

Diversified Services
United Arab Emirates
Credit Analysis

Mubadala Development Company

Ratings

Security Class / Entity	Current Ratings
Foreign Currency	
Long-Term IDR	AA
Short-Term IDR	F1+

Outlook

Foreign Long-Term	Stable
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Financial Data

Mubadala Development Company		
AEDm	31 Dec 2007	31 Dec 2006
Equity	25,052.5	10,352.7
Total Debt	12,362.1	6,980.5
Closing net debt	11,262.5	6,742.8
Total Assets	39,246	17,989

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Related Research

- [Parent and Subsidiary Rating Linkage](#)
- [Credit Analysis on Abu Dhabi \(Emirate of\)](#)

Rating Rationale

- Mubadala Development Company (Mubadala) is 100%-owned by the Emirate of Abu Dhabi ('AA'/Stable), and was established in 2002 through Emiri Decree No. 12. Its mission, as set forth by the Government, is to achieve economic returns while advancing the Government's broader policy aims, including building Abu Dhabi's new economy. Abu Dhabi has mandated Mubadala to drive economic and social development to ensure the diversification and deepening of wealth for future generations.
- Fitch Ratings has applied its *Parent and Subsidiary Rating Linkage* methodology to the rating of Mubadala, concluding that a strong relationship exists between Mubadala and the Emirate of Abu Dhabi, and as such the rating of Mubadala has been aligned with that of the Sovereign. Mubadala is in the early stages of development, and lacking positive cash flow generation due to its large investment needs.
- Board membership includes five members of the Abu Dhabi Executive Council, the most prominent being the Chairman, His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi.
- Mubadala's 100% state-ownership status is mandated by law and unlikely to change. It can only be dissolved after 2052 (i.e. 50 years from its formation), by emiri decree or if its mandate is deemed complete. There is an established record of direct Government support through substantial and increasingly frequent equity contributions, totalling USD6.9bn since 2004, which is expected to continue.

Key Rating Drivers

- Changes in Abu Dhabi's rating would cause rating changes for Mubadala itself. Such changes would most likely be triggered by unexpected political events in the region. A severe and prolonged downturn in the oil price is the main economic risk, but this would have to be extreme to threaten Sovereign creditworthiness.
- Any change in the implied support of, commitment from, and ownership by the Emirate of Abu Dhabi.

Recent Events

Mubadala will become a long-term significant investor in General Electric Co. (GE), and one of GE's top 10 institutional shareholders. The two parties anticipate investing USD4bn of equity into a commercial finance JV over the next three years, and total assets could exceed USD 40bn.

Liquidity and Debt Structure

Mubadala uses financial leverage for its assets to complement capital contribution from the Government – to increase capital efficiency, instil financial discipline, and transfer risk. Mubadala's debt is not guaranteed by the Sovereign, but Fitch feels that its high profile and strategic role mean that support would be provided if required.

Key Abu Dhabi Government Entities

Mubadala is one of a few 100% state-owned entities in Abu Dhabi's wider public sector that play a vital role in the economy. Fitch regards the Abu Dhabi Government as comprising both the central Government of the Emirate of Abu Dhabi and the Abu Dhabi Investment Authority (ADIA) – which provides a treasury function as well as being the Government's main investment vehicle, receiving 70% of any budget surplus. Fitch's internal estimates of the general Government budget position also takes ADNOC (Abu Dhabi National Oil Company) dividends and ADIA investment income above the line: both items are excluded from the budget presentation of the Department of Finance.

ADNOC reports to the Supreme Petroleum Council chaired by His Highness Sheikh Khalifa. It pays taxes and royalties to the budget, and any surplus after fulfilling its investment needs is transferred to ADIA as a dividend. However, its expenditure is not included in the general Government budget.

