Union Properties PJSC
and Subsidiaries

Earnings Release
Year Ended December 31, 2008

Stock Exchange
DFM

Tickers
DFM: UPP
Bloomberg: UPP:UH
Reuters: UPRO.DU

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Chief Financial Officer

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Director - Finance

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Highlights--

- ***Year 2008 Revenues – AED 3,637 million, growth of 24% over Year 2007.***
- ***Year 2008 Net Profit Before Provisions for Contracting Related Activities – AED 1,263 million, growth of 85% over Year 2007.***
- ***Year 2008 Net Profit After Provisions Contracting Related Activities – AED 763 million, growth of 12% over Year 2007.***
- ***Total assets AED 19.2 billion.***
- ***Total shareholders' equity AED 6.0 billion.***

Year 2008 net profit **before** contracting related activities provisions reached AED 1,263 million (growth of 85% compared to Year 2007). Revenue for 2008 reached AED 3,637 million and net profit **after** provisions for contracting related activities stood at AED 763 million (AED 0.25 per share compared to AED 0.22 per share for 2007). The year 2008 results included:

- Gain on sale of investment properties of AED 154 million, which came in line with the Company's strategy to sell aged assets and change the structure of its investment properties portfolio.
- Gain on valuation of investment properties of AED 497 million, which represents the mark-to-market valuation of properties, rented and held as investment properties, which take place every six months as per the Company policy. This gain included AED 238 million net gain on a property that was sold subsequent to yearend, the sale value of which was used as the basis for 2008 mark-to-market valuation.
- Gain on valuation of certain plots held as investment properties of AED 383 million, which were valued as required by International Financial Reporting Standards in relation to treatment of land held as investment property.
- Provisions of AED 500 million for contracting related activities to cover any potential loss on work completed that could result from the current market conditions.

Consolidated revenue grew approximately 24% YoY. Considering the conservative approach of revenue recognition from real estate sales, contracting activities continued to be the main contributor to consolidated revenues adding AED 3,107 million to 2008 revenues (38%YoY growth). Property Sales and Management Activities contributed AED 354 million (lower than 2007 due to lower land sales) while Hospitality and Other Operating Activities added the remaining AED 176 million (29%YoY growth).

Total assets and shareholders' equity continued to grow and stood at AED 19.2 billion and AED 6.0 billion respectively as of December 31, 2008, growing by 73% and 15% respectively compared to December 31, 2007. Development and investment properties comprised 79% of total assets and stood at AED 15.1 billion at the end of 2008, growing 122% over 2007.

Year 2008 continued to witness healthy margins from the contracting segment. However, the year included lower land sales compared to Year 2007 (AED 174 million compared to AED 347 million). The decrease in land sales increased the contribution of contracting and other operating activities (segments with the lower margin) in the revenue mix for 2008, which drove the overall 2008 margin to drop compared to 2007.

Revenue mix for 2008 compared to 2007 appears below:

Revenue Mix by Activity (%)	2008	2007
Activity	**Revenue Contribution**	
Property (Land) sales	5%	12%
Property management	5%	7%
Contracting	85%	77%
Other operating	5%	4%
Total	**100%**	**100%**

The Company utilized the term facilities of AED 3.75 billion, which were raised in 2007 to finance the projects at DIFC and part of the projects at MotorCity. Long term bank debt, including its related current portion, at the end of 2008 stood at AED 4.6 billion implying an overall consolidated long term debt/assets ratio of 24:76. Total consolidated bank debt (short and long term including that of subsidiaries) at the end 2008 stood at AED 6.4 billion implying an overall consolidated debt/assets ratio of 34:66.

In response to the current market conditions and shortage in liquidity, the Company:

- Re-launched its Rent-To-Own Scheme that was first introduced in 2003, and plan to rely on its property management operations, that represent the core business of the Company, to rent and manage units of properties that were not sold and add them to its investment properties. This strategy will ensure the continuous flow of recurring cash that will be used to finance the Company's operations and settle its liabilities.
- Launched a Prompt Payment Incentive Scheme offering 10% discount on early payment of amounts due on handover of sold units across all its projects. The scheme was very well received by buyers and very successful.
- Secured the approval of the shareholders, in an Extraordinary General Meeting (EGM) held on 22 January 2009, on the issuance of up to AED 2.5 billion non-convertible bonds. The shareholders have authorized the Board of Directors to determine the terms of issuing these bonds. The issuance of the bonds will depend on market conditions after checking the availability of other alternative financing methods.
- Entered into agreements subsequent to yearend whereby AED 1.4 billion of its current liabilities outstanding at December 31, 2008 were settled.

