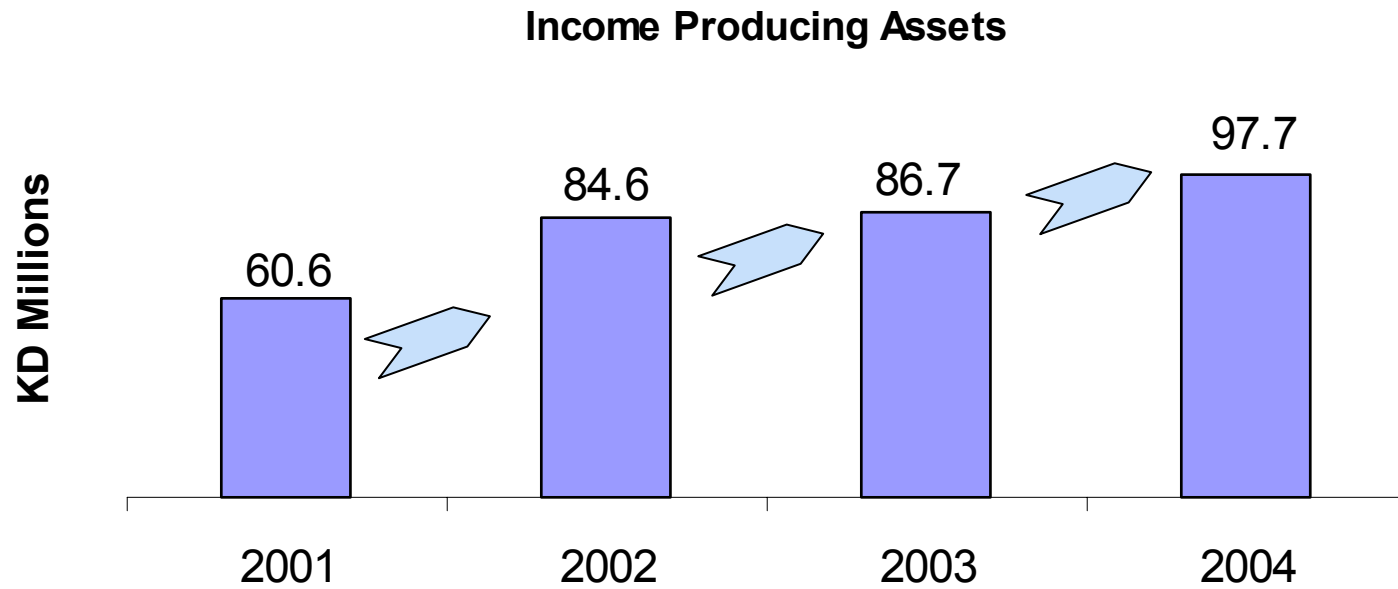
**Dec 31, 2004,
Net Rentable Area of 99,446 SQM**



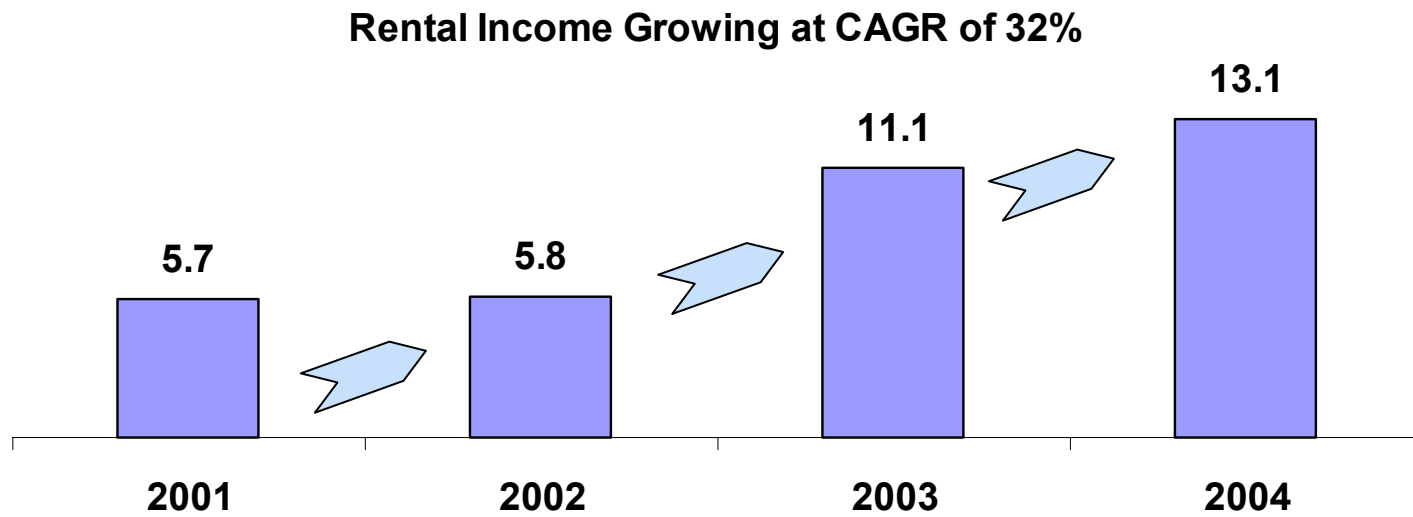
■ Existing or Aquired ■ Developed in the Last 5 Years