ADIC (Abu Dhabi Investment Council) has received 30% of any budget surplus since it was created in 2006. Like ADIA, its board reports to His Highness Sheikh Khalifa. It has a more local and regional focus than ADIA, and also holds the Government's stakes in the two largest state-owned banks (ADCB and NBAD).

Mubadala, set up in 2002 to act as the instrument for driving Abu Dhabi's economic diversification goals, is financed by equity infusions from the state budget, and chaired by the Crown Prince.

IPIC (International Petroleum Investment Company) was set up in 1984 to invest in hydrocarbon and related sectors outside Abu Dhabi. It is principally funded with a portion of ADNOC revenues.

ADWEA (Abu Dhabi Electricity and Water Authority) is consolidated into the state budget, and for which the Government has issued guarantees. ADWEA in turn owns 51% of TAQA (Abu Dhabi National Energy Company) which is ADWEA's investment arm. TAQA owns 54% of most IWPPs (Independent Power and Water Projects), with ADWEA holding a further 6% (effective Government ownership of IWPPs is therefore 33.5%).

Business Overview

Mubadala focuses on developing and managing an extensive and economically diverse portfolio of commercial initiatives; either independently or in partnership with leading international organisations. Its fundamental commercial strategy is built on long-term capital-intensive investments that deliver healthy financial returns.

The company manages a multi-billion dollar portfolio of local, regional, and international investments, projects and initiatives. Through its investment and development projects, Mubadala is a catalyst for the economic diversification of the Emirate of Abu Dhabi – both domestically and internationally – in sectors such as energy, aerospace, real estate, healthcare, technology, infrastructure, and services.

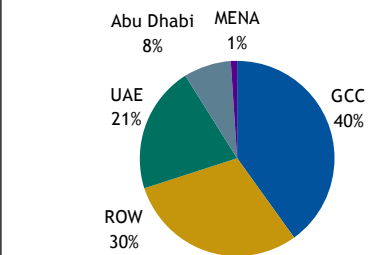
As Mubadala's strategy is driven by the Government, it accordingly mirrors the areas that best serve Abu Dhabi's four central strategic pillars of the Policy Agenda 2007/2008. However, Mubadala's management has stressed that investments must in themselves also demonstrate an attractive rate of financial return – in addition to the impact on the implementation of the Government's economic diversification strategy.

Dolphin is Mubadala's most significant cash contributor. In the future, Masdar and EMAL will join Dolphin as Mubadala's top three initiatives and main cash contributors (for more details, please refer to the *Energy* section).

GE has recently agreed to develop a research & development centre in Abu Dhabi, and the two companies will establish a global commercial financial service JV. The debt raised by the JV will be non-recourse to Mubadala and GE, and will have its own independent management and diversified sources of funding.

In 2007, Mubadala paid USD1.35bn for a 7.5% stake in private equity outfit Carlyle Group, and also bought an approximately 8% stake in Advanced Micro Devices Inc. (AMD), paying some USD622m.

**Mubadala's Investment:
Geographical Distribution 2008**
(Based on Adjusted book value of Assets)



Source: Mubadala

Segments in Brief

Energy & Industry

Mubadala has been taking steps to create a diverse and sustainable range of businesses that will further drive oil and gas exploration and production, development of petroleum services, and international growth in energy-linked industrial infrastructure. The group is also capitalising on Abu Dhabi's natural resources, and making investments that focus on basic industries (including aluminium and advanced materials) to help build an export-orientated industrial sector.

Mubadala partners with organisations from around the world to build businesses and bring technologies, efficiencies and new thinking to the region.

- **Dolphin:** The Dolphin Gas Project is the first cross-border natural gas network in the Gulf Cooperation Council (GCC), expected to supply energy for current and future power generation, water desalination plants and industry in the UAE and Oman. Mubadala is the developer of the project and owns 51% of Dolphin Energy. Strategic partners Total SA ('AA'/Stable) of France and Occidental Petroleum Corp. ('A'/Stable) of the US own 24.5% each. The project produces natural gas from Qatar's North Field, which then passes through Dolphin's giant Gas Processing Plant at Ras Laffan. The plant strips out valuable commercial by-products, and the resulting dry gas is transported to Abu Dhabi via Dolphin's 370km export pipeline.

