

IMPORTANT NOTICE

THIS PROSPECTUS IS AVAILABLE ONLY TO (1) QUALIFIED INSTITUTIONAL BUYERS WHO ARE ALSO QUALIFIED PURCHASERS (EACH DEFINED BELOW) OR (2) CERTAIN PERSONS OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the prospectus following this notice (the “**Prospectus**”), and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer, the Guarantor or the Joint Lead Managers (each as defined in the Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER THE SECURITIES NOR THE GUARANTEES DESCRIBED IN THE PROSPECTUS HAVE BEEN, OR WILL BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTIONS AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S., EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE ISSUER IS NOT, AND WILL NOT BE, REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “**INVESTMENT COMPANY ACT**”). THIS PROSPECTUS MAY ONLY BE COMMUNICATED TO PERSONS IN THE UNITED KINGDOM IN CIRCUMSTANCES WHERE SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 DOES NOT APPLY.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers (“**QIBs**”) (within the meaning of Rule 144A under the Securities Act) who are also Qualified Purchasers (“**QPs**”) (within the meaning of the Investment Company Act), or (2) non-U.S. persons within the meaning of Regulation S under the Securities Act outside the U.S. The Prospectus is being sent at your request and by accepting this e-mail and accessing the Prospectus, you shall be deemed to have represented to the Issuer, the Guarantor and the Joint Lead Managers that (1) you and any customers you represent are either (a) QIBs who are also QPs or (b) non-U.S. persons within the meaning of Regulation S under the Securities Act outside the U.S., (2) unless you are a QIB who is also a QP, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S., (3) you are a person who is permitted under applicable law and regulation to receive the Prospectus and (4) you consent to delivery of the Prospectus by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Guarantor and the Joint Lead Managers. Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PROSPECTUS

WAHA AEROSPACE B.V.

(incorporated with limited liability in the Netherlands, having its corporate seat in Amsterdam)

U.S.\$1,500,000,000 3.925 per cent. Guaranteed Bonds due 2020

unconditionally and irrevocably guaranteed by



Emirate of Abu Dhabi

Issue Price: 100 per cent.

The U.S.\$1,500,000,000 3.925 per cent. Guaranteed Bonds due 2020 (the “**Bonds**”) are being offered (i) inside the United States to persons who are both “qualified institutional buyers” in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and “qualified purchasers” within the meaning of Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and the rules and regulations thereunder (such Bonds, the “**Rule 144A Bonds**”) and (ii) outside the United States to non-U.S. persons, within the meaning of, and in reliance on Regulation S under the Securities Act (such Bonds, the “**Regulation S Bonds**”).

Waha Aerospace B.V. (the “**Issuer**”) will pay interest on the Bonds semi-annually in arrear on 28 January and 28 July in each year (each an “**Interest Payment Date**”). The first such payment will be made on 28 January 2011. The Issue Price set forth above does not include accrued interest, if any. Interest on the outstanding principal amount of the outstanding Bonds will accrue from and including 28 July 2010 (the “**Issue Date**”). Except as set forth herein, payments in respect of the Bonds will be made without any deduction or withholding for or on account of taxes of the United Arab Emirates (“**UAE**”), the Emirate of Abu Dhabi or The Netherlands or any political subdivision thereof or any authority therein or thereof having power to tax.

The Bonds will be redeemed in instalments on each Interest Payment Date commencing on the Interest Payment Date falling on 28 January 2011. The instalment amounts are set out in Condition 6(b). In addition, the Issuer may, at its option, redeem all, but not some only of the outstanding Bonds at any time at their outstanding principal amount, plus any accrued interest, in the event of certain tax changes as described in Condition 6(c). Unless previously redeemed or purchased and cancelled, the outstanding Bonds will be redeemed at their then outstanding principal amount on 28 July 2020. See “*Terms and Conditions of the Bonds*”.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) for the Bonds to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Bonds to be admitted to trading on the London Stock Exchange’s regulated market. References in this Prospectus to Bonds being “**listed**” (and all related references) shall mean that the Bonds have been admitted to the Official List and have been admitted to trading on the London Stock Exchange’s regulated market. The London Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

Prospective investors should review the factors described under the section headed “Risk Factors” in this Prospectus.

Neither the Bonds nor the guarantees of the Bonds (the “**Guarantees**”) have been or will be registered under the Securities Act or any U.S. state securities laws and the Bonds may not be offered or sold in the United States unless an exemption from the registration requirements of the Securities Act is available and the offer or sale is made in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (“**Regulation S**”) and within the United States only to persons who are both “qualified institutional buyers” (“**QIBs**”) in reliance on Rule 144A under the Securities Act (“**Rule 144A**”) and “qualified purchasers” (“**QPs**”) within the meaning of Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder. The Issuer has not registered and does not intend to register as an investment company under the Investment Company Act. For a description of certain restrictions on transfers of the Bonds, see “*Transfer Restrictions*”.

It is expected that the Bonds will be rated AA by Fitch Ratings Ltd. (“**Fitch**”), AA by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Inc. (“**Standard & Poor’s**”) and Aa2 by Moody’s Investors Service Ltd. (“**Moody’s**”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The Bonds will be offered and sold in denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof. The Regulation S Bonds will initially be represented by interests in an unrestricted global bond certificate in registered form (the “**Regulation S Global Bond Certificate**”), without interest coupons, which will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on the Issue Date. Beneficial interests in the Regulation S Global Bond Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg and their direct and indirect participants. The Rule 144A Bonds will initially be represented by one or more restricted global bond certificates in registered form (the “**Rule 144A Global Bond Certificates**”) and, together with the Regulation S Global Bond Certificate, the “**Global Bond Certificates**”), without interest coupons, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company (“**DTC**”) on the Issue Date. Beneficial interests in the Rule 144A Global Bond Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. See “*Clearing and Settlement*”. Individual definitive bond certificates in registered form (“**Individual Certificates**”) will only be available in certain limited circumstances as described herein.

Joint Lead Managers

**Deutsche Bank
Nomura International**

**J.P. Morgan
Société Générale Corporate & Investment
Banking**

22 July 2010

This Prospectus comprises a prospectus for the purposes of Article 5 of Directive 2003/71/EC (the “Prospectus Directive”).

The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of each of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information under the headings “Risk Factors”, “Economy of Abu Dhabi”, “Balance of Payments and Foreign Trade”, “Monetary and Financial System”, “Public Finance”, “Indebtedness” and “Clearing and Settlement” has been extracted from information provided by The International Monetary Fund (in the case of “Risk Factors”, “Balance of Payments and Foreign Trade” and “Monetary and Financial System”), the Statistics Centre – Abu Dhabi (in the case of “Economy of Abu Dhabi”), the United Arab Emirates National Bureau of Statistics (in the case of “Economy of Abu Dhabi”), The Organisation of the Petroleum Exporting Countries (in the case of “Economy of Abu Dhabi”), The UAE Central Bank (in the case of “Balance of Payments and Foreign Trade” and “Monetary and Financial System”), Abu Dhabi Tourism Authority (in the case of “Economy of Abu Dhabi”), Abu Dhabi National Oil Company (in the case of “Risk Factors” and “Balance of Payments and Foreign Trade”), the Abu Dhabi Securities Exchange (in the case of “Monetary and Financial System”), the Abu Dhabi Customs Department (in the case of “Balance of Payments and Foreign Trade”), the Abu Dhabi Department of Finance (in the case of “Public Finance” and “Indebtedness”), Bloomberg (in the case of “Monetary and Financial System”) and the clearing systems referred to in “Clearing and Settlement” (in the case of “Clearing and Settlement”). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by each of the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of the Bonds may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Joint Lead Managers which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. For a description of certain further restrictions on offers and sales of Bonds and distribution of this Prospectus, see “Subscription and Sale”.

No person is or has been authorised by the Issuer, the Guarantor or the Joint Lead Managers to provide any information or to make any representation not contained in or not consistent with this Prospectus and any information or representation not so contained or not so consistent must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer and the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial or other condition or affairs of the Issuer or the Guarantor during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of this Prospectus or for any other statement consistent therewith, made or purported to be made by a Joint Lead Manager or on its behalf in connection with the issue and offering of the Bonds or the giving of the Guarantees. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or

contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Bonds or possess this Prospectus. Any consents or approvals that are needed in order to purchase any Bonds must be obtained. The Issuer, the Guarantor and the Joint Lead Managers are not responsible for compliance with these legal requirements. The appropriate characterisation of the Bonds under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase the Bonds, is subject to significant interpretative uncertainties.

In connection with the issue of the Bonds, the Joint Lead Managers (the “Stabilising Managers”) (or any person acting on behalf of any Stabilising Manager) may over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that any of the Stabilising Managers (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if commenced, may be discontinued at any time and must be brought to an end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Managers (or any person acting on behalf of any Stabilising Manager) in accordance with all applicable laws, regulations and rules.

This Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs who are also QPs for informational use solely in connection with the consideration of the purchase of the Bonds. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Each purchaser or holder of interests in the Bonds will be deemed, by its acceptance or purchase of any such Bonds, to have made certain representations and agreements as set out in “*Transfer Restrictions*”.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY ANY JOINT LEAD MANAGER OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS PROSPECTUS, AND NOTHING CONTAINED IN THIS DOCUMENT IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. NONE OF THE JOINT LEAD MANAGERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS PROSPECTUS. EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON THE JOINT LEAD MANAGERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION OR ITS INVESTMENT DECISION. EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN THE BONDS MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF THE ISSUER AND THE GUARANTOR AND ITS OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE

CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Bonds that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 28 July 2010 (the “**Deed Poll**”) to furnish, upon the request of a holder of such Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is not a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

U.S. INFORMATION

This Prospectus has been prepared by the Issuer and the Guarantor for use in connection with the offer and sale of the Bonds outside the United States, the resale of the Bonds in the United States in reliance on Rule 144A under the Securities Act and Section 3(c)(7) of the Investment Company Act (“Section 3(c)(7)”) and the rules and regulations thereunder and the admission of the Bonds to the Official List and to trading on the London Stock Exchange’s regulated market. The Issuer, the Guarantor and the Joint Lead Managers reserve the right to reject any offer to purchase the Bonds, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any QIB who is also a QP and to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any QIB who is also a QP in the United States to any U.S. person or to any other person within the United States, other than any QIB who is also a QP and those persons, if any, retained to advise such non-U.S. person or QIB who is also a QP with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer and the Guarantor of any of its contents to any such U.S. person or other person within the United States, other than any QIB who is also a QP and those persons, if any, retained to advise such non-U.S. person or QIB who is also a QP, is prohibited.

NOTICE TO KINGDOM OF BAHRAIN RESIDENTS

The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Prospectus. Each potential investor resident in Bahrain intending to subscribe Bonds (each, a “potential investor”) may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase the Bonds within a reasonable time period determined by the Issuer, the Guarantor and the Joint Lead Managers. Pending the provision of such evidence, an application to subscribe for the Bonds may be rejected in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any potential investors, the Issuer and the Guarantor will comply with Bahrain’s Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and various Ministerial Orders issued thereunder including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions’ Obligations Concerning the Prohibition and Combating of Money Laundering.

NOTICE TO KINGDOM OF SAUDI ARABIA RESIDENTS

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the “Capital Market Authority”).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Bonds should conduct their own due diligence on the accuracy of the information relating to the Bonds. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

FORWARD-LOOKING INFORMATION

This Prospectus contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address the Guarantor’s expected future economic and financial position, economic strategy, budgets and the plans and objectives of the Guarantor, and often contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks” and “will”. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These forward looking statements are based on the Guarantor’s current view with respect to future events and its future results. Although each of the Issuer and the Guarantor believes that the expectations, estimates and projections reflected in these forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer and the Guarantor have otherwise identified in this Prospectus, or if any of the underlying assumptions prove to be incomplete or inaccurate, events relating to the Guarantor and the Guarantor’s actual results may be materially different from those expected, estimated or predicted.

The risks and uncertainties referred to above include, but are not limited to:

External factors, such as

- the impact of changes in the international prices of commodities, including in particular the prices of crude oil and natural gas;
- interest rates in financial markets outside Abu Dhabi;
- present and future exchange rates;
- the impact of changes in the credit rating of Abu Dhabi; and
- economic conditions in Abu Dhabi’s major export markets.

Internal factors, such as

- the volumes of crude oil and natural gas exported from Abu Dhabi;
- domestic inflation;
- changes in political, social, legal or economic conditions in the markets in the UAE;
- foreign currency reserves;
- natural disasters; and
- the levels of foreign direct and portfolio investment.

Any forward looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, each of the Issuer, the Guarantor and the Joint Lead Managers expressly disclaim any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Issuer is a corporation organised under the laws of The Netherlands. All or a substantial portion of the assets of the Issuer are located in The Netherlands. As a result, it may not be possible for investors to effect service of process outside The Netherlands upon the Issuer, or to enforce judgments against it obtained in courts outside The Netherlands predicated upon civil liabilities of the Issuer under laws other than Dutch law, including any judgment predicated upon United States federal securities laws.