- In addition to the commercial development above, we have also developed:
 - Marina Hotel, Kuwait (99 keys),
 - Marian Berth, Kuwait (140 berth)
 - Bhamdoon Hotel , Lebanon (68 keys including 26 suites)

Income Producing Assets Growth

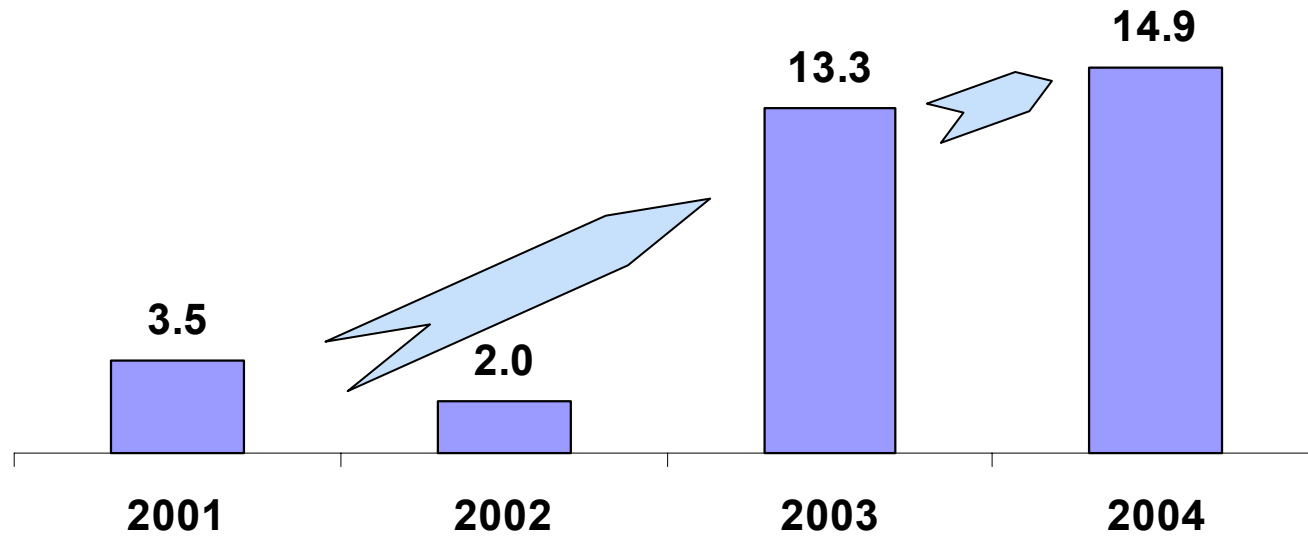


Sustainable Rental Growth



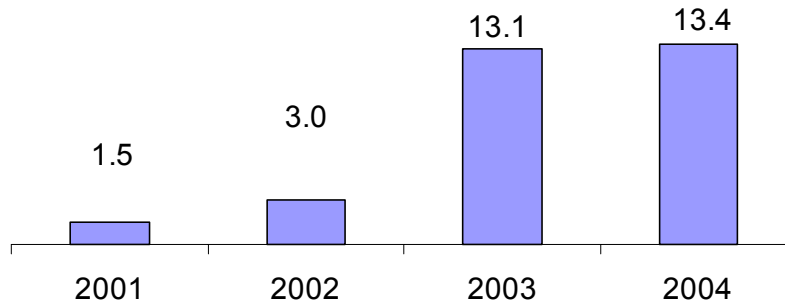
Increasing & Stable Profit from Operations