The customers are the Abu Dhabi Water & Electricity Authority (ADWEA) and Dubai Supply Authority (DUSUP). In May 2005, Dolphin Energy commenced the supply of natural gas to the Emirate of Ras Al Khaimah for a period of around two years. These supplies were transported from Oman to Fujairah via Al Ain, through Dolphin's 182km pipeline.

- **Masdar:** The Abu Dhabi Future Energy Company (ADFEC) is a private joint-stock company established and wholly-owned by Mubadala. ADFEC drives the Masdar initiative, a multi-billion dollar, multi-faceted response to the need for a global focus on the development of advanced energies and sustainability-related technologies. Masdar is designed to ensure that Abu Dhabi expands its share of the renewable global energy market. It encourages the development and commercialisation of advanced and innovative technologies in renewable, alternative and sustainable energies for a cleaner, safer environment.

Masdar has partnered with the world's most prominent companies, educational institutions and investment firms. It will achieve its vision and goals by following a strategically designed portfolio, focusing on the following key initiatives:

- **Masdar Institute of Science and Technology** – in partnership with the Massachusetts Institute of Technology (MIT), it will offer Masters and PhD programmes in science and engineering focused on advanced energy and sustainable technologies.
 - **Masdar Research Network** – a unique collaborative network of world-class scientists and post-doctoral researchers, linking the Masdar Institute and leading global scientific research institutions.
 - **Innovation & Investment** – the investment and commercialisation vehicle for advanced energy and sustainability technologies.
 - **Special Projects** – develops large-scale, capital-intensive energy and advanced technology projects.
 - **Carbon Management** – spearheads the development of greenhouse gas reduction projects.
 - **Special Free Zone** – a unique, integrated “Green Community” in the heart of Abu Dhabi to foster the Masdar Initiative.
- **EMAL:** Mubadala, in partnership with Dubal, has commenced construction of the first 700,000 tonne stage of a 1.4 million tonne/annum primary aluminium smelter at Al Taweelah in the new Khalifa Port Industrial Zone in Abu Dhabi. When completed, the Emirates Aluminium smelter will be the largest single-site aluminium smelter in the world. The project employs the recently developed Dubal DX aluminium production technology, operating at 340 kilo amperes, making it amongst the most modern of its kind. The first stage is due for completion in 2010, with the second stage being constructed shortly thereafter.
 - **Abu Dhabi Ship Building:** ADSB is the only shipyard facility in the Arabian Gulf with the capacity to build and repair sophisticated naval and commercial vessels. It constructs an increasing number of ships for the UAE Navy as well as commercial vessels for a growing number of worldwide clients. Naval ship building is currently its main income generating activity. During 2004, ADSB was the prime contractor on four 70 metre (m) Baynunah Class corvettes for the UAE Navy, at a cost of USD500m. ADSB has also recently built 12 amphibious transport boats (ATBs) for the UAE Navy, in partnership with Sweden's SwedeShip. The company also refits and upgrades existing UAE navy vessels, and carries out repair works for the Qatari, French, and other navies. ADSB's commercial ship building and repair business is also expanding. It undertakes more than 150 commercial ship repair jobs each year, and in 2004 it completed a new 50m dredger for Gulf Cubla LLC. Mubadala owns 40% of ADSB, a public joint-stock company (PJSC), with the remaining shares held by other UAE institutions and individuals. ADSB was established in 1996 and is listed on the Abu Dhabi Securities Market.
 - **Tabreed:** National Central Cooling Company (Tabreed), based in Abu Dhabi, is an environmentally-friendly utility investment. Tabreed is a regional pioneer in “district cooling” technology, which uses a network of pipes to distribute chilled water from a central cooling plant to a group of residential and commercial buildings. District cooling cuts traditional air conditioning costs by up to 50%. Building its first plant in 1998 at the Zayed Military City in Abu Dhabi, Tabreed now operates over 40 plants across the Gulf, and is one of the world's largest district cooling utilities in terms of refrigeration tons of chilled water. At inception, Mubadala was one of the original sponsors of Tabreed, and still owns a significant stake of the shares of the publicly traded company. The

company is listed on the Dubai Financial Market, and has an established presence in Qatar, Oman, Bahrain and Saudi Arabia.

Healthcare

Mubadala Healthcare is specifically dedicated to investment in strategic, high-value and economically sustainable projects that meaningfully enhance the private healthcare infrastructure of Abu Dhabi and the UAE. Mubadala Healthcare's investment focus includes patient care delivery and ancillary services, biotechnology, medical equipment and device manufacturing, and pharmaceuticals.

Its healthcare services investments aim to provide the highest international standards of care and superior clinical outcomes for patients in Abu Dhabi and the UAE. A key objective is to address the needs of patients currently travelling abroad for treatment. The overall goal is to create a robust and fully integrated private healthcare infrastructure in Abu Dhabi, designed around the needs of the patient and with an absolute commitment to quality.

Some of the current and upcoming healthcare projects include:

- Abu Dhabi Knee & Sports Medicine Centre: the first healthcare facility in the Middle East to specialise in the diagnosis and treatment of patients with knee and sports-related injuries; opened in 2006.
- Cleveland Clinic Abu Dhabi: a state-of-the-art 360-bed hospital; due to open in early 2011.
- Imperial College London Diabetes Centre: a centre of excellence specialising in diabetes treatment, research, training and education; opened in 2006.
- Tawam Molecular Imaging Centre: A specialist molecular imaging facility including PET-CT and Cyclotron operated by John Hopkins; due to open in 2009.

Real Estate & Hospitality

In line with the Government's Urban Framework Plan, Mubadala Real Estate & Hospitality is making long-term, capital-intensive investments intended to generate strong financial returns and push the economy in a new direction.

ALDAR Properties PJSC

ALDAR is the leading Abu Dhabi real estate development spearheading the development of the UAE capital's strategic sites. Since its launch in 2005, ALDAR has already announced projects worth more than USD18bn. ALDAR, 15.8%-owned by Mubadala, was incorporated in Q105 through a AED1.5bn IPO on the Abu Dhabi Securities Market.

Infrastructure

Mubadala Infrastructure is actively investing in the creation of infrastructure. It enters into public private partnerships (PPPs), working with world-class partners to fund and deliver modern facilities including the Sorbonne University and UAE University.

Aerospace and Technology

Mubadala is creating a global aerospace industry for Abu Dhabi – focused on an integrated approach including manufacturing and maintenance, repair and overhaul (MRO). Mubadala recently signed a multi-faceted supplier agreement with European Aeronautic Defence and Space Company N.V. (EADS, 'BBB+/Stable'). EADS will cooperate with Mubadala on its new composites plant to develop full design-to-build capabilities, and work with Mubadala Aerospace to develop an Engineering Centre and Research and Development facility in Abu Dhabi.

Abu Dhabi Aircraft Technologies (ADAT)

ADAT is a leading provider of aviation technical services for the commercial and

military aviation industry. Launched in 2007 through the transformation of the former Gulf Aircraft Maintenance Company, ADAT boasts a heritage of world-class maintenance, repair and overhaul expertise. Mubadala owns 100% of Abu Dhabi Aircraft Technologies. With a workforce of 2,800, ADAT's regional strength is matched by an international client portfolio stretching from Iceland in the West to Sri Lanka in the East. Customers include Etihad Airways, Air Arabia, Kingfisher, DHL, the United Kingdom's Royal Air Force (RAF), and the UAE Airforce.

du

du is the latest telecommunications company in the UAE, launched in Q106. It is 40%-owned by the UAE Federal Government, 20% by Mubadala Development, 20% by TECOM Investments, while the remaining 20% is owned by public shareholders. The company is listed on the Dubai Financial Market and trades under the name "du". It currently provides fixed line, internet and pay TV services in some of the free zones of Dubai, following its purchase of TECOM Investments' telecom assets.