The Guarantor is a foreign sovereign state outside the United States and the United Kingdom, and a substantial portion of the assets of the Guarantor are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States and/or the United Kingdom upon the Guarantor or to enforce against it in courts located in the United States or the United Kingdom judgments obtained in such courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States. The Bonds and the Guarantees are governed by English law and disputes in respect of them may be settled under the LCIA Rules in London, England. In addition, actions in respect of the Bonds and the Guarantees may be brought in the English courts.

In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the Abu Dhabi courts are unlikely to enforce an English judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Bonds and the Guarantees. Investors may have difficulties in enforcing any English judgments or arbitration awards against the Issuer or the Guarantor in the Abu Dhabi courts, see “*Risk Factors – Risks Relating to Enforcement*”.

The Bonds and the Guarantees contain provisions permitting any unresolved dispute in relation to them to be referred to arbitration under the Arbitration Rules of the London Court of International Arbitration in London, England. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”) entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Abu Dhabi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. In practice, however, whether the Abu Dhabi courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention has yet to be tested.

There are also limitations on enforcing guarantees in the UAE and uncertainty as to the effectiveness in the UAE of waivers of sovereign immunity. See “*Risk Factors – Risks Relating to Enforcement*”.

PRESENTATION OF STATISTICAL AND OTHER INFORMATION

Presentation of Statistical Information

The statistical information in this Prospectus has been derived from a number of different identified sources. Certain information (principally information relating to the balance of payments and information under the heading “*Monetary and Financial System*”) is only available on a federal basis relating to the entire UAE. All statistical information provided in this Prospectus may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. The data set out in this Prospectus relating to Abu Dhabi’s gross domestic product (“**GDP**”) for 2009 is preliminary and subject to change.

In addition, GDP data for 2008 and the UAE’s balance of payments data for 2009 is not final and may be subject to revision in future periods and certain other historical statistical data set out in this Prospectus may be subject to future adjustment.

Reflecting continuing efforts to improve the quality of the statistics prepared in Abu Dhabi and the UAE, the Abu Dhabi Statistics Centre has recently made significant improvements in the calculation of both GDP and inflation statistics for the emirate, as further described below.

Abu Dhabi’s nominal GDP data was significantly revised in 2008 following an economic survey having been conducted for the first time in that year with a view to quantifying more accurately the emirate’s nominal GDP for 2007. As a result of this survey, Abu Dhabi’s estimated nominal GDP data for 2007 was recalculated as

was the data for prior years in line with the 2007 recalculation. Abu Dhabi's nominal GDP data for 2008 is based on the outcome of an economic survey conducted in 2009 but its 2009 nominal GDP data is estimated pending the results of the 2010 economic survey being collated.

The methodology used for calculating the consumer price index in Abu Dhabi for 2006 and 2007 was amended in conjunction with the IMF and as part of a wider project aimed at significantly improving the quality and timeliness of the UAE's statistical data. In addition, using data obtained from a household income and expenditure survey that was carried out in Abu Dhabi in 2007 and 2008, 10 years after the previous such survey, the Abu Dhabi consumer price index was re-based to 100 in 2007 and the inflation basket in Abu Dhabi was revised to comprise 12 groupings from the previous eight.

In this connection, the GDP data for the UAE as a whole, prepared by the National Bureau of Statistics, may be less accurate to the extent that similar adjustments have not been made in the preparation of GDP data for the other emirates. See *"Risk Factors – Factors That May Affect the Guarantor's Ability to Fulfil its Obligations Under the Guarantees – Statistical Information"*.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed thereto in *"Terms and Conditions of the Bonds"*. In addition, all references in this Prospectus to the **"UAE"** are to the United Arab Emirates and all references to **"Abu Dhabi"** are to the Emirate of Abu Dhabi.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to **"\$"**, **"U.S.\$"**, **"USD"** and **"dollars"** are to U.S. dollars, references to **"dirham"** and **"AED"** are to UAE dirham and references to **"euro"**, **"EUR"** and **"€"** are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

This Prospectus contains a conversion of certain AED amounts into dollars at specified rates solely for the convenience of the reader. These conversions should not be construed as representations that the AED amounts actually represent such dollar amounts or could actually be converted into dollars at the rate indicated. The UAE dirham has been pegged to the U.S. dollar at a fixed exchange rate of AED 3.6725 = U.S.\$1.00 since 22 November 1980 and, unless otherwise indicated, dollar amounts in this Prospectus have been converted from AED at this exchange rate.

References to a billion are to a thousand million.

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OVERVIEW

This overview highlights information contained elsewhere in this Prospectus. It does not contain all the information investors may consider important in making their investment decision. Therefore, investors should read this entire Prospectus carefully, including, in particular, "Risk Factors".

The Offering

Issuer:	Waha Aerospace B.V.
Guarantor:	Emirate of Abu Dhabi
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Bonds and the Guarantor's ability to fulfil its obligations under the Guarantees. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Bonds and the Guarantees.
	An investment in the Bonds involves certain risks. See "Risk Factors".
Issue:	U.S.\$1,500,000,000 3.925 per cent. Guaranteed Bonds due 2020
Issue Price:	100 per cent. of the principal amount of the Bonds
Issue Date:	28 July 2010
Redemption in Instalments:	The Bonds will be redeemed in instalments on each Interest Payment Date commencing on the Interest Payment Date falling on 28 January 2011. The instalment amounts are set out in Condition 6(b).
Redemption for Taxation Reasons:	The Issuer may, at its option, redeem all, but not some only of the outstanding Bonds at any time at their outstanding principal amount, plus any accrued interest, in the event of certain tax changes as described in Condition 6(c).
Final Maturity Date:	Unless previously redeemed or purchased and cancelled, the outstanding Bonds will be redeemed at their then outstanding principal amount on 28 July 2020.
Joint Lead Managers:	Deutsche Bank AG, London Branch J.P. Morgan Securities Ltd. Nomura International plc Société Générale
Fiscal Agent and Principal Paying and Transfer Agent:	Deutsche Bank AG, London Branch
Registrar and Paying and Transfer Agent in respect of the Rule 144A Bonds:	Deutsche Bank Trust Company Americas
Registrar and Paying and Transfer Agent in respect of the Regulation S Bonds:	Deutsche Bank Luxembourg S.A.
Interest:	The Bonds will bear interest from and including 28 July 2010. Interest on the outstanding principal amount of the outstanding Bonds will be payable semi-annually in arrear on 28 January and 28 July in each year, commencing 28 January 2011, at the rate of 3.925 per cent. per annum.

Events of Default:	Events of Default under the Bonds include non-payment of principal for 14 days, non-payment of interest for 30 days, breach of other obligations in respect of the Bonds (which breach is not remedied within 45 days), cross-default of any other indebtedness of the Issuer or the Guarantor and certain events related to insolvency or winding up of the Issuer. The Events of Default are further described in Condition 9.
Negative Pledge:	The terms of the Bonds contain a negative pledge provision binding on the Issuer and the Guarantor as further described in Condition 4.
Form and Denomination:	The Bonds will be issued in registered form, in denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof. The Regulation S Bonds will be represented by the Regulation S Global Bond Certificate and the Rule 144A Bonds will be represented by one or more Rule 144A Global Bond Certificates, in each case without interest coupons. The Global Bond Certificates will be exchangeable for Individual Certificates in the limited circumstances specified in the Global Bond Certificates.
Initial Delivery of Bonds:	On or before the Issue Date, the Regulation S Global Bond Certificate will be deposited with, and registered in the name of BT Globenet Nominees Limited as nominee of, a common depository for Euroclear and Clearstream, Luxembourg and the Rule 144A Global Bond Certificates will be deposited with Deutsche Bank Trust Company Americas as custodian for, and registered in the name of Cede & Co. as nominee of, DTC.
Status of the Bonds:	The Bonds are direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer which rank <i>pari passu</i> , without any preference among themselves and, subject as aforesaid, with all other outstanding present and future unsecured and unsubordinated obligations of the Issuer (save for such exceptions as may be provided by applicable legislation).
Guarantees:	The Bonds are unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantees constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Guarantor and shall at all times rank <i>pari passu</i> and without any preference among themselves and, subject as aforesaid, with all other outstanding present and future unsecured and unsubordinated obligations of the Guarantor (save for such exceptions as may be provided by applicable legislation).
Meetings of Bondholders:	The terms of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions are further described in Condition 12.
Listing:	Application has been made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for the Bonds to be admitted to trading on the London Stock Exchange's regulated market.
Selling Restrictions:	United States (Regulation S category 1, Rule 144A and Section 3(c)(7)), United Kingdom, United Arab Emirates, Dubai International Financial Centre, the Kingdom of Saudi Arabia and the Kingdom of Bahrain. See " <i>Subscription and Sale</i> ".
Governing Law:	The Bonds and the Guarantees, and any non-contractual obligations arising out of or in connection with the Bonds and the Guarantees, are governed by and construed in accordance with English law.

Use of Proceeds:	The Issuer intends to use the net proceeds of the issue of the Bonds to repay approximately U.S.\$640 million in short-term indebtedness (including accrued interest) incurred by it under a loan facility entered into with, among others, the Joint Lead Managers. The remainder of the net proceeds will be used by the Issuer to finance the further payments to be made by the Issuer under the Usage Payment Agreement up to and including 30 September 2011 and, pending such payments falling due, the Issuer intends to invest any such unutilised proceeds in term deposits with one or more Abu Dhabi banks. See “ <i>Use of Proceeds</i> ”.
Ratings:	It is expected that the Bonds will be rated AA by Fitch, AA by Standard & Poor’s and Aa2 by Moody’s. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
Security Codes:	The Common Code, ISIN and WKN for the Regulation S Bonds and the Common Code, ISIN, CUSIP number and WKN for the Rule 144A Bonds are as follows: <i>Regulation S Bonds</i> Common Code: 052872162 ISIN: XS0528721623 WKN: A1AZEAA <i>Rule 144A Bonds</i> Common Code: 052897980 ISIN: US 92928BAA98 CUSIP: 92928BAA9 WKN: A1AZEB
Clearing:	Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Bonds) and DTC (in the case of the Rule 144A Bonds).

RISK FACTORS

Each of the Issuer and the Guarantor believe that the following factors may affect its ability to fulfil its obligations under the Bonds and the Guarantees, respectively. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Bonds and the Guarantees are also described below.

Each of the Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer or the Guarantor to pay principal, interest or other amounts on or in connection with the Bonds may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors That May Affect the Guarantor's Ability to Fulfil its Obligations Under the Guarantees

Political and Economic Issues

Although Abu Dhabi and the UAE enjoy domestic political stability and generally healthy international relations, there is a risk that regional geopolitical instability could impact the country. Within the Middle East, there is currently conflict in Iraq and between Israel and certain factions operating in the Palestinian territories. In addition, relations between the United States and Syria and Iran are currently poor. Further, there is a risk that regional militant groups could begin to target foreign nationals or businesses, or government ministers, in the UAE and Abu Dhabi in particular. Abu Dhabi is dependent on expatriate labour and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to the emirate. These steps make it potentially more vulnerable should regional instability increase or foreign militants commence operations in the emirate.

Abu Dhabi's economy is significantly impacted by international oil prices. The oil and gas sector accounted for approximately 49.4 per cent. of Abu Dhabi's nominal GDP in 2009. Abu Dhabi's economy would therefore be adversely impacted by a sustained period of low world oil prices. During the second half of 2008 and into 2009, based on information provided by Abu Dhabi National Oil Company ("ADNOC"), oil prices fell by approximately 70 per cent. from their peak level of U.S.\$137.35 per barrel of Murban crude oil reached in July 2008 to a low of around U.S.\$42.10 per barrel in December 2008. Since then, the price per barrel of Murban crude oil has increased and it stood at U.S.\$76.10 per barrel in December 2009 and U.S.\$74.80 per barrel in May 2010.

In addition, the credit crisis in the global financial markets and the deterioration in the global economic outlook led to a general reduction in liquidity and available financing and generally increased financing costs from the levels prevailing prior to the crisis. These events have adversely affected Abu Dhabi and the UAE in a number of ways. First, Abu Dhabi's nominal GDP in 2009 declined by 18.0 per cent. compared to 2008, principally reflecting a decrease of 33.5 per cent. in the contribution of the oil and gas sector. Second, the UAE's trade surplus declined from AED 231.1 billion in 2008 to AED 54.8 billion in 2009, principally reflecting the reduced value of hydrocarbon exports and its current account balance was additionally impacted as a result of declining services receipts and lower investment income. Third, Abu Dhabi recorded a fiscal deficit in 2009 of AED 126.5 billion compared to a fiscal surplus in 2008 of AED 89.9 billion and has budgeted for a fiscal deficit of AED 84.9 billion in 2010.

Contingent Liabilities

The government of Abu Dhabi has in the past provided significant financial support to companies in which it has ownership interests and other systemically important entities, including, in 2009, AED 16 billion in capital injections to the five major banks in the emirate. In 2009, the government of Abu Dhabi made available a loan facility of up to U.S.\$10 billion, directly and through two Abu Dhabi-based banks, to the government of Dubai, the majority of which has been drawn. Although it has no legal obligation to do so, the government of Abu Dhabi may, in the future, choose to provide additional financial support to emirati governments and Abu Dhabi government-owned or systemically important companies if they were faced with difficulties that threatened the reputation or economic health of Abu Dhabi or the UAE. Such support could be significant in the context of Abu Dhabi's annual budget.