Profit from Operations Growing at CAGR of 62%

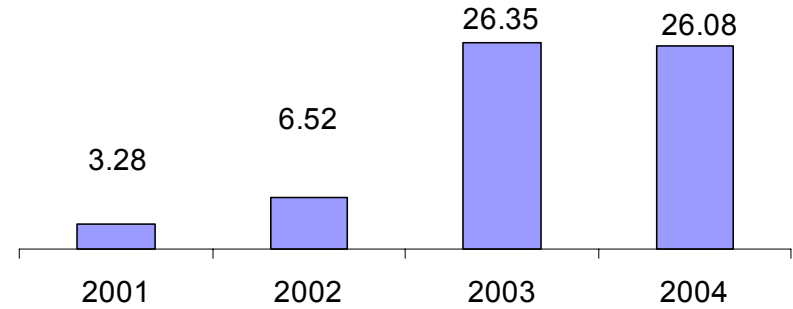


Double Digit Growth in Stakeholders Returns

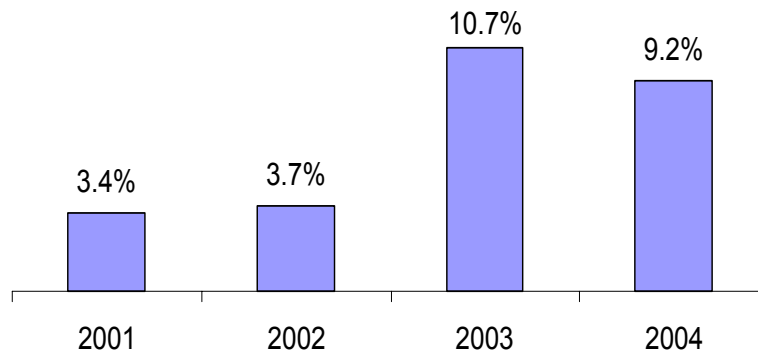
Net Income Growing at 106%



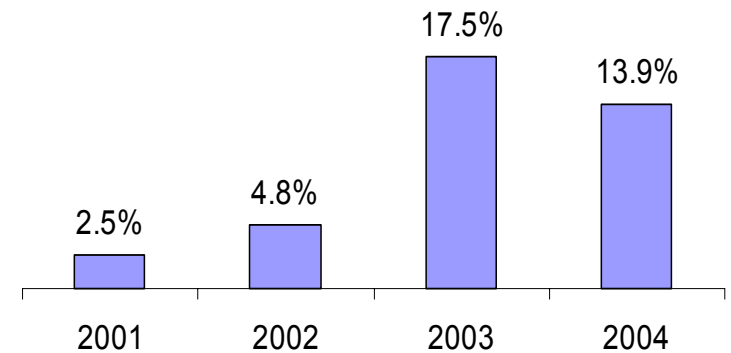
EPS Growing at 100%



ROA Growing at 39%

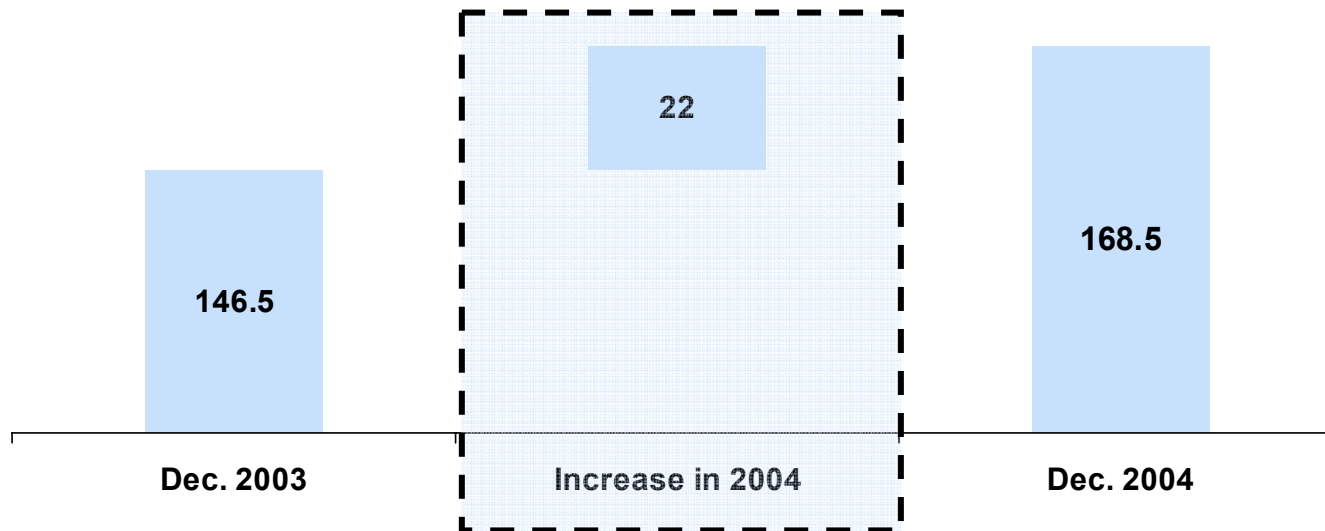


ROE Growing at 77%



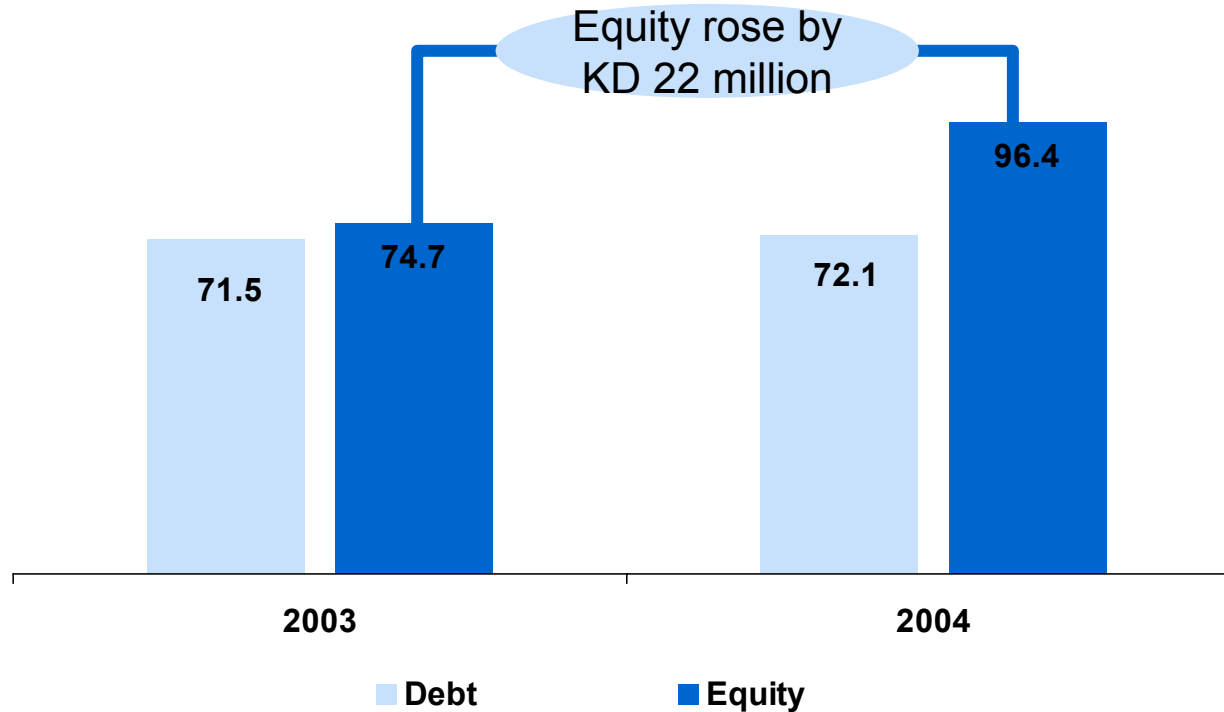
Assets Grew by KD 22 MN or 15% from Dec 2003 levels .

