

MANAGEMENT REPORT

The Board of Directors of Dubai Holding Commercial Operations Group LLC (the “Company”) is pleased to submit the consolidated balance sheet of the Company as of 31 December 2008, and the accompanying consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year ended 31 December 2008.

Principal activities

The Company is the holding company of a diverse group of companies with principal operations covering domestic and international real estate, hospitality and leisure, telecommunications and media. It is one of the largest infrastructure and property development companies in Dubai and the Middle East. The Company is instrumental in the execution of the Government of Dubai’s economic agenda of (i) diversifying the economy away from the oil industry into real estate, tourism, media and telecommunications; (ii) enhancing the role of the private sector and further promoting foreign investment; (iii) allowing foreigners to own property on a freehold and long term lease basis; and (iv) establishing free zones aimed at attracting foreign entities to set up offices in Dubai for their regional operations.

Financial results

The Company made stable progress in the year recording robust growth in total assets from AED 140 billion at year-end 2007 to over AED 171 billion at the end of 2008. Shareholder equity grew by 23% from AED 30 billion at year-end 2007 to AED 37 billion at the end of 2008.

The Company achieved total operating revenue of AED 13.6 billion in 2008 lower by 32% from AED 19.9 billion in 2007. This decrease is mainly due to lower real estate revenue from the sale of property. Revenue from the sale of property is recognized on handover of the asset to the customer. As a result revenue reflects a cyclical trend, increasing in years when projects are completed and handed over. In 2007, real estate revenue was higher mainly due to the handover of Jumeirah Beach Residence where revenue recognized was AED 5.1 billion.

Leasehold revenue has increased from AED 1.2 billion in 2007 to AED 1.4 billion in 2008, an increase of 17%. Hospitality and leisure revenue has also increased from AED 2.8 billion in 2007 to AED 3.1 billion, an increase of 11%. Commercial and media related revenue has increased from AED 502 million in 2007 to AED 648 million in 2008, an increase of 29%.

The release of government grant income represents significant progress on projects under development and accordingly reflected as income released to the income statement. Due to the significant advancement in the pace of projects' development, there was an increase of approximately 92% in income from release of government grant.

As a result of the global economic slowdown, the real estate market in Dubai has also been affected and experienced a correction in the overall real estate sector. This has resulted in the Company rescheduling certain projects to ensure financial viability and availability of funding resources, and accordingly necessitated taking certain provisions against the carrying value of these projects. These provisions totaled AED 10.4 billion.

Net profit for the year 2008 was AED 9.8 billion lower by 29% as compared with 2007 of AED 13.9 billion.

Outlook for 2009

We are confident that the Company would be able to have another year of stable performance in 2009 while it continues to focus on meeting its operational and financial objectives for the year. The Company's liquidity position is expected to remain strong coupled with an extended debt maturity profile, which does not pose a risk of refinancing in the current market environment.



Ali Tabbal
Chief Financial Officer

14/5/2009