Statistical Information

The statistical information in this Prospectus has been derived from a number of different identified sources. Certain information (for example information relating to the balance of payments and information under the heading “*Monetary and Financial System*”) is only available on a federal basis relating to the entire UAE. All statistical information provided in this Prospectus may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. The International Monetary Fund, in recent Article IV Consultations, has identified a number of weaknesses in the statistical information prepared in relation to the UAE including with respect to data quality, coverage, periodicity, timeliness and inter-sectoral consistency. These weaknesses will have impacted the statistical data included in this Prospectus.

Reflecting continuing efforts to improve the quality of the statistics prepared in Abu Dhabi and the UAE, the Abu Dhabi Statistics Centre has recently made significant adjustments in the calculation of both GDP and inflation statistics for the emirate and these adjustments have significantly impacted data previously published, see “*Economy of Abu Dhabi – Gross Domestic Product*” and “*Economy of Abu Dhabi – Inflation*”. No assurance can be given that further significant revisions to any of the historical statistics set out in this Prospectus will not be made by the relevant authorities in Abu Dhabi or the UAE.

Factors That May Affect the Issuer’s Ability to Fulfil its Obligations Under the Bonds

The Issuer has a Limited Operating History and its Assets are and will be Limited to its Rights under Usage Payment Agreements Entered into by it

As at the date of this Prospectus, the Issuer is a recently-established company with limited liability incorporated under the laws of The Netherlands on 9 December 2009 and only has a very limited operating history. The Issuer has agreed with the Guarantor that it will not engage in any business activity other than (i) entering into usage payment agreements with the Guarantor and one or more other entities connected with the Guarantor, (ii) borrowing money to finance its obligations under such agreements, including through the issue of bonds and (iii) other activities incidental or related to the foregoing.

Under each usage payment agreement entered into, the Issuer typically expects to make one or more payments to its counterparty (which may be the Guarantor or one or more other entities or government departments connected with the Guarantor) to enable the counterparty to purchase certain assets in return for a future income stream in respect of the use of such assets. See “*Use of Proceeds*”. The Issuer is not expected to have any income other than income arising under any such usage payment agreements, which will be the only material sources of funds available to the Issuer to pay interest on and to repay the moneys borrowed by it, including the payment of principal and interest on the Bonds.

Factors Which Are Material for the Purpose of Assessing the Market Risks Associated with the Bonds

Bonds May Not be a Suitable Investment for All Investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the related Guarantees, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds including where the currency for interest or principal payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Bonds and the related Guarantees and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Risks Related to the Bonds Generally

Modification

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities (either 75 per cent. of holders present in the case of Extraordinary Resolutions, or 66.67 per cent. in the case of Ordinary Resolutions, in each case subject to varying quorum requirements) to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Bonds also provide that the Bonds and such Conditions may be amended by the Issuer and the Guarantor without the consent of the Bondholders to correct a manifest error. In addition, in respect of the Agency Agreement, the parties thereto, and in respect of the Deed Poll, the Issuer, may, in each case, agree to modify any provision thereof, but neither the Issuer nor the Guarantor shall agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or if to do so could reasonably be expected to be not materially prejudicial to the interests of the Bondholders.

The Bonds may be Redeemed Prior to their Final Maturity Date for Tax Reasons

If the Issuer becomes obliged to pay any additional amounts in respect of the Bonds as provided or referred to in Condition 8, as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of this Prospectus, the Issuer may redeem all but not some only of the outstanding Bonds at their outstanding principal amount plus any accrued interest in accordance with Condition 6(c).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or to certain other persons resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Guarantor nor any Paying and Transfer Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a Paying and Transfer Agent with its specified office in a Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing the Directive or any other directive implementing the conclusions of the ECOFIN Council Meeting of 26–27 November 2000.

Change of Tax Law

Statements in this Prospectus concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors. In addition, any change in legislation or practice in a relevant jurisdiction could adversely impact (i) the ability of the Issuer and the Guarantor to service the Bonds; and (ii) the market value of the Bonds.

Change of Law

The Terms and Conditions of the Bonds are based on English law in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the Issue Date.

Investors in the Bonds must Rely on DTC, Euroclear and Clearstream, Luxembourg Procedures

The Bonds will be represented on issue by Global Bond Certificates that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and a custodian for DTC, respectively. Except in the circumstances described in each Global Bond Certificate, investors will not be entitled to receive Individual Certificates. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Bond Certificate held through it. While the Bonds are represented by a Global Bond Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Bonds are represented by the Global Bond Certificates, the Issuer and the Guarantor will discharge their respective payment obligations under the Bonds and the Guarantees by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Bond Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Bonds. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Bond Certificate.

Holders of beneficial interests in a Global Bond Certificate will not have a direct right to vote in respect of the Bonds so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks Relating to Enforcement

Investors may Experience Difficulties in Enforcing Arbitration Awards and Foreign Judgments in Abu Dhabi

The payments under the Bonds are dependent upon the Issuer (failing which, the Guarantor) making payments to investors in the manner contemplated under the Bonds or the Guarantees, as the case may be. If the Issuer and subsequently the Guarantor fail to do so, it may be necessary to bring an action against the Guarantor to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

Under current UAE law, the Abu Dhabi courts are unlikely to enforce an English or United States court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the UAE, may not accord with the perception of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in Abu Dhabi. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

The Bonds, the Guarantees, the Agency Agreement and the Deed Poll (each as defined in “*Terms and Conditions of the Bonds*”) are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the London Court of International Arbitration in London, England.

The New York Convention entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Abu Dhabi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. In practice, however, whether the Abu Dhabi courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention has yet to be tested.

There are Limitations on the Effectiveness of Guarantees in the UAE and Claims under a Guarantee may be Required to be Made Within a Prescribed Period

As described above, the Abu Dhabi courts are unlikely to enforce an English or United States judgment without re-examining the merits of the claim, including the validity of the obligations of the parties contained in the underlying documentation. If an Abu Dhabi court were to re-examine the merits of a claim made against the Guarantor for payment under the Guarantees, notwithstanding that the Guarantees are governed by English law, the Abu Dhabi court may interpret the Guarantees in light of UAE law principles rather than English law principles.

In order to enforce a guarantee under the laws of the UAE, the underlying debt obligation for which such guarantee has been granted may need to be proved before the Abu Dhabi courts. In addition, under the laws of the UAE, the obligation of a guarantor is incidental to the obligations of the principal debtor, and the obligations of a guarantor will only be valid to the extent of the continuing obligations of the principal debtor (notwithstanding anything to the contrary included in the relevant guarantee). The laws of the UAE do not contemplate a guarantee by way of indemnity of the obligations of the debtor by the guarantor and instead contemplate a guarantee by way of suretyship. Accordingly, it is not possible to state with any certainty whether a guarantor could be obliged by the Abu Dhabi courts to pay a greater sum than the debtor is obliged to pay or to perform an obligation that the debtor is not obligated to perform.

Consequently, were an Abu Dhabi court to re-examine the merits of a claim made against the Guarantor for payment under the Guarantees, if the Issuer's obligation to make payment under the Bonds cannot be proven to the satisfaction of the Abu Dhabi court, the court may conclude that there is no obligation on the Guarantor to make payment in the full amount claimed under the Guarantees.

Furthermore, notwithstanding that the Bonds and the Guarantees are governed by English law, if an Abu Dhabi court were to apply UAE law principles when assessing a claim in respect of the Guarantees, the Guarantor may be released from its obligations under the Guarantees if the relevant claim is not made within six months of payment becoming due under the Guarantees.

The Guarantor's Waiver of Immunity may not be Effective under the Laws of the UAE

The Guarantor has waived its rights in relation to sovereign immunity; however, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Guarantees and the Agency Agreement are valid and binding under the laws of the UAE that are applicable in Abu Dhabi.

Claims for Specific Enforcement

In the event that the Issuer or the Guarantor fails to perform its obligations under the Bonds and/or the Guarantees, the potential remedies available to the Bondholders include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific performance of a contractual obligation.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Bondholders to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Issuer to perform its obligations under the Bonds or the Guarantor to perform its obligations under the Guarantees.

Risks Related to the Market Generally

The Secondary Market Generally

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Investors should note that a lack of liquidity, in particular, can have a severe adverse effect on the market value of the Bonds. Accordingly, the purchase of Bonds is suitable only for investors who can bear the risks associated with a lack of liquidity in the Bonds and the financial and other risks associated with an investment in the Bonds.

Exchange Rate Risks and Exchange Controls

The Issuer will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest Rate Risks

The Bonds pay a fixed rate of interest, and an investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Legal Investment Considerations May Restrict Certain Investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Credit Ratings May Not Reflect All Risks

The Bonds are expected to be assigned a credit rating of AA by Fitch, AA by Standard & Poor's and Aa2 by Moody's. A credit rating is not a recommendation to buy, sell or hold the Bonds. Credit ratings are subject to revision or withdrawal at any time by the assigning rating agency. It is not certain that any credit rating will remain for any given period of time or that any credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. The Issuer and the Guarantor have no obligation to inform Bondholders of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to the Bonds may adversely affect the market price of the Bonds.

TERMS AND CONDITIONS OF THE BONDS

The issue of the U.S.\$1,500,000,000 3.925 per cent. Guaranteed Bonds due 2020 (the “**Bonds**”) was authorised by a resolution of the Board of Directors of Waha Aerospace B.V. (the “**Issuer**”) passed on 15 July 2010, and the guarantee of the Bonds by the Emirate of Abu Dhabi (the “**Guarantor**”) has been duly authorised. A fiscal agency agreement dated 28 July 2010 (the “**Agency Agreement**”) has been entered into in relation to the Bonds between the Issuer, the Guarantor, Deutsche Bank AG, London Branch as fiscal agent and principal paying and transfer agent, Deutsche Bank Trust Company Americas and Deutsche Bank Luxembourg S.A. as registrars and paying and transfer agents, and the other paying and transfer agent(s) named in it. The fiscal agent and principal paying and transfer agent, the registrars and the paying and transfer agents for the time being are referred to below respectively as the “**Fiscal Agent**”, the “**Registrars**” and the “**Paying and Transfer Agents**” (which expression shall include the Fiscal Agent). The Agency Agreement includes the form of the Bonds. The holders of the Bonds (the “**Bondholders**”) are entitled to the benefit of a deed poll dated 28 July 2010 and made by the Issuer (the “**Deed Poll**”). The original of the Deed Poll is held by the Fiscal Agent on behalf of the Bondholders at its specified office. Copies of the Agency Agreement and the Deed Poll are available for inspection during normal business hours at the specified offices of the Paying and Transfer Agents. The Bondholders are deemed to have notice of all the provisions of the Agency Agreement and the Deed Poll applicable to them.

1. Form, Denomination and Title

- (a) **Form and denomination:** The Bonds are serially numbered and in registered form in the denomination of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof (an “**authorised denomination**”). The Bonds are represented by registered certificates (the “**Certificates**”) and, save as provided in Condition 3(b), each Certificate shall represent the entire holding of Bonds by the same holder.
- (b) **Title:** Title to the Bonds will pass by transfer and registration as described in Condition 3. The holder (as defined below) of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or the theft or loss of any Certificate representing it or anything written on the Certificate in respect of it (other than a duly executed transfer thereof)) and no person will be liable for so treating the holder. For this purpose, “**holder**” shall mean the person in whose name a Bond is registered in the relevant Register (as defined in Condition 3(a)).

2. Guarantee and Status

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed due payment of all sums expressed to be payable by the Issuer under the Bonds. Its obligations in that respect (the “**Guarantees**”) are set out on each of the Bonds.
- (b) **Status:** The Bonds constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The obligations of the Guarantor under the Guarantees constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Guarantor and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds and of the Guarantor under the Guarantees shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

3. Registration and Transfer of Bonds

- (a) **Registration:** The Issuer will cause a register (each a “**Register**”) to be kept at the specified office of each Registrar on which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers and redemptions of Bonds and all payments in respect thereof. Each Certificate will be numbered serially with an identifying number which will be recorded in the relevant Register.
- (b) **Transfer:** Bonds may, subject to the terms of the Agency Agreement and to Conditions 3(c) and 3(d), be transferred in whole or in part in an authorised denomination by lodging the relevant

Certificate representing the Bonds to be transferred (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the relevant Registrar or any Paying and Transfer Agent.

No transfer of a Bond will be valid unless and until entered on the relevant Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days (as defined in Condition 7(c)), in the place of the specified office of the relevant Registrar, of any duly made application for the transfer of a Bond, deliver a new Certificate representing the Bond to the transferee (and, in the case of a transfer of part only of a Bond, deliver a new Certificate for the untransferred balance of the Bond to the transferor and a new Certificate for the transferred balance of the Bond to the transferee) at the specified office of the relevant Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

- (c) **Formalities free of charge:** Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the relevant Registrar being satisfied with the surrendered Certificate, other documents of title and/or identity of the person making the application and (iii) the regulations referred to in Condition 3(e).
- (d) **Closed periods:** Neither the Issuer nor the Registrars will be required to register the transfer of any Bond (or part thereof) (i) during the period of 15 days ending on and including the day immediately prior to 28 July 2020 (the “**Final Maturity Date**”); or (ii) during the period of 15 days ending on (and including) any Record Date (as defined in Condition 7(a)) in respect of any payment of interest and/or principal on the Bonds.
- (e) **Regulations:** All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer and the Guarantor, with the prior written approval of the Registrars, provided that such change could reasonably be expected to be not materially prejudicial to the interests of the Bondholders. A copy of the current regulations will be made available by the Registrars to any Bondholder upon request.