2003 versus 2004: Equity Levels (KD Million)



Assets Expansion Completely Funded From Equity

2003 versus 2004: Debt and Equity Levels (KD Million)



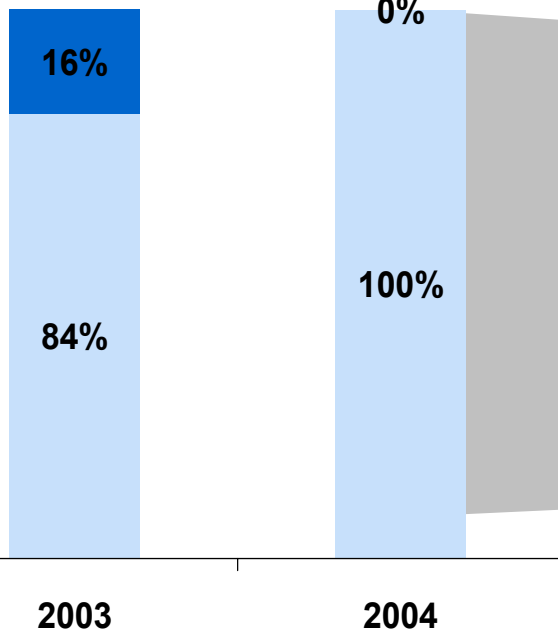
Proceeds from capital raise was nearly KD 7.5 MN and internal funds from operations and divestments funded the rest of 2004 expansion

Optimal Debt Allocation Mitigating Liquidity and Interest Risks

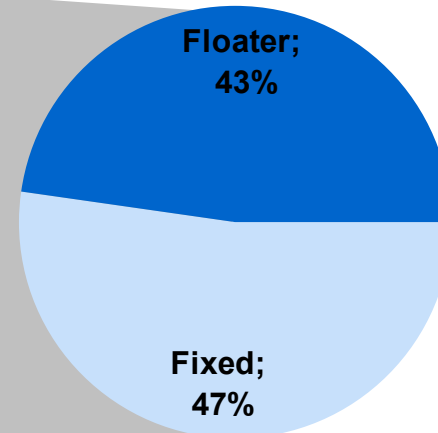
Liquidity Risks by matching debt maturity with asset maturity and...

Interest Rate Fluctuations by diversifying in floater and fixed terms

Composition of Debt (%)