The Company continued to follow the conservative approach of recognizing revenue in accordance with International Financial Reporting Standards and as confirmed by International Financial Reporting Interpretations Committee IFRIC 15 issued in July 2008 where revenue from sale of properties is recognized upon handover of units sold and not according to sale and construction progress.

Although property sale activity slowed down during Q4 2008, the overall property sales achieved in 2008 were healthy across all developments. Handover of properties in MotorCity and DIFC is on schedule to start in 2009.

All segments of the business have continued to perform well in line with the planned operations.

The Board of Directors is recommending the distribution of 10% of the paid up capital as bonus shares. Such a recommendation will be presented at the coming AGM for approval.

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About Union Properties

Union Properties (www.up.ae) is a public company listed on the Dubai Financial Market. It is one of UAE's leading property development, investment and management companies.

The Company was established in 1987 as a limited liability company, and then floated as a public company in 1993. The following decade saw consistent organic growth on an impressive scale. The Company's ability to provide premium turnkey real estate solutions enabled it to benefit from an excellent choice of business partners: investors, developers, designers and property residents. Over the years, the Company's consistent results speak for themselves in terms of the net profit, as well as growth in assets and shareholders' equity.

Astute investment in a variety of diverse resources helped Union Properties refine its products offering to deliver a superior and comprehensive range of property services across the development and management value chain. Union Properties business currently covers Property investment and development, Property Management, Interior Design & Fitout, Project Management, Facilities Management, Electro-mechanical contracting, Serviced Offices and Hospitality.

Consolidated Balance Sheet
As of December 31, 2008

	2008 (Unaudited) AED'000	2007 (Unaudited) AED'000
Current assets		
Trade and other receivables, net	**2,773,061**	**2,936,364**
Other current assets	**317,873**	**338,678**
Cash on hand and at banks	**250,791**	**88,330**
	3,341,725	**3,363,372**
Development properties	**11,831,575**	**3,992,911**
Investment properties	**3,278,662**	**2,814,043**
Other long term assets	**768,331**	**927,988**
	15,878,568	**7,734,942**
Total Assets	**19,220,293**	**11,098,314**
Current liabilities		
Trade and other payables	**3,661,217**	**1,304,760**
Bank borrowing and current portion of LTD	**4,332,207**	**1,184,925**
Advances and deposits	**380,522**	**365,025**
Other current liabilities	**5,537**	**5,590**
	8,379,483	**2,860,300**
Long term debt	**2,078,337**	**2,193,667**
Advances on property sales	**2,574,364**	**656,175**
Other long term liabilities	**203,781**	**163,360**
	4,856,482	**3,013,202**
Total Liabilities	**13,235,965**	**5,873,502**
Shareholders' Equity		
Share capital	**3,060,779**	**2,782,526**
Treasury Shares	**(4,998)**	**(4,998)**
Reserves, surplus and retained earnings	**2,928,547**	**2,447,284**
Shareholders' equity	**5,984,328**	**5,224,812**
Total Liabilities and Shareholders' Equity	**19,220,293**	**11,098,314**

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Consolidated Income Statement
For the Year Ended December 31, 2008

	Year Ended December 31, 2008			Year Ended December 31, 2007		
	Property Management & Sales	**Other Operating Activities**	**Total**	Property Management & Sales	Other Operating Activities	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
	Unaudited	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited
Revenue	**354,209**	**3,282,797**	**3,637,006**	539,824	2,382,034	2,921,858
Direct costs	**(109,520)**	**(3,104,898)**	**(3,214,418)**	(177,452)	(2,205,520)	(2,382,972)
Gross profit	**244,689**	**177,899**	**422,588**	362,372	176,514	538,886
Administrative and general expenses			**(165,282)**			(134,104)
Financial income & expense, net			**(106,519)**			(74,064)
Gain on sale of investment property			**153,930**			-
Gain on valuation of investment property			**496,609**			225,388
Gain on valuation of land held as investment property			**383,505**			82,133
Other income			**20,154**			7,965
Share of profit in joint ventures			**58,115**			38,227
Net Profit Before Provisions for Contracting Related Activities			**1,263,100**			684,431
Provisions for Contracting Related Activities			**(500,000)**			-
Net Profit for the Year			**763,100**			684,431
Earnings per share (AED)			**0.25**			0.22*

* Restated to account for the bonus shares issued in 2008