4. Negative Pledge

So long as any Bond remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto:

- (a) in the case of the Issuer, according to the Bonds the same security as is created by it or which it has outstanding to secure any such Relevant Indebtedness or Relevant Sukuk Obligation, guarantee or indemnity; or
- (b) in the case of the Guarantor, according to the Guarantees the same security as is created by it or which it has outstanding to secure any such Relevant Indebtedness or Relevant Sukuk Obligation, guarantee or indemnity; or
- (c) in the case of either the Issuer or the Guarantor, according to the Bonds or the Guarantees, as the case may be, such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Bondholders.

In these Conditions:

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended

to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

“**Relevant Sukuk Obligation**” means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates, whether or not in return for consideration of any kind, where the trust certificates concerned are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

5. Interest

The Bonds bear interest on their outstanding principal amount from 28 July 2010 at the rate of 3.925 per cent. per annum, payable semi annually in arrear on 28 January and 28 July in each year (each an “**Interest Payment Date**”), commencing on 28 January 2011. Each Bond will cease to bear interest from the due date for redemption unless, upon due surrender, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day after the Fiscal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

The period beginning on 28 July 2010 and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is called an “**Interest Period**”.

6. Redemption and Purchase

- (a) **Final redemption:** Unless previously redeemed or purchased and cancelled as described below, the Bonds will be redeemed at their then outstanding principal amount on the Final Maturity Date subject as provided in Condition 7.
- (b) **Amortisation:** Partial redemption of each Bond will be made on each Interest Payment Date commencing on the Interest Payment Date falling on 28 January 2011. The amount of principal to be redeemed in respect of each U.S.\$1,000 principal amount of the Bonds on each such Interest Payment Date shall be the amount set out in the table below:

Interest Payment Date	Outstanding principal amount of each U.S.\$1,000 principal amount of Bonds on the relevant Interest Payment Date prior to partial redemption (in U.S.\$)	Amount of outstanding principal amount of each U.S.\$1,000 principal amount of Bonds to be repaid on the relevant Interest Payment Date (in U.S.\$)	Outstanding principal amount of each U.S.\$1,000 principal amount of Bonds on the relevant Interest Payment Date after partial redemption (in U.S.\$)
28 January 2011	1,000	50	950
28 July 2011	950	50	900
28 January 2012	900	50	850
28 July 2012	850	50	800
28 January 2013	800	50	750
28 July 2013	750	50	700
28 January 2014	700	50	650
28 July 2014	650	50	600
28 January 2015	600	50	550
28 July 2015	550	50	500
28 January 2016	500	50	450
28 July 2016	450	50	400
28 January 2017	400	50	350

Interest Payment Date	Outstanding principal amount of each U.S.\$1,000 principal amount of Bonds on the relevant Interest Payment Date prior to partial redemption (in U.S.\$)	Amount of outstanding principal amount of each U.S.\$1,000 principal amount of Bonds to be repaid on the relevant Interest Payment Date (in U.S.\$)	Outstanding principal amount of each U.S.\$1,000 principal amount of Bonds on the relevant Interest Payment Date after partial redemption (in U.S.\$)
28 July 2017	350	50	300
28 January 2018	300	50	250
28 July 2018	250	50	200
28 January 2019	200	50	150
28 July 2019	150	50	100
28 January 2020	100	50	50
28 July 2020	50	50	0

- (c) **Redemption for taxation reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their then outstanding principal amount (together with interest accrued to the date fixed for redemption) if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 22 July 2010, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.
- (d) **Notice of redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.
- (e) **Purchase:** The Issuer and the Guarantor may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or the Guarantor, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12(a).
- (f) **Cancellation:** All Bonds redeemed by the Issuer will be cancelled and may not be re-issued or resold. Bonds purchased by the Issuer or the Guarantor may, at the option of the Issuer or the Guarantor, respectively, be cancelled and, if so cancelled, may not be re-issued or resold.
- (g) **Compulsory Sale:** If, at any time, the Issuer determines that any beneficial owner of Bonds, or any account for which such owner purchased Bonds, who is required to be a qualified institutional buyer (a "QIB") within the meaning of Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "Securities Act"), that is also a qualified purchaser (a "QP") within the meaning of Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended, and the rules thereunder is not a QIB that is also a QP, the Issuer may: (i) require such beneficial owner to sell its interest in the Bonds to a person (A) who is a QIB that is also a QP, and who is otherwise qualified to purchase such Bonds in a transaction exempt from registration under the Securities Act; or (B) to a non-U.S. person purchasing the Bonds in an offshore transaction pursuant to Regulation S under the Securities Act; or (ii) require the beneficial owner to sell its interest in such Bond to the Issuer or an affiliate of the Issuer or

transfer its interest in such Bonds to a person designated by or acceptable to the Issuer at a price equal to the lesser of (x) the purchase price paid by the beneficial owner for such Bonds, (y) 100 per cent. of the outstanding principal amount thereof, and (z) the fair market value thereof as determined in good faith by the board of directors of the Issuer. The Issuer has the right to refuse to honour a transfer of interests in such Bonds to a person who is not both a QIB and a QP.

7. Payments

- (a) **Method of payment:** Payment of principal (other than instalments of principal prior to the final instalment) in respect of the Bonds and accrued interest payable on redemption of the Bonds other than on an Interest Payment Date will be made to the persons shown in the relevant Register at the close of business on the Record Date, subject to the surrender of the Certificates representing such Bonds at the specified office of any Paying and Transfer Agent. Payments of interest due on an Interest Payment Date and payments of instalments of principal (other than the final instalment) will be made to the persons shown in the relevant Register at close of business on the Record Date. For this purpose, “**Record Date**” means the fifteenth business day, in New York City and the place of the specified office of the relevant Registrar, before the due date for the relevant payment. Each such payment will be made by transfer to a U.S.\$ account maintained by the payee with a bank in New York City.
- (b) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Delay in payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) as a result of the due date not being a business day or (ii) if the holder is late in surrendering the Certificate representing the relevant Bonds. In these Conditions “**business day**” means a day on which commercial banks and foreign exchange markets are open in the relevant city and (where such surrender is required by these Conditions) in the place of the specified office of the relevant Paying and Transfer Agent to whom the Certificate representing the relevant Bond is surrendered.
- (d) **Registrars and Paying and Transfer Agents:** The initial Registrars and Paying and Transfer Agents and their initial specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying and Transfer Agent and/or any Registrar and appoint additional or other Paying and Transfer Agents, provided that it will maintain (i) a Registrar in respect of the Bonds sold pursuant to Regulation S under the Securities Act, a Registrar in respect of the Bonds sold pursuant to Rule 144A and a Fiscal Agent, (ii) a Paying and Transfer Agent (which may be the Fiscal Agent) having its specified office in a major European city and (iii) a Paying and Transfer Agent (which may be the Fiscal Agent) with its specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC on the taxation of savings income or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000. Notice of any change in the Registrars or the Paying and Transfer Agents or their specified offices will promptly be given to the Bondholders.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds and all payments made by or on behalf of the Guarantor under the Guarantees shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Netherlands, the United Arab Emirates or the Emirate of Abu Dhabi or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

- (a) **Other connection:** to a holder, or to a third party on behalf of a holder, if such holder is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of

his having some connection with The Netherlands (in the case of payments by the Issuer) or the United Arab Emirates or the Emirate of Abu Dhabi (in the case of payments made by the Guarantor) other than the mere holding of the Bond; or

- (b) **Surrendered more than 30 days after the Relevant Date:** surrendered (where surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrender of the Certificate representing such Bond for payment on the last day of such period of 30 days; or
- (c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) **Payment by another Paying and Transfer Agent:** by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by surrendering (where surrender is required) the Certificate representing the relevant Bond to another Paying and Transfer Agent in a Member State of the European Union.

“**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition.

9. Events of Default

If any of the following events occurs and is continuing:

- (a) **Non-payment:** the Issuer fails to pay the principal of, or any interest on, any of the Bonds when due and such failure continues for a period of 14 days in the case of principal and 30 days in the case of interest, and the Guarantor fails to make such payment in full pursuant to the Guarantee within such period; or
- (b) **Breach of other obligations or undertakings:** the Issuer or the Guarantor defaults in performance or observance of or compliance with any of its other obligations or undertakings in respect of the Bonds or the Guarantees and either such default is not capable of remedy or such default (if capable of remedy) is not remedied within 45 days after written notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by any Bondholder; or
- (c) **Cross-default:** (i) the holders of any Indebtedness of the Issuer or the Guarantor accelerate such Indebtedness or declare such Indebtedness to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment or pursuant to an option granted to the holders by the terms of such indebtedness), prior to the stated maturity thereof or (ii) the Issuer or the Guarantor fails to pay in full any principal of, or interest on, any of its Indebtedness when due (after expiration of any applicable grace period) or any guarantee of any Indebtedness of others given by the Issuer or the Guarantor shall not be honoured when due and called upon; provided that the aggregate amount of the relevant Indebtedness or guarantee in respect of which one or more of the events mentioned above in this paragraph (c) shall have occurred equals or exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or
- (d) **Moratorium – Guarantor:** the Guarantor shall enter into an arrangement with its creditors generally for the rescheduling or postponement of its debts, or a moratorium on the payment of principal of, or interest on, all or any part of the Indebtedness of the Guarantor shall be declared; or
- (e) **Enforcement Proceedings – Issuer:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer and, in any such case, the value of such property, assets or revenues is equal to or exceeds (or, if added to the value of other property, assets or revenues falling to be taken into account under this

paragraph (e), would equal or exceed) U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or

- (f) **Security Enforced – Issuer:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer and securing an amount which equals or exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or
- (g) **Insolvency/Moratorium – Issuer:** the Issuer is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or materially all of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or materially all of (or all or materially all of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or materially all of (or of a particular type of) the debts of the Issuer, in each case except for the purpose of, and followed by, a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders; or
- (h) **Winding-up – Issuer:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of, and followed by, a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders; or
- (i) **Unlawfulness or Invalidity:** the validity of the Bonds or the Guarantees is contested by the Issuer or the Guarantor or the Issuer or the Guarantor shall deny any of its respective obligations under the Bonds or the Guarantees, as the case may be, or as a result of any change in, or amendment to, the laws or regulations in The Netherlands, the United Arab Emirates or the Emirate of Abu Dhabi, which change or amendment takes place after 22 July 2010, (i) it becomes unlawful for the Issuer or the Guarantor to perform or comply with any of their respective obligations under or in respect of the Bonds, the Guarantees, the Agency Agreement or the Deed Poll or (ii) any of such obligations becomes unenforceable or invalid; or
- (j) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e) to (h) of this Condition 9; or
- (k) **Guarantees:** any of the Guarantees, or any agreement of the Guarantor pursuant thereto, is not (or is claimed by the Guarantor not to be) in full force and effect,

then the Fiscal Agent shall, upon receipt of written request to the Issuer and the Guarantor at the specified office of the Fiscal Agent from holders of not less than 25 per cent. in aggregate outstanding principal amount of the Bonds, declare all the outstanding Bonds immediately due and payable at their then outstanding principal amount together with accrued interest, without further formality. Upon such declaration by the Fiscal Agent, the Fiscal Agent shall give notice thereof to the Issuer and the Guarantor and to the holders of Bonds in accordance with Condition 14.

If the Issuer or the Guarantor receives notice in writing from the holders of at least 50 per cent. in aggregate outstanding principal amount of the outstanding Bonds to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer or the Guarantor, as the case may be, shall give notice thereof to the Bondholders (with a copy to the Fiscal Agent) whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any other rights or obligations which may have arisen before the Issuer or the Guarantor gives such notice.

In these Conditions:

“Indebtedness” means all obligations, and guarantees or indemnities in respect of obligations, for (i) moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar

instruments), and/or (ii) (to the extent not included in (i) above) any other financing arrangement intended to comply with the principles of Shari'ah, including without limitation, any Relevant Sukuk Obligation.