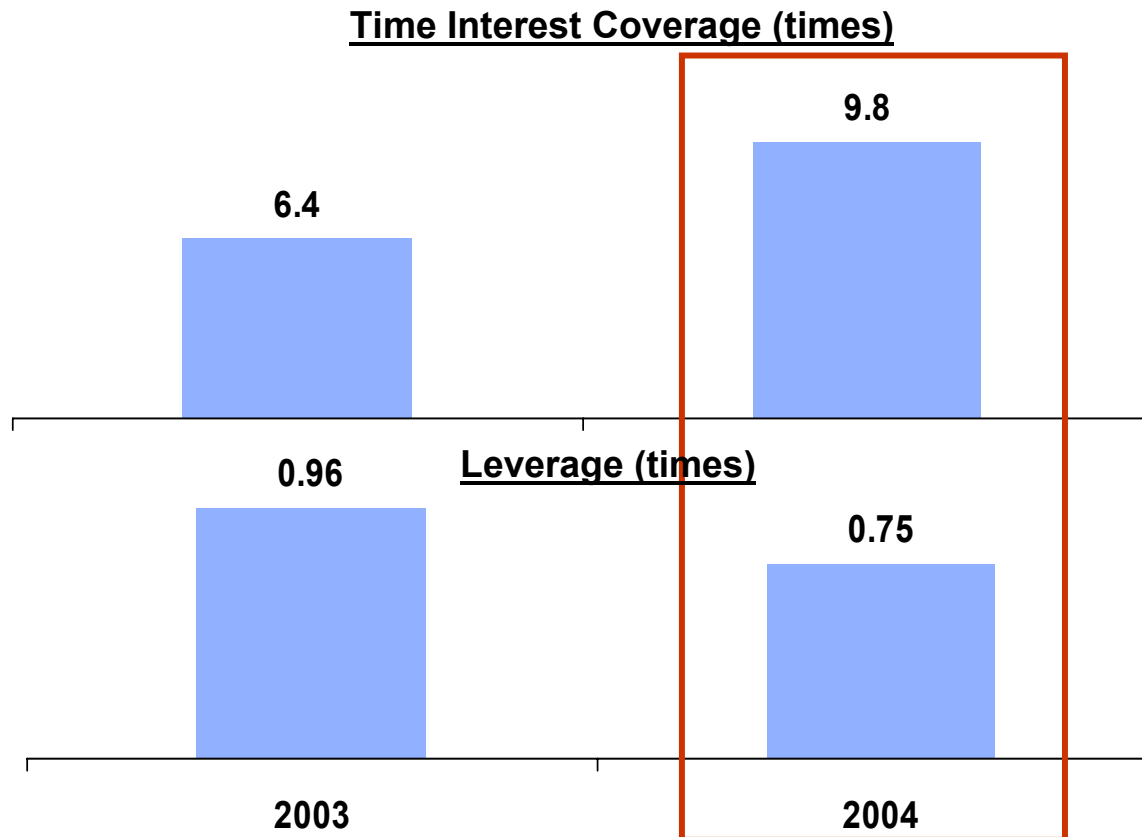


Composition of 2004 Debt by Interest Rate Quotation (%)



