

From: "Farkas, Andrew L." <[REDACTED]>
To: "jeevacation@gmail.com" <jeevacation@gmail.com>
Subject: Fw: Dubai World request for creditor standstill
Date: Thu, 26 Nov 2009 11:42:42 +0000

Rec'd from our partners in the mandarin.

----- Original Message -----

From: Terry Stinson <[REDACTED]>
To: [REDACTED] <[REDACTED]>; Farkas, Andrew L.
Sent: Thu Nov 26 06:34:58 2009
Subject: FW: Dubai World request for creditor standstill

-----Original Message-----

From: Stuart Dickie [mailto:[REDACTED]]
Sent: Thu 11/26/2009 8:46 AM
To: John Witt; Edouard Ettedgui; Terry Stinson; Kieren Barry; Michael Hobson
Cc: Helena Law
Subject: Dubai World request for creditor standstill

Here is one of the many news articles this morning which I have pasted into an e mail so it can be read on blackberry for those travelling, although undoubtedly this will be a headline item in your morning newspaper wherever you are.....

Nov. 26 (Bloomberg) -- Dubai World, with \$59 billion of liabilities, is seeking to delay debt payments, sending contracts to protect the emirate against default surging by the most since they began trading in January.

The state-controlled company will ask creditors for a "standstill" agreement as it negotiates to extend maturities, including \$3.52 billion of Islamic bonds due Dec. 14 from its property unit Nakheel PJSC, Dubai's Department of Finance said in an e-mailed statement. Moody's Investors Service and Standard & Poor's cut the ratings on several state companies, saying they may consider the plan a default.

"Extending the maturity of Nakheel debt is feeding the market's uncertainty on which debt Dubai will honor in full," said Rachel Ziemba <http://search.bloomberg.com/search?q=Rachel+Ziemba&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:dl>, a senior analyst covering sovereign wealth funds at New York-based Roubini Global Economics. "They look desperate and the market is concerned that in the long term Dubai's indebtedness is rising not falling."

Dubai accumulated \$80 billion of debt by expanding in banking, real estate and transportation before credit markets seized up last year. Contracts protecting against default rose 116 basis points to 434 basis points yesterday, the most since they began trading in January, ranking it the sixth highest-risk government borrower, according to credit-default swap prices from CMA Datavision in London. The contracts, which increase as perceptions of credit quality deteriorate, are higher than Iceland's after climbing 131 basis points in November, the biggest monthly increase since January.

Cut to Junk

Emaar Properties PJSC, the U.A.E.'s biggest developer, Jebel Ali Free Zone, an operator of business parks, DIFC Investments and Dubai Holding Commercial Operations Group LLC. were all cut to below investment-grade ratings by Moody's. DP World Ltd., the Middle East's biggest port operator, and Dubai Electricity & Water Authority were lowered to Baa2, two levels above junk.

S&P, which doesn't rate Dubai Electricity & Water, lowered the ratings on the other five companies to BBB+ or BBB-, three levels and one level above junk, respectively. S&P and Moody's said they may cut the ratings further.

The debt "restructuring may be considered a default under our default criteria," S&P said in a statement.

'No Clarity'

Investor concern is growing because the emirate hasn't disclosed how it will pay more than \$9 billion of debt coming due in the next four months. Dubai said yesterday it borrowed \$5 billion from Abu Dhabi government-controlled banks, half the \$10 billion Dubai ruler Sheikh Mohammed Bin Rashid <http://search.bloomberg.com/search?q=Sheikh+Mohammed+Bin+Rashid&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:dl> Al-Maktoum said he planned to raise by yearend.

"There is no clarity about what exactly is happening," said Emad Mostaque <http://search.bloomberg.com/search?q=Emad+Mostaque&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:dl>, a London-based Middle East equity-fund manager for Pictet Asset Management Ltd., which oversees more than \$100 billion globally. "They have to clarify if there is going to be a voluntary rollover or if there is going to be a forced rollover. If there is a forced rollover it will mean technical default. If they don't clear this up then the whole market will want to sell."

Dubai, the second biggest of seven sheikhdoms that make up the United Arab Emirates, and home to the world's tallest tower <<http://www.burjdubai.com/>> and the biggest man-made islands, suffered the world's steepest property slump in the global credit crisis as home prices fell 50 percent from their 2008 peak, according to Deutsche Bank. UBS AG predicted a further 30 percent drop in a report last week.

Abu Dhabi

Sheikh Mohammed <http://search.bloomberg.com/search?q=Sheikh+Mohammed&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:dl> turned to Abu Dhabi, the capital of the U.A.E. and holder of the world's sixth-largest crude oil reserves, in February for a \$10 billion bailout. The central bank, headquartered in Abu Dhabi, bought all of the 4 percent, five-year securities that Dubai sold on Feb. 23 and the emirate's credit default swaps dropped 178 basis points that day, after trading for a record 976 basis points.

Dubai's ruler said Nov. 9 the emirate's bond program to raise a further \$10 billion will be "well received," and those who doubt the unity of Dubai and Abu Dhabi should "shut up." Abu Dhabi, the U.A.E.'s capital, is owner of the world's biggest sovereign wealth fund <<http://www.adia.ae/>> and holds almost all of its oil.

Sheikh Mohammed last week removed the chairmen of Dubai Holding LLC and Dubai World, two large state-owned business groups, as well as the head of Emaar Properties <<http://www.bloomberg.com/apps/quote?ticker=EMIRATES%3AUH>> from the board of the Investment Corp. of Dubai <<http://www.icd.gov.ae/>>, the emirate's main holding company. He also ejected the governor of the Dubai International Financial Centre, Omar Bin Sulaiman <http://search.bloomberg.com/search?q=Omar+Bin+Sulaiman&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:dl>, who had led efforts to transform Dubai into the Middle East finance hub.

Repayment Schedule

Abu Dhabi government-controlled banks, National Bank of Abu Dhabi PJSC and Islamic lender Al Hilal Bank bought all \$5 billion of bonds from Dubai's government, Dubai's Department of Finance said in an e-mailed statement yesterday.

Dubai will draw down \$1 billion from the bonds sold to the Abu Dhabi banks to provide funding through a sale of securities to National Bank of Abu Dhabi PJSC and Islamic debt, or sukuk,

to Al Hilal.

Dubai owes \$4.3 billion next month and another \$4.9 billion in the first quarter of 2010 through government and corporate debt, Deutsche Bank AG data show. The government raised \$1.93 billion last month in its first sale of Islamic bonds, attracting more than \$6.3 billion of orders.

Dubai World had \$59.3 billion in liabilities at the end of last year, its subsidiary Nakheel Development Ltd., said in a statement posted on the Nasdaq Dubai Web site Aug. 20. It didn't provide a breakdown. The company had total assets of \$99.6 billion at the end of 2008 and total revenue of \$14.2 billion, according to the statement.

DP World

Some \$18 billion of Dubai World's debt is with units such as DP World that have enough cashflow to service their obligations, two bankers familiar with the group's finances, who declined to be identified, said last month. The remaining debt amounts to \$22 billion, they said.

Credit-default swaps on DP World jumped by a record 163 basis points to 522 basis points, according to CMA data. The price of Nakheel's bonds fell to 86 cents on the dollar yesterday from 110.5 the day before, according to Citigroup Inc. prices on Bloomberg.

Dubai's Supreme Fiscal Committee hired Deloitte LLP to lead the restructuring of Dubai World debt, the Department of Finance said. Deloitte's Aidan Birkett <http://search.bloomberg.com/search?q=Aidan+Birkett&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:dl> , managing partner for corporate finance, was assigned.

Saudia Arabia, Qatar

"The Dubai Financial Support Fund, working with the chief restructuring officer, will start to assess and evaluate the extent of the restructuring required," the Dubai Department of Finance said in a statement. "As a first step, Dubai World intends to ask all providers of financing to Dubai World and Nakheel to 'standstill' and extend maturities until at least May 30."

Credit-default swaps linked to Abu Dhabi rose 34.5 basis points to 134.5, according to CMA prices in London. The cost of the contracts increased throughout the Middle East, with Saudi Arabia climbing 11.5 to 86.5 basis points and Qatar rising 5.5 basis points to 99, according to CMA.

The swap contracts pay the buyer face value in exchange for the underlying securities or the cash equivalent should a company fail to adhere to its debt agreements. A basis point is 0.01 percentage point and is equivalent to \$1,000 a year on a contract protecting \$10 million of debt.

The cost of Dubai's contracts is 51 basis points more than for Iceland, where the failure of the banking system triggered the collapse of the currency and economy last year.

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