10. Prescription

Claims in respect of principal and interest will become void unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

11. Replacement of Certificates

If any Certificate representing a Bond is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Meetings of Bondholders, Modification and Waiver

- (a) **Meetings of Bondholders:** The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including, without limitation, the modification of any provision of these Conditions. Any such modification may be made if, having been approved in writing by the Issuer and the Guarantor, it is sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Fiscal Agent upon the request in writing of Bondholders holding not less than 10 per cent. of the aggregate outstanding principal amount of the outstanding Bonds. The quorum at any meeting of Bondholders convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. of the aggregate outstanding principal amount of the outstanding Bonds or, at any adjourned meeting of Bondholders, two or more persons being or representing Bondholders, whatever the aggregate outstanding principal amount of the outstanding Bonds held or represented; provided, however, that any proposals relating to a Reserved Matter may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than 75 per cent. of the aggregate outstanding principal amount of the outstanding Bonds or, at any adjourned meeting, 25 per cent. of the aggregate outstanding principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

If a resolution is brought in writing, such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) **Extraordinary Resolution:** In these Conditions “**Extraordinary Resolution**” means:
- (i) in relation to any Reserved Matter:
 - (A) a resolution passed at a meeting of Bondholders duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the aggregate outstanding principal amount of the outstanding Bonds which are represented at that meeting; or
 - (B) a resolution in writing signed by or on behalf of holders of not less than 75 per cent. of the aggregate outstanding principal amount of the outstanding Bonds; and
 - (ii) in relation to any other matter:
 - (A) a resolution passed at a meeting of Bondholders duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 66.67 per cent. of the aggregate outstanding principal amount of the outstanding Bonds which are represented at that Meeting; or

- (B) a resolution in writing signed by or on behalf of holders of not less than 66.67 per cent. of the aggregate outstanding principal amount of the outstanding Bonds.

(c) **Reserved Matter:** In these Conditions “**Reserved Matter**” means any proposal to:

- (i) change any date, or the method of determining the date, fixed for payment of principal or interest in respect of the Bonds or to reduce the amount of principal or interest payable on any date in respect of the Bonds;
- (ii) effect the exchange or substitution of the Bonds for, or the conversion of the Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate formed or to be formed;
- (iii) reduce or cancel the principal amount of the Bonds;
- (iv) vary the currency in which any payment in respect of the Bonds is to be made;
- (v) amend the status of the Bonds under Condition 2(b);
- (vi) amend the obligation of the Issuer or the Guarantor to pay additional amounts under Condition 8;
- (vii) amend the Events of Default set out in Condition 9;
- (viii) amend the law governing the Bonds and the Guarantees, the arbitration provisions and/or the courts to the jurisdiction of which the Issuer and the Guarantor have submitted in the Bonds and the Guarantees, respectively, the Issuer’s or the Guarantor’s obligation to maintain an agent for service of process in England or the Issuer’s or the Guarantor’s waiver of immunity in respect of actions or proceedings brought by any Bondholder set out in Condition 17;
- (ix) modify the provisions contained in the Agency Agreement concerning the quorum required at any meeting of the Bondholders or any adjournment thereof or concerning the majority required to pass an Extraordinary Resolution or the percentage of votes required for the taking of any action;
- (x) change the definition of “Extraordinary Resolution” or “outstanding” in the Conditions and/or Agency Agreement;
- (xi) instruct any Bondholder or committee appointed on behalf of all Bondholders pursuant to Condition 12(e) to withdraw, settle or compromise any proceeding or claim being asserted pursuant to Condition 9;
- (xii) confer upon any committee appointed pursuant to Condition 12(e) any powers or discretions which the Bondholders could themselves exercise by Extraordinary Resolution;
- (xiii) amend or cancel the Guarantees or amend the status of the Guarantees under Condition 2(b); or
- (xiv) amend this definition.

(d) **Manifest error, etc.:**

The Bonds and these Conditions may be amended by the Issuer and the Guarantor without the consent of the Bondholders to correct a manifest error. In addition, (i) in respect of the Agency Agreement, the parties thereto; and (ii) in respect of the Deed Poll, the Issuer may in each case agree to modify any provision thereof, but neither the Issuer nor the Guarantor shall agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or if to do so could reasonably be expected to be not materially prejudicial to the interests of the Bondholders.

(e) **Bondholders’ representative committee:**

- (i) **Appointment:** The Bondholders may, by a resolution passed at a meeting of Bondholders duly convened and held in accordance with the Agency Agreement by a majority of at least 50 per cent. in aggregate outstanding principal amount of the

outstanding Bonds, or by notice in writing to the Fiscal Agent signed by or on behalf of the holders of at least 50 per cent. in aggregate outstanding principal amount of the outstanding Bonds, appoint any persons as a committee to represent the interests of the Bondholders if any of the following events shall have occurred:

- (A) an Event of Default;
- (B) any event or circumstance which would, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default; or
- (C) any public announcement by the Issuer or the Guarantor to the effect that the Issuer or the Guarantor is seeking or intends to seek a restructuring of the Bonds or the Guarantees (whether by amendment, exchange offer (other than a tender, exchange or similar offer made by the Issuer or the Guarantor (at any time when all amounts payable in respect of the Bonds have been paid in a timely manner) or otherwise).

(ii) **Powers:** Such committee in its discretion may, among other things, (i) engage legal advisers and financial advisers to assist it in representing the interests of the Bondholders, (ii) adopt such rules as it considers appropriate regarding its proceedings and (iii) enter into discussions with the Issuer and the Guarantor and/or other creditors of the Issuer or the Guarantor. The Issuer (failing whom, the Guarantor) shall pay any reasonably incurred fees and expenses of any such committee (including, without limitation, the fees and expenses of the committee's legal advisers and financial advisers, if any) within 30 days of the delivery to the Issuer and the Guarantor of a reasonably detailed invoice and supporting documentation.

(f) **Outstanding Bonds:** For the purposes of (i) ascertaining the right to attend and vote at any meeting of Bondholders and (ii) Condition 9, Condition 12 and Schedule 4 (Provisions for Meetings of Bondholders) to the Agency Agreement, those Bonds (if any) which are for the time being held by any person (including but not limited to the Issuer and the Guarantor) for the benefit of the Issuer or the Guarantor or by any public body owned or controlled, directly or indirectly, by the Guarantor shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

13. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either (i) having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or (ii) upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

14. Notices

Notices to Bondholders will be sent to them by first class mail (airmail if overseas) at their respective addresses on the relevant Register, and will be deemed to have been given on the second weekday (being for these purposes a day other than a Saturday or a Sunday) after the date of mailing. In addition, the Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Bonds have then been admitted to listing, trading and/or quotation.

15. Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds or by the Guarantor under or in connection with the Guarantees, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only

constitute a discharge to the Issuer and the Guarantor to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Bond or the Guarantees (as the case may be), the Issuer or the Guarantor (as the case may be) shall indemnify it against any loss sustained by it as a result. In any event, the Issuer or the Guarantor (as the case may be) shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's respective other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or the Guarantees (as the case may be) or any other judgment or order.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

17. Governing Law

- (a) **Governing law:** The Agency Agreement, the Deed Poll, the Bonds and the Guarantees and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.
- (b) **Agreement to Arbitrate:** Subject to Condition 17(c), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Bonds and/or the Guarantees (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules (the "**Rules**") of the London Court of International Arbitration (the "**LCIA**") which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 17(b). For these purposes:
 - (i) the place of arbitration shall be London, England;
 - (ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
 - (iii) the language of the arbitration shall be English.
- (c) **Option to Litigate**

fficio. The termination is without prejudice to:

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
 - (ii) his entitlement to be paid his proper fees and disbursements; and
 - (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
- (d) **Effect of Exercise of Option to Litigate:** In the event that a notice pursuant to Condition 17(c) is issued, the following provisions shall apply:
 - (i) subject to sub-paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Issuer and the Guarantor submits to the exclusive jurisdiction of such courts;
 - (ii) each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
 - (iii) this Condition 17(d) is for the benefit of Bondholders only. As a result, and notwithstanding sub-paragraph (i) above, any Bondholder may take proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Bondholders may take concurrent Proceedings in any number of jurisdictions.
- (e) **Agent for service of process:** Each of the Issuer and the Guarantor irrevocably appoints National Bank of Abu Dhabi, London Branch, One Knightsbridge, London, SW1X 7LY, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on any of the Bonds and/or the Guarantees. If for any reason the Issuer or the Guarantor does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Bondholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (f) **Enforcement:** Each of the Issuer and the Guarantor agrees that an arbitral award or judgment or order of an English or other court, in connection with a dispute arising out of or in connection with these Conditions and/or the Guarantees, shall be binding on it and may be enforced against it in the courts of any competent jurisdiction. For the purposes of the foregoing, in respect of any proceedings arising out of or connected with the enforcement and/or execution of any award or judgment made against the Issuer and/or the Guarantor, each of the Issuer and the Guarantor hereby expressly submits to the jurisdiction of any court in which any such proceedings are brought.
- (g) **Waiver of immunity:** To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its revenues, assets or properties which consist of its public and private properties invested in financial, commercial or industrial activities or deposited in banks (“**Sovereign Assets**”) immunities from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or legal process, in all cases related to these Conditions, and to the extent that in any such jurisdiction there may be attributed to itself or its Sovereign Assets such immunity (whether or not claimed), each of the Issuer and the Guarantor hereby irrevocably agrees for the benefit of the Bondholders not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction. In addition, to the extent that the Issuer or the Guarantor or any of their respective Sovereign Assets shall be entitled in any jurisdiction to any immunity from set-off or any similar right or remedy, and to the extent that there shall be attributed, in any jurisdiction, such an immunity, each of the Issuer and the Guarantor hereby irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction with respect to any claim, suit, action, proceeding, right or remedy arising out of or in connection with the Bonds.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Bond Certificates

The Bonds will be evidenced on issue by the Regulation S Global Bond Certificate (deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg) and one or more Rule 144A Global Bond Certificates (deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC).

Beneficial interests in the Regulation S Global Bond Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See “*Clearing and Settlement – Book-Entry Ownership*”. By acquisition of a beneficial interest in a Regulation S Global Bond Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a non-U.S. person within the meaning of Regulation S, that it acquired such beneficial interest in accordance with Regulation S, and that it will offer, sell, pledge or otherwise transfer such beneficial interest only (i) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (ii) in accordance with Rule 144A to a person that it reasonably believes to be a QIB that is also a QP. See “*Transfer Restrictions*”.

Beneficial interests in the Rule 144A Global Bond Certificate may only be held through DTC at any time. See “*Clearing and Settlement – Book-Entry Ownership*”. By acquisition of a beneficial interest in the Rule 144A Global Bond Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a person who is both a QIB and a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See “*Transfer Restrictions*”.

Beneficial interests in each Global Bond Certificate will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to Rule 144A Bonds, as set forth in Rule 144A, and the Rule 144A Global Bond Certificates will bear the legends set forth thereon regarding such restrictions set forth under “*Transfer Restrictions*”. A beneficial interest in the Regulation S Global Bond Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Bond Certificate in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Bond Certificate and only upon receipt by the relevant Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a person who is both a QIB and a QP and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Bond Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Bond Certificate only upon receipt by the relevant Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transferee is or is reasonably believed to be located outside the United States and transfer is being made to a non-U.S. person within the meaning of, and in accordance with, Regulation S.

Any beneficial interest in the Regulation S Global Bond Certificate that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Bond Certificate will, upon transfer, cease to be an interest in the Regulation S Global Bond Certificate and become an interest in a Rule 144A Global Bond Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Bond Certificates for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Bond Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Bond Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Bond Certificate and become an interest in the Regulation S Global Bond Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Bond Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Bonds, but the relevant Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Bond Certificates will not be entitled to receive physical delivery of the Individual Certificates. No Bonds will be issued in bearer form.

Amendments to Terms and Conditions of the Bonds

Each Global Bond Certificate contains provisions that apply to the Bonds that they evidence, some of which modify the effect of the Conditions of the Bonds. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Bonds evidenced by a Global Bond Certificate will be made against presentation for endorsement by the Fiscal Agent and, if no further payment falls to be made in respect of the relevant Bonds, surrender of such Global Bond Certificate to or to the order of the Fiscal Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Bondholders for such purpose. A record of each payment so made will be endorsed by or on behalf of the Fiscal Agent in the appropriate schedule to the relevant Global Bond Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Bonds.

All payments in respect of Bonds represented by a Global Bond Certificate will be made to, or to the order of, the person whose name is entered on the relevant Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

Meetings

The holder of each Global Bond Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Bondholders and in any such meeting as having one vote in respect of each U.S.\$1,000 in outstanding principal amount of Bonds for which such Global Bond Certificate may be exchangeable.

Cancellation

Cancellation of any Bond required by the Conditions of the Bonds to be cancelled will be effected by the relevant Registrar making notation of such event in the relevant Register, and by reduction in the principal amount of the applicable Global Bond Certificate.

Exchange for Individual Certificates

Regulation S Global Bond Certificate

Each Regulation S Global Bond Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Individual Certificates if: (i) it is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) an Event of Default (as defined in Condition 9) has occurred and is continuing, in each case by the holder giving notice to the relevant Registrar of its intention to exchange the Regulation S Global Bond Certificate for Individual Certificates on or after the Exchange Date (as defined below) specified in the notice.

Rule 144A Global Bond Certificates

Each Rule 144A Global Bond Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Individual Certificates if (i) DTC (or any other clearing system as shall have been designated by the Issuer (“**Alternative Clearing System**”) on behalf of which the Bonds evidenced by the Rule 144A Global Bond Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) an Event of Default (as defined in Condition 9) has occurred and is continuing, in each case by the holder giving notice to the relevant Registrar of its intention to exchange the Rule 144A Global Bond Certificates for Individual Certificates on or after the Exchange Date (as defined below) specified in the notice.