■ Bonds & LT loans ■ Overdrafts

Continuous Improvement of Funding Strategy



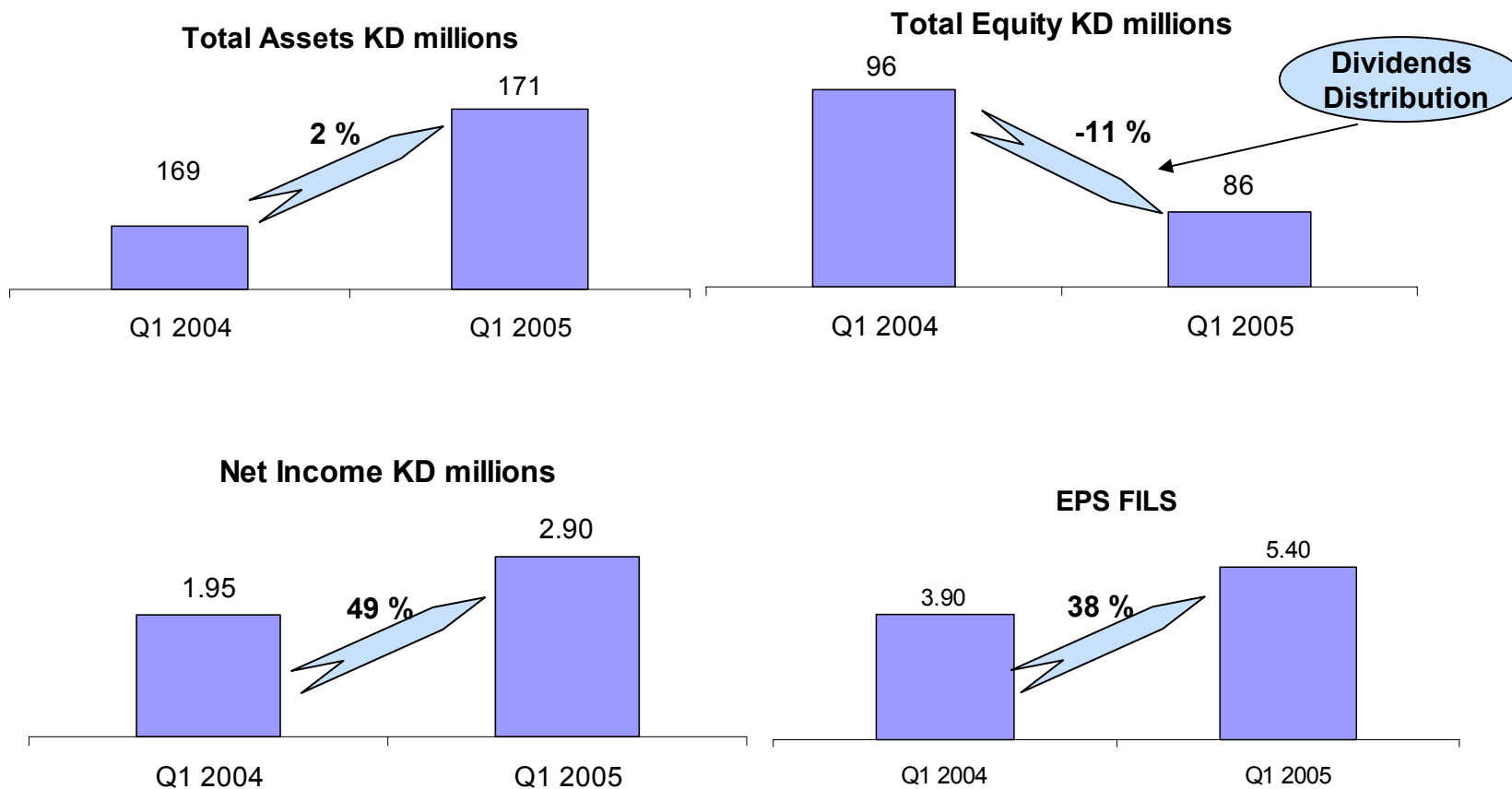
- Refinancing outstanding debt with new debt at more competitive terms;
- Given the upward trend, fixing interest rate for the most part of the newly raised debt, achieving a WACC of 5.61%.

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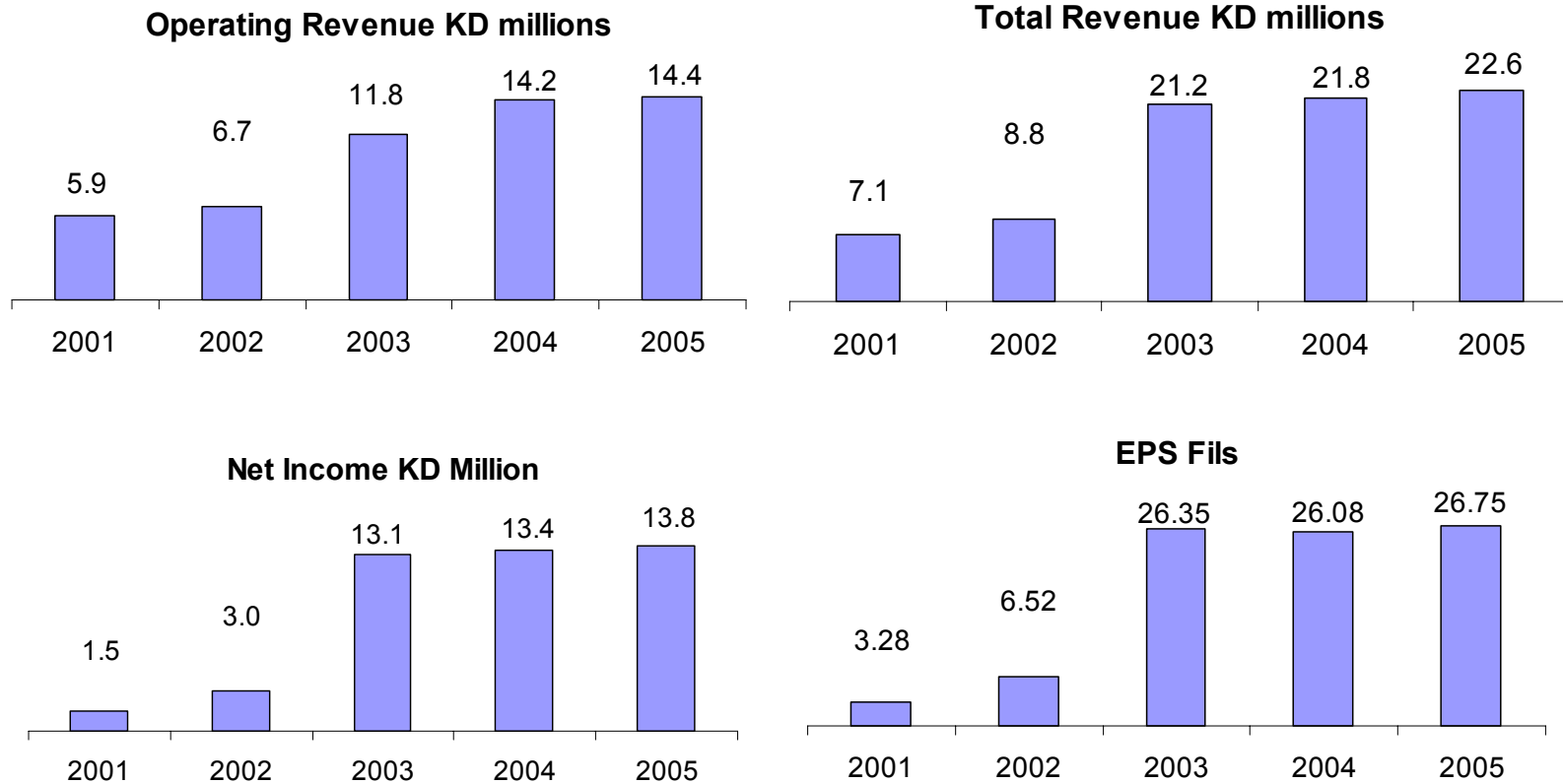
- **Outlook for 2005**

Review of Q1 2005



**Gain of KD 1.3 million from sale of Rehab and dividends for 2004
of KD 8.1 million**

Projections Dec 31, 2005



**For the 3rd Year, Strong & Stable Cash Flows from Lower Risk /
Higher Return Commercial Portfolio.
URC is well-positioned for growth...**

Our pipeline will deliver sustainable growth over the next 6 years, ROE rising to 17%

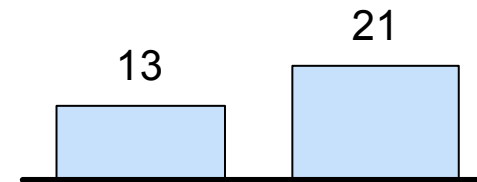
ESTIMATES

KD million

Key assumptions

- Average net rental yield assumed at current level
- Stable dividend flows
- Some assets disposed at 2004 market value
- No additions to current pipeline, 2 projects transferred to development fund
- No delay of projects
- No budget overrun
- BBB rating maintained, average cost of debt at current level

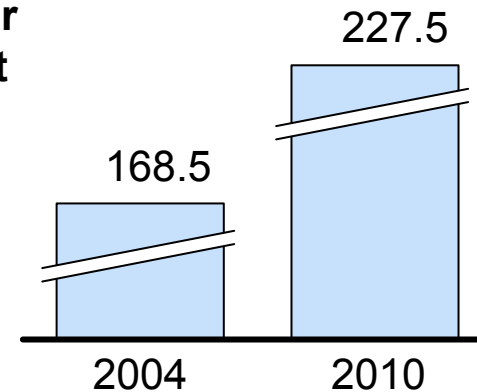
Net income



CAGR
%

8

Assets under Management



5

Conclusion

- **Financial Strength & Stability**
- **Proven track record**
- **Clear and consistent strategy**
 - **Focus on asset management and development skills**
 - **Focus on retail and office segments**
 - **Focus on core market Kuwait and selective regional expansion (ie. Egypt and Lebanon)**
- **Growth and value creation through**
 - **Higher returns from strong development pipeline**
 - **Active asset management**
 - **Financing of project pipeline by using innovative financing techniques**