Services

Mubadala's services unit forges partnerships with global industry leaders across areas such as logistics, transportation, defence, and financial services.

Waha Capital PJSC

Waha Capital is an Abu Dhabi-based and Abu Dhabi Securities Exchange-listed diversified investment holding company, which was created by restructuring Oasis International Leasing Company PJSC in February 2008. Waha Capital has adopted a clear vision and strategy to drive the growth of multi-sector businesses and diversification through acquisitions, JVS and the creation of new business. Its current business portfolio includes big-ticket leasing, financial services, and maritime and property development. Waha Capital's main institutional shareholders are Mubadala Development Company and Abu Dhabi Investment Company.

Acquisitions

As well as seeking to ensure that its investments are financially rewarding, Mubadala also evaluates each opportunity based on other sustainable benefits it can provide for Abu Dhabi. Many of Mubadala's investments have indeed provided new opportunities to partner on future projects. For example, Mubadala's 5% stake in Ferrari led to its sponsorship of the world-renowned Scuderia, the racing activities division of Ferrari.

AMD

In Q407, Mubadala acquired an 8.1% stake in AMD, a US-based leading global provider of innovative microprocessor solutions for computing, communications and the consumer electronics markets. AMD, a spirited competitor and innovator that is led by a strong management team, complements Mubadala's investment approach. Mubadala invested approximately USD622m for 49 million newly issued shares.

Financial Analysis

Accounting Issues

There is limited public financial information available about the group. Mubadala does, however, report annually to its shareholders under International Financial Reporting Standards. Mubadala's debt is not guaranteed by the Sovereign, but Fitch feels that Mubadala's high profile and strategic role mean that support would be provided if required.

It is worth highlighting that in the credit analysis of Mubadala, the agency has deviated from its policy of requiring five years of audited accounts. However, Fitch is satisfied with the information provided by Mubadala, due to the fact that the rating is driven by the strong linkage with the Abu Dhabi Sovereign.

Revenue & Profitability

Group consolidated revenues are diversified, with six main business segments. The operating margin increased in 2007. While Mubadala's portfolio of assets is significantly diversified, revenue and cash flow are currently somewhat dependent on Dolphin's sale of hydrocarbons (over 50% of FY07 revenue).

In 2007, Mubadala revised its accounting policy for investment properties from the cost model to the fair-value model. This change resulted in recognizing AED2.314bn as the change in the fair value of investment properties in the 2007 income statement. Mubadala considered that as part of the operating income, and posted a substantial net result – primarily due to the revaluations. The abovementioned land represents 8% of the total land bank granted by the Government to Mubadala. The remaining 92% is neither valued nor recognized in the consolidated financial statement until certain events occur, which enables management to conclude that it has a future economic value.

Liquidity and Capital Structure

Mubadala uses financial leverage for its assets to complement capital contribution from the Government – to increase capital efficiency, instil financial discipline, and transfer risk.

To date, Mubadala has worked with, and has relationships with, several international and local financial institutions and three core local banks.

Mubadala has recourse and non-recourse financing. It borrowed on a full-recourse basis from banks despite the absence of financials or an outright Government guarantee. Financial institutions require no financial covenants on Mubadala's recourse financing.

The balance between flexible bank market funding and deeper/longer tenors available in the debt capital markets will be an important step forward for Mubadala.

Mubadala anticipates that it will continue to receive significant capital injections from the Government of Abu Dhabi in the foreseeable future, with the investments approved as part of the annual budgeting process.

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