Exchange

The relevant Registrar will not register the transfer of, or exchange of interests in, a Global Bond Certificate for Individual Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Bonds.

“Exchange Date” means a day falling not later than 60 calendar days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the relevant Registrar or the relevant Paying and Transfer Agent is located.

Delivery

If any of the events in paragraph (i) or (ii) of “– *Regulation S Global Bond Certificate*” or “– *Rule 144A Global Bond Certificates*” above occurs, the relevant Global Bond Certificate shall be exchangeable in full for Individual Certificates and the Issuer will, free of charge to the Bondholders (but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed on the relevant Registrar in connection with such exchange), cause sufficient Individual Certificates to be executed by the Issuer and the Guarantees enfaced on them to be executed by the Guarantor and delivered to the relevant Registrar for completion and despatch to the relevant Bondholders. A person having an interest in a Global Bond Certificate must provide the relevant Registrar with (a) a written order containing instructions and such other information as the Issuer, the Guarantor and the relevant Registrar may require to complete, execute and deliver such Individual Certificates and the Guarantees enfaced thereon and (b) in the case of the Rule 144A Global Bond Certificates only, either a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification (in the form set out in the Agency Agreement) to the effect that the transfer is being made in compliance with the provisions of Rule 144A to a person who is a QIB that is also a QP. Individual Certificates issued in exchange for an interest in the Rule 144A Global Bond Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*”.

Notices

So long as any Bonds are evidenced by a Global Bond Certificate and such Global Bond Certificate is held by or on behalf of a clearing system, notices to Bondholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for sending by mail as required by Condition 14 of the Bonds. Any such notice shall be deemed to have been given to the Bondholders on the third day after the day on which such notice is delivered to the clearing system as aforesaid. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Bonds have then been admitted to listing, trading and/or quotation.

Default

The Global Bond Certificates provide that the holder may exercise the right to declare Bonds represented by the Global Bond Certificates due and payable under Condition 9 by stating in the notice to the Fiscal Agent the nominal amount of Bonds to which such notice relates. If principal in respect of any Bond is not paid when due and payable, the holder of the Global Bond may elect that the Global Bond becomes void as to a specified portion and that the persons entitled to such portion, as accountholders with a clearing system, acquire direct enforcement rights against the Issuer and the Guarantor under further provisions of the Global Bond executed by the Issuer and the Guarantor as a deed poll.

CLEARING AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg currently in effect. Investors wishing to use the facilities of any of these clearing systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant clearing system. None of the Issuer, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facility of any relevant clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Bonds and cross-market transfers of the Bonds associated with secondary market trading. See “– Book-Entry Ownership” and “– Settlement and Transfer of Bonds” below.

Investors may hold their interests in a Global Bond Certificate directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**”) and, together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organization” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in any Rule 144A Global Bond Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Bonds only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Bond Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under “*Summary of Provisions Relating to the Bonds while in Global Form – Exchange for Individual Certificates*”, DTC will cause its custodian to surrender the Rule 144A Global Bond Certificates for exchange for Individual Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Payments through DTC

Payments of principal and interest in respect of a Global Bond Certificate registered in the name of, or in the name of a nominee for, DTC will be made to the order of such nominee as the registered holder of such Bond.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Bond Certificate evidencing Regulation S Bonds will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

The Rule 144A Global Bond Certificates evidencing the Rule 144A Bonds will have an ISIN, Common Code and a CUSIP number and will be deposited with a custodian (the “**Custodian**”) for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Bonds held within the DTC System.

The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with DTC, Euroclear and Clearstream, Luxembourg

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Bond evidenced by a Global Bond Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer to the holder of such Global Bond and in relation to all other rights arising under such Global Bond Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Bonds evidenced by a Global Bond Certificate, the depositary by whom such Global Bond Certificate is held, or nominee in whose name it is registered, will immediately credit the relevant Participants’ or accountholders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Bond Certificate as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Bond Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer or the Guarantor in respect of payments due on the Bonds for so long as the Bonds are evidenced by such Global Bond Certificate and the obligations of the Issuer and the Guarantor will be discharged by payment to the registered holder of such Global Bond Certificate in respect of each amount so paid. None of the Issuer, the Guarantor, the Fiscal Agent or any other Paying and Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Bond Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Bonds

Subject to the rules and procedures of each applicable clearing system, purchases of Bonds held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Bonds on the clearing system’s records. The ownership interest of each actual purchaser of each such Bond (the “**Beneficial Owner**”) will in turn be recorded on the Direct and Indirect Participants’ records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Bonds held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Bonds, unless and until interests in any Global Bond Certificate held within a clearing system are exchanged for Individual Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Bonds held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Bond Certificate to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Bond Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of a physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Bonds held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Bonds held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Bonds between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Bonds are to be transferred from the account of a DTC Participant holding a beneficial interest in a Rule 144A Global Bond Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Bond Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the relevant Rule 144A Global Bond Certificate will instruct the relevant Registrar to (i) decrease the amount of Bonds registered in the name of Cede & Co. and evidenced by the Rule 144A Global Bond Certificates and (ii) increase the amount of Bonds registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Bond Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Bonds are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in a Rule 144A Global Bond Certificate (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the relevant Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Bond Certificates who will in turn deliver such book-entry interests in the Bonds free of payment to the relevant account of the DTC Participant and (b) instruct the relevant Registrar to (i) decrease the amount of Bonds registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation

S Global Bond Certificate; and (ii) increase the amount of Bonds registered in the name of Cede & Co. and evidenced by the Rule 144A Global Bond Certificates.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Bond Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any other Paying and Transfer Agent will have any responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Settlement of Pre-issue Trades

It is expected that delivery of Bonds will be made against payment therefor on or about the Issue Date, which is expected to be the fifth business day following the date of pricing and may be later. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Bonds in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Bonds initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Bonds may be affected by such local settlement practices and purchasers of Bonds between the relevant date of pricing and the Issue Date should consult their own advisers.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds, expected to amount to approximately U.S.\$1,496 million (before expenses), will be used by the Issuer principally to repay approximately U.S.\$640 million in short-term indebtedness (including accrued interest) incurred by it under a loan facility entered into with, among others, the Joint Lead Managers. The Issuer used the proceeds of the loan to finance its payment obligations under a usage payment agreement dated 22 December 2009 between the Issuer and the United Arab Emirates acting through the GHQ UAE Armed Forces (“**GHQ**”) (such agreement, as amended from time to time, the “**Usage Payment Agreement**”). The Usage Payment Agreement was entered into in connection with the acquisition of certain Boeing C-17 transportation aircraft by the GHQ. The lenders under the loan facility have the benefit of a liquidity support letter provided by the Abu Dhabi government. The giving of this support in relation to the loan facility and, in relation to the issue of the Bonds, the giving of similar liquidity support in the form of a guarantee of the Bonds reflect Abu Dhabi’s practice of funding the federation’s expenditure on the UAE armed forces, see “*Public Finance – Expenditure*”.

The remainder of the net proceeds of the issue of the Bonds, amounting to approximately U.S.\$855 million, will be used by the Issuer to finance further payments to be made by the Issuer under the Usage Payment Agreement up to and including 30 September 2011 and, pending such payments falling due, the Issuer intends to invest any such unutilised proceeds in term deposits with one or more Abu Dhabi banks. Following 30 September 2011, the Issuer will need to have raised additional finance in order to make further payments (in the amount of approximately U.S.\$398 million) falling due in the period between 30 September 2011 and the final maturity date of the Bonds. Any failure by the Issuer to make any such further payments will not, however, constitute an event of default under the Bonds.

DESCRIPTION OF THE ISSUER

General

Waha Aerospace B.V. (until 18 May 2010 known as Waha C-17 Finance Company B.V.) was incorporated under Dutch law as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) in Amsterdam on 9 December 2009 for an unlimited period of time. The objects of the Issuer include entering into the Usage Payment Agreement and borrowing money to finance its entry into that agreement. The registered office of the Issuer is Herengracht 450, 1017 CA Amsterdam, The Netherlands, its telephone number is +3120 555 4466 and its statutory seat is in Amsterdam. The Issuer is registered in the Commercial Register of the Chamber of Commerce and Industry in Amsterdam under No. 34368997.

The authorised share capital of the Issuer is €90,000 divided into 900 shares of €100 each. At incorporation and as of the date hereof, 180 shares with a total nominal value of €18,000, had been issued and fully paid. All of the issued shares are owned by Stichting Waha Aerospace, a Dutch foundation without share capital or other ownership.

Business of the Issuer

The Issuer has a limited operating history and is not expected to have any substantial liabilities other than in connection with moneys borrowed to finance or refinance its obligations under the Usage Payment Agreement and any other similar usage payment agreements entered into by it, including through the issue of the Bonds. The Bonds are the obligations of the Issuer alone and not of the Guarantor.

Financial Statements

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer intends to publish audited accounts on an annual basis and the first such accounts are expected to be prepared in 2011 in respect of the period from 9 December 2009 to 31 December 2010.

Directors of the Issuer

The management of the Issuer is conducted by a Management Board that consists of a single Managing Director, Deutsche International Trust Company N.V, whose principal business is the provision of trust company services. The business address of the Managing Director is Herengracht 450, 1017 CA Amsterdam, The Netherlands.

The directors of the Managing Director are Michael Gerard Whelan, Edward Michael Fletcher, John Wallace and Thomas Jan de With. The supervisory directors of the Managing Director are Elisabeth Mathilda Mulder-Mosman, Leonhard Norbert Degle, Richard Brian Singleton and Ronald Ton. None of the directors of the Managing Director have any activities outside their duties as directors which are significant to the Managing Director. The business address of each of the directors of the Managing Director is Herengracht 450, 1017 CA Amsterdam, The Netherlands.

There are no potential conflicts of interest between the private interests or other duties of the Managing Director listed above and its duties to the Issuer. There are no potential conflicts of interest between the private interests or other duties of the directors of the Managing Director listed above and their duties (if any) to the Issuer.

The Issuer has no employees and is not expected to have any employees in the future.

OVERVIEW OF THE EMIRATE OF ABU DHABI

Introduction

Abu Dhabi is one of seven emirates which together comprise the Federation of the United Arab Emirates. The federation was established on 2 December 1971. On formation, the federation comprised the following emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwain and Fujairah. Ras Al Khaimah joined the UAE in February 1972. Abu Dhabi is the capital city of the UAE. The President of the UAE is Sheikh Khalifa bin Zayed Al Nahyan who is also the Ruler of Abu Dhabi.

Location and Geography



Abu Dhabi is the largest emirate in the UAE occupying nearly 87 per cent. of the country's total area. Mainland Abu Dhabi covers an area of 67,340 square kilometres ("km²") and borders Saudi Arabia to the south and west, Oman to the east and Dubai to the northeast, with the Arabian Gulf forming its northern border. The UAE is located at the tip of the Arabian Peninsula at a latitude of approximately 23° north and a longitude of approximately 54° east.

Sabkha (salt flats) line much of Abu Dhabi's coastline, but inland the emirate is comprised of sand and gravel desert. To the south, the dunes of the Rub al-Khali (Empty Quarter), the largest sand sea in the world, rise from the flats and stretch for hundreds of miles across Saudi Arabia. Mountainous terrain in the east of Abu Dhabi runs along the Oman border. There are more than 200 islands off Abu Dhabi's coastline, including the island on which Abu Dhabi city, the capital of both the emirate and the UAE, is located. The emirate's other principal city is Al Ain, which is based around seven oases on the Oman border.

Abu Dhabi's climate is very dry, with minimal rainfall during winter months. During those months, the temperature averages 26° celsius, although in summer the temperature can reach the high forties celsius with 90 per cent. humidity, particularly on the coast.

History

The region in which the UAE is located has a long history. Stone tools from the Early Stone Age have been found along the edge of the Hajar Mountains. Prior to this, the earliest known human occupation for which

there is significant evidence dated from the Neolithic period, 5,500 BC, when the climate was wetter and food resources were abundant.

By the end of the second millennium BC, the region had become more settled following the discovery of new irrigation techniques which made possible the extensive watering of agricultural areas.

By the first century AD, overland caravan traffic between Syria and cities in southern Iraq, followed by seaborne travel to the port of Omana (probably present-day Umm al-Qaiwain) and thence to India, was an alternative to the Red Sea route used by the Romans.

The arrival of envoys from the Prophet Muhammad in 630 AD heralded the conversion of the region to Islam. The Portuguese arrival in the Gulf in the sixteenth century adversely affected the Arab residents of Julfar (Ras Al Khaimah) and east coast ports like Dibba, Bidiya, Khor Fakkan and Kalba. However, while European powers competed for regional supremacy, a local power, the Qawasim, was gathering strength. At the beginning of the nineteenth century the Qawasim had built up a fleet of over 60 large vessels and could put nearly 20,000 sailors to sea, eventually provoking a British offensive to control the maritime trade routes between the Gulf and India.

Inland, the arc of villages at Liwa were the focus of economic and social activity for the Bani Yas tribe from before the sixteenth century. By the early 1790s, the town of Abu Dhabi had become such an important pearling centre that the political leader of all the Bani Yas groups, the Sheikh of the Al Bu Falah (Al Nahyan family) moved there from Liwa. Early in the nineteenth century, members of the Al Bu Falasah, a branch of the Bani Yas, settled by the Creek in Dubai and established Maktoum rule in that emirate.

Following the defeat of the Qawasim, the British signed a series of agreements with the sheikhs of the individual emirates that, later augmented with treaties on preserving a maritime truce, resulted in the area becoming known as "The Trucial States".

The pearling industry thrived during the nineteenth and early twentieth centuries, providing both income and employment to the people of the Gulf Coast. Many of the inhabitants were semi-nomadic, pearling in the summer months and tending to their date gardens in the winter. The First World War had a severe impact on the pearling industry, but it was the economic depression of the late 1920s and early 1930s, coupled with the Japanese invention of the cultured pearl, that damaged it irreparably. The industry eventually faded away just after the Second World War, when the newly independent government of India imposed heavy taxation on pearls imported from the Gulf. As a result, the population faced considerable hardship with little opportunity for education and no roads or hospitals.

In the 1930s and 1940s, oil was discovered in Kuwait, Qatar and Saudi Arabia, adding to that already found in Iran, Iraq and Bahrain. In 1958, oil was found off the shore of Abu Dhabi and the first cargo of crude oil was exported from Abu Dhabi in 1962. With revenues growing as oil production increased, Sheikh Zayed bin Sultan Al Nahyan, who was chosen as Ruler of Abu Dhabi, began a programme of construction of schools, housing, hospitals and roads.

The British remained in the area until their withdrawal in 1971. Steps were then taken by the rulers of the seven emirates, under the guidance of Abu Dhabi's then Ruler, Sheikh Zayed bin Sultan Al Nahyan, to bring the individual sheikhdoms together into a single federation. This resulted in the formation by six of the seven emirates of the UAE in December 1971, with Ras Al Khaimah joining in February 1972.

In May 1976, the seven emirates agreed to merge their armed forces. In 1979, the Ruler of Dubai, Sheikh Rashid bin Said Al Maktoum, became Prime Minister of the federal government. Sheikh Zayed bin Sultan Al Nahyan of Abu Dhabi served as President of the UAE from 1971 until his death in November 2004, when he was succeeded by his son, Sheikh Khalifa, as Ruler of Abu Dhabi and President of the UAE. Sheikh Zayed is credited with guiding Abu Dhabi through decades of peace and stability.

Population

The population of the UAE, based on a census carried out in 2005, was approximately 3.8 million, of whom approximately 1.4 million resided in Abu Dhabi. However, it is estimated that there were over 300,000 non-nationals resident in the country who were not included in the census. This would make the total population of the UAE in 2005 more than 4 million and the UAE Ministry of Economy has estimated the population of the UAE to be approximately 4.8 million in 2008. The current census, for 2010, is underway.

The populations of both the UAE and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the emirates have developed. The table below illustrates this growth using official census data since 1975.

	1975	1980	1985	1995	2001	2005
Abu Dhabi population.....	211,812	451,848	566,036	942,463	1,170,254	1,399,484
Total UAE population	557,887	1,042,099	1,379,303	2,411,041	3,488,000	3,769,080

Source: Official census data, except 2001 UAE population which is a Ministry of Economy estimate

Since 2005, the Abu Dhabi Statistics Centre (the “**Statistics Centre**”) has estimated the emirate’s population to have grown by 3.0 per cent. in 2006 to 1,440,959 and by 4.5 per cent. in each of 2007, 2008 and 2009 to 1,505,488, 1,572,906 and 1,643,344, respectively.

In 2009 and based on Statistics Centre estimates, Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 and over and 22.5 per cent. being under the age of 15. The population is expected to grow at an approximate rate of 5 per cent. per annum for the foreseeable future, a level which should not require any major short-term infrastructure expansion. The population mix in 2009 is estimated to have comprised 24.8 per cent. UAE nationals and 75.2 per cent. non-nationals. The non-national population principally comprises persons from Asian and other Middle Eastern countries, with each comprising an estimated 46.7 per cent. and 25.5 per cent., respectively, of the total population in 2009.

Education and training are an important strategic focus for the emirate. The literacy level at age 10 and over is estimated by the Statistics Centre at 91.7 per cent. in 2009 with the majority of the illiterate population being non-nationals. Looking ahead, the government of Abu Dhabi believes that one of its key challenges will be the creation of jobs for the local population supported by initiatives to educate and motivate young nationals to join the workforce and the private sector. See “– *Strategy of Abu Dhabi*”.

Governance, Legislation and Judiciary

Federalism

The relationship between the federal and the local governments is laid down in the Constitution and allows for a degree of flexibility in the distribution of authority. The Constitution states that each emirate shall exercise all powers not assigned to the federation. Each emirate has its own local government, consisting of departments or authorities, so that each emirate retains significant political and financial autonomy.

Abu Dhabi enjoys good relations with each of the other emirates in the UAE. Each emirate manages its own budget on an independent basis and no emirate has any obligation to contribute to the budget of any other emirate. Each of Abu Dhabi and Dubai make contributions to the federal budget in agreed amounts. In addition, Abu Dhabi makes contributions to the federal budget to fund security and defence which are federal responsibilities but are managed by Abu Dhabi, see “*Public Finance*”.

UAE Constitution

The original constitution of the UAE (the “**Constitution**”) was initially provisional and provided the legal framework for the federation. The Constitution was made permanent pursuant to a constitutional amendment in May 1996 (which also confirmed the city of Abu Dhabi as the permanent capital of the UAE).

The key principle adopted by the Constitution was that jurisdiction for enacting substantive legislation was assigned exclusively to the federal government, but the local governments of the seven emirates were authorised to regulate those matters that were not the subject of legislation by the federal government.

Pursuant to Articles 120 and 121 of the Constitution and subject as set out below, the federal government is responsible for foreign affairs; security and defence; nationality and immigration; education; public health; the currency; postal, telephone and other communications services; air traffic control and the licensing of aircraft and a number of other matters including labour relations; banking; the delimitation of territorial waters; and the extradition of criminals. Federal matters are conducted through federal ministries, including the Ministries of Foreign Affairs, Defence, Justice, Finance and Economy. These ministries are located in Abu Dhabi. The UAE’s monetary and exchange rate policy is managed on a federal basis by the UAE Central Bank. See “*Monetary and Financial System*”.

Article 122 of the Constitution states that “the Emirates shall have jurisdiction in all matters not assigned to the exclusive jurisdiction of the Federation, in accordance with the provision of the preceding two Articles”.

The individual emirates are given flexibility in the governance and management of their own emirates. The Constitution also permits individual emirates to elect to maintain their own competencies in certain sectors. Based on this flexibility, Abu Dhabi has elected to assume responsibility for its own education, public health and judicial systems. The natural resources and wealth in each emirate are considered to be the public property of that emirate. See “– *Emirate of Abu Dhabi*”.

Federal Supreme Council

The UAE is governed by the Supreme Council of the Rulers of all the emirates (the “**Supreme Council**”). This is the highest federal governing body and consists of the Rulers of the seven emirates. The Supreme Council elects from its own membership the President and the Vice President of the UAE (for renewable five-year terms). Resolutions of the Supreme Council on substantive matters are passed if five or more members vote in favour, provided that the votes of both Abu Dhabi and Dubai are included in the majority. Resolutions on procedural matters are passed by a simple majority.

The Supreme Council is vested with legislative as well as executive powers. It ratifies federal laws and decrees, plans general policy and approves the nomination of the Prime Minister and accepts his resignation. It also relieves him from his post upon the recommendation of the President.

The then Ruler of Abu Dhabi, Sheikh Zayed bin Sultan Al Nahyan, was elected as the first President of the UAE in 1971 and was re-elected as President for successive five-year terms until his death in November 2004. The then Ruler of Dubai, Sheikh Rashid bin Said Al Maktoum, was elected as the first Vice-President of the UAE and continued as Vice-President until his death in 1990. Both were succeeded by their Crown Princes, who became Rulers of their emirates and were elected by the members of the Supreme Council to become respectively President, for the Ruler of Abu Dhabi, and Vice-President, for the Ruler of Dubai.

Federal Council of Ministers

The Federal Council of Ministers (the “**Cabinet**”) is described in the Constitution as “the executive authority” for the federation and is responsible for implementing policy decisions of the Supreme Council. This cabinet of ministers is the principal executive body of the Federation, is based in the city of Abu Dhabi and is headed by the Prime Minister. The members of the Cabinet are normally selected (for no fixed term) by the approval of the Supreme Council on the recommendation of the Prime Minister. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget.

Federal National Council

The Federal National Council is a parliamentary body which comprises 40 members who are nationals of the UAE. Each emirate appoints members for a particular number of seats based on population and size. Abu Dhabi and Dubai have eight members each, Sharjah and Ras Al Khaimah have six members each and the other emirates have four members each. The nomination of representative members is left to the discretion of each emirate and, according to the Constitution, the members’ legislative term is two calendar years. The members represent the UAE as a whole rather than their individual emirates.

The Federal National Council has both a legislative and supervisory role under the Constitution. This means that it is responsible for examining and, if required, amending, all proposed federal legislation, and is empowered to summon and to question any federal minister regarding ministry performance. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself.

During 2006, reforms were made with a view to enhancing public participation in indirect elections to the Federal National Council. Under these reforms, each Ruler selects an electoral college whose members are at least 100 times the number of Federal National Council members for the emirate. The members of each electoral college elect half of the Federal National Council members for their emirate, with the remainder being appointed by the Ruler.

Legal and Court System

There are three primary sources of law in the UAE: federal laws and decrees which are applicable in all seven emirates; local laws and decrees which apply only in the emirate enacting them; and Shari'ah (Islamic) law. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government of each emirate will apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter-emirate disputes and disputes between the Federal Government and the emirates.

In accordance with the Constitution, three of the seven emirates (Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective emirates.

The Abu Dhabi judicial system comprises three tiers: courts of first instance, courts of appeal and a court of cassation, which is a further appeal court that has the power to determine jurisdictional conflicts between the courts of different emirates.

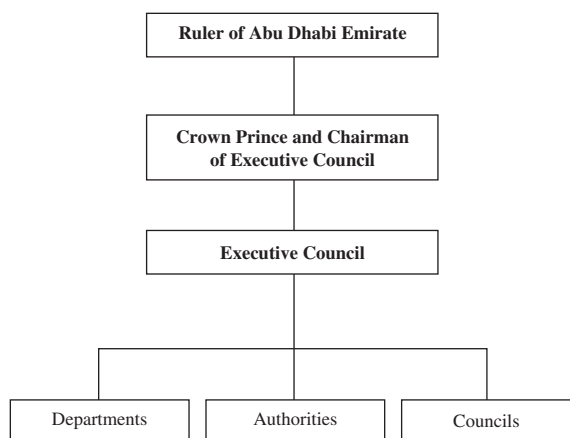
Emirate of Abu Dhabi

Executive authority in Abu Dhabi is derived from the Ruler, Sheikh Khalifa bin Zayed Al Nahyan, and the Crown Prince, Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Abu Dhabi Executive Council (the “**Executive Council**”), which is the principal executive authority below the Ruler and the Crown Prince. The Executive Council currently comprises 17 members appointed by Emiri Decree issued on 31 December 2008.

Abu Dhabi's National Consultative Council (the “**National Consultative Council**”) undertakes a role similar to that of the Federal National Council, questioning officials and examining and endorsing legislation. The National Consultative Council is chaired by a speaker and has 60 members selected from among the emirate's main tribes and families.

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Executive Council. Departments manage administration within the emirate and manage specific portfolios, including, for example, the Department of Finance (“**DoF**”), the Department of Transport, the Department of Municipal Affairs, the Department of Economy and Planning and the Judicial Department. Authorities manage the emirate's resources and strategies and include the Executive Affairs Authority, the Accountability Authority, the Abu Dhabi Water and Electricity Authority (“**ADWEA**”), the Health Authority and the Abu Dhabi Tourism Authority (“**ADTA**”). Councils act as controlling bodies for certain government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards and include the Council for Economic Development, the Education Council, the Urban Planning Council, the Civil Service Council and the Supreme Petroleum Council.

The chart below summarises the Abu Dhabi government structure.

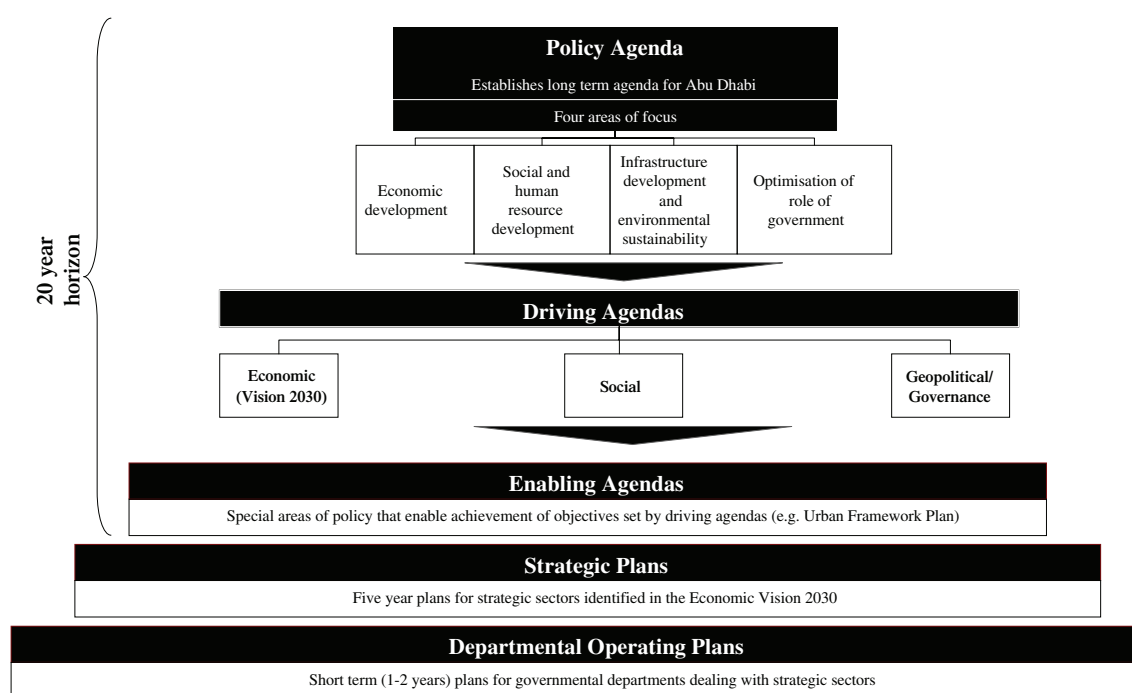


The government of Abu Dhabi owns or has significant shareholdings in a number of companies. The most important companies owned by the government are ADNOC, which manages all aspects of the emirate's oil and gas industry, International Petroleum Investment Company (“**IPIC**”), which principally invests in international oil and gas interests, Mubadala Development Company (“**MDC**”), which is the development and investment company leading the government's economic diversification strategy described below under “– *Strategy of Abu Dhabi*”, and Abu Dhabi Investment Authority (“**ADIA**”) and Abu Dhabi Investment Council (“**ADIC**”), which are the vehicles through which the government has historically invested its surplus hydrocarbon revenues and, in the case of ADIA, through which the government has funded budget deficits when they have arisen in the past. Each of these five companies is wholly-owned by the government of Abu Dhabi and one or more members of the Executive Council sit on the boards of each company. See further “*Economy of Abu Dhabi – Oil and Gas – Structure of Abu Dhabi's Oil Industry*”, “*Public Finance – Government Finance – Abu Dhabi Government Budget*” and “*Public Finance – Principal Investments*”.

Strategy of Abu Dhabi

Abu Dhabi's leaders have a long-term strategy of diversifying Abu Dhabi's economy away from its reliance on oil and gas as the single major revenue source and with a view to creating conditions that allow Emiratis to participate fully in the wealth of Abu Dhabi. The strategy envisages the government moving away from being a supplier of goods and services, limiting the role of the government to that of a facilitator and an investor in the public facilities and infrastructure needed to fulfil its vision. Accordingly, the private sector and government-owned investment entities like MDC are expected to drive the process of diversification.

The government's strategy has been prepared using both a top down and a bottom up approach as illustrated in the diagram below:



From a top down perspective, the government published its Policy Agenda 2007-2008 (the “**Policy Agenda**”) which established overall, long-term policy agendas to drive economic, social and geopolitical/governance change. The Policy Agenda established four priority areas of focus aimed at ensuring that the high-level guidelines for Abu Dhabi's socio-economic development are met: economic development; social and human resources development; infrastructure development and environmental sustainability; and optimisation of the role of government in the future of the emirate. These priority areas formed the basis of the enabling agendas identified in the diagram above.

Drawing on the Policy Agenda, the government published its Abu Dhabi Economic Vision 2030 (the “**2030 Economic Vision**”) which develops the government's strategic vision in relation to the economic change

over the period to 2030 in line with the vision articulated in the Policy Agenda. Similar strategies have also been developed in relation to the agendas for social and geopolitical/governance change identified in the Policy Agenda.

The government has also adopted certain enabling agendas to ensure that the policy goals set out in the Policy Agenda are achieved. The enabling agendas focus on, among other things, fiscal and monetary policy and trade, human capital, infrastructure and utilities, and services. The Plan Abu Dhabi 2030 – Urban Framework Plan (the “**Abu Dhabi Urban Framework Plan**”) sets out the enabling agenda for infrastructure and utilities for the city of Abu Dhabi and its surrounding areas. Similar plans have also been prepared in relation to the emirate’s other two regions, the eastern region (Al Ain and its surroundings) and the western region (known as Al Gharbia).

Enabling agendas in turn set the framework for a number of medium-term (5 year) strategic plans prepared in relation to each of the strategic sectors identified in the 2030 Economic Vision (see “– 2030 Economic Vision”) and for each of the principal government departments responsible for those sectors. The strategic plans for each sector have been or are being prepared on the basis of a bottom up approach following in depth analysis of each sector and consultations with the key enterprises involved in each sector. These medium-term plans are reviewed regularly to ensure that they adapt to changing circumstances and, in turn, allow the development of short-term (1–2 year) operating plans by the relevant governmental departments.

Policy Agenda

The Policy Agenda was published by the Executive Council and outlines the key goals and government initiatives in development across a range of authority and departmental portfolios in the emirate. It identifies the role public and private entities will play in the further social and economic development of the emirate and identifies opportunities for the private sector to engage with the public sector. To this end, the Policy Agenda sets out four priority areas of focus: economic development; social and human resources development; infrastructure development and environmental sustainability; and optimisation of the role of government in the future of the emirate. Each of these priority areas is underpinned by nine pillars of policy intended to form the architecture of the emirate’s social, political and economic future. These nine pillars are:

- establishing a large empowered private sector;
- developing a sustainable knowledge-based economy;
- creating an optimal and transparent regulatory framework;
- continuing the emirate’s strong and diverse international relationships;
- optimising the emirate’s resources;
- establishing a premium educational, healthcare and infrastructure asset base;
- ensuring international and domestic security;
- maintaining Abu Dhabi’s values, culture and heritage; and
- contributing in a significant and ongoing manner to the federation of the UAE.

Economic Development: The strategy for economic development focuses on three core areas:

- *an economy-wide effort to raise productivity*, including expansion of the private sector through privatisation and public private partnerships, the creation of the Abu Dhabi Council for Economic Development to support ongoing dialogue between the government and the private sector, the adoption of asset-clustering strategies, whereby a sector will be supported by a cluster of goods and services providers within and around the sector to help the development and success of the sector, to help achieve an efficient and diversified economy (the initial clusters being basic industries and petrochemicals, real estate and tourism, aviation and logistics) and the establishment of The Higher Corporation for Specialised Economic Zones (“**ZonesCorp**”) to promote and manage specialised economic and industrial zones and provide infrastructure to stimulate non-oil economic sectors;
- *diversifying the energy sector and the economy*, with a focus on strengthening downstream (refining, transportation and distribution) capabilities through the application of better processes, products and technologies, expanding the proportion of value-added exports such as refined and semi-refined products in the petrochemicals sector in particular, pursuing geographic

diversification through strategic investments in upstream and downstream hydrocarbon assets outside the UAE through entities such as IPIC and leveraging its activities in the hydrocarbon sector to diversify into new industrial activities; and

- *development of a high-end tourism market* aimed at attracting three million visitors per year by 2015. The Abu Dhabi tourism strategy is being implemented by ADTA which was founded in September 2004. The strategy focuses on three main areas: marketing Abu Dhabi globally as a tourist destination; developing a tourism infrastructure and upgrading the emirate's tourist attractions and services; and overseeing the tourism sector including in terms of licensing and quality control.

Social and Human Resources: The government is focusing on developing its human and social capital through improvements in education and healthcare, effective management of labour resources, raising standards in the civil service, increasing the awareness of UAE nationals of their culture and heritage and improvements in food safety, hygiene and quality.

Infrastructure and the Environment: The government is also focusing on improvements particularly in the fields of urban planning, transport, the environment, health and safety, municipal affairs and police and emergency services.

Government Sector: Finally, a government sector restructuring envisaged in the Policy Agenda has been undertaken to increase local government's efficiency and effectiveness by delivering services based on transparent, consistent and coherent policies and processes. The restructuring programme, which was completed in 2008, marks a transition from a centralised decision-making process to a more streamlined approach characterised by the decentralisation of authority and decision-making. Significant tangible outcomes of the restructuring include the reduction of Abu Dhabi municipality employees from around 30,000 before the restructuring to around 3,000 at the end of 2009 as a result of outsourcing; enhanced private sector involvement in education and healthcare; and decentralisation of decision making from the DoF to other government departments.

2030 Economic Vision

Based on the principles set out in the Policy Agenda, in January 2009, the government announced a long-term vision to turn the emirate into a knowledge-based economy and reduce its dependence on the oil sector. The 2030 Economic Vision is a comprehensive plan to diversify the emirate's economy and grow the contribution of the non-oil sector significantly by 2030 with a view to reaching equilibrium between oil and non-oil trade by 2028. It examines the current economic environment in Abu Dhabi and identifies key areas for improvement in order to achieve the goals laid out in the Policy Agenda. The 2030 Economic Vision identifies two underlying economic policy priorities: the need to build a sustainable economy and the need to ensure that social and regional development is balanced to bring the benefits of economic growth and well-being to the entire population of the emirate.

For both of these economic policy priorities, a number of specific core economic objectives have been identified. These include enhancing competitiveness, productivity and diversification which is intended to reduce the volatility of growth; enlarging the enterprise base by encouraging entrepreneurs, small enterprises and foreign direct investment; and enabling the development of new national champion enterprises to act as economic anchors. In addition, to ensure that social and regional development reaches all sections of society, the 2030 Economic Vision envisages action to enable the emirate's youth to enter the workforce, to maximise the participation of women and to continue to attract skilled labour from abroad.

In addition to the economic policy priorities and the core economic objectives, seven areas of specific economic focus have been identified, each having additional specific objectives that must be achieved in order for the government's stated economic vision to be realised. The seven areas of economic focus are:

- building an open, efficient, effective and globally integrated business environment;
- adopting a disciplined fiscal policy that is responsive to economic cycles;
- establishing a resilient monetary and financial market environment with manageable levels of inflation;
- driving significant improvements in the labour market;

- developing a sufficient and resilient infrastructure capable of supporting the anticipated economic growth;
- developing a highly skilled and highly productive workforce; and
- enabling financial markets to become the key financiers of economic sectors and projects.

The 2030 Economic Vision aims to achieve its goals by focusing resources on 12 sectors to drive the emirate's future growth. These sectors are:

- oil and gas;
- petrochemicals;
- metals;
- aviation, aerospace and defence;
- pharmaceuticals, biotechnology and life sciences;
- tourism;
- healthcare equipment and services;
- transportation, trade and logistics;
- education;
- media;
- financial services; and
- telecommunication services.

The 2030 Economic Vision seeks to grow Abu Dhabi's GDP by an average of seven per cent. per annum through 2015, and thereafter to stabilise growth at an average of six per cent. per annum, for a total growth in GDP of over 500 per cent. by 2030. This growth is not expected to be consistent throughout the period as different economic cycles and the fluctuation in oil prices will mean that rates of growth will vary from time to time and such variations may be material from one economic period to another. The government also intends to foster non-oil GDP growth at a higher rate than that of the oil sector, with a goal of reaching equilibrium in oil and non-oil trade by 2028. These economic gains are expected to be achieved with the support of a sound monetary and fiscal policy designed to support Abu Dhabi's businesses in increasingly competitive global markets. However, no assurance can be given that these economic gains will be achieved as anticipated or at all.

Urban Framework Plans

In September 2007, the Executive Affairs Authority published the Abu Dhabi Urban Framework Plan, a significant urban planning initiative intended to articulate an urban plan to guide the evolution of the city of Abu Dhabi to the year 2030. The Abu Dhabi Urban Framework Plan sets an environmental context within which urban development should be undertaken, confirms an urban structure of land use, transportation, open space, built form and national capital arrangements. It does not provide specifications for any particular site, but rather guiding principles for the overall development of the city of Abu Dhabi. Similar plans have also been prepared for the eastern and western regions of Abu Dhabi. Together, these plans cover the entire emirate.

The Abu Dhabi Urban Framework Plan anticipates two distinct phases of development. The initial phase is intended to extend to 2015 and focuses on establishing the structural framework for future growth, such as transit and infrastructure, and to address areas of acute pressure. The two principal developments to be undertaken in this phase are the Central Business District development on Al Sowwah Island and the development of the Capital District. The second phase extends from 2015 to 2030 and is expected to be principally concerned with accommodating an expanding economy and population through the development of higher density housing and the expansion of development within the industrial areas.

The Abu Dhabi Urban Framework Plan recommends supplementing existing areas of the city with a number of new, distinct zones and expanding the city's transport system into a multi-layered network that connects the downtown core with new growth nodes and the developed islands. The aim of the Abu Dhabi Urban

Framework Plan is to allow the city to expand through sustainable development, with controlled growth and coordinated development. Sustainability under the Abu Dhabi Urban Framework Plan is envisaged to revolve around the natural environment, economic development, and cultural heritage.

Although the emirate of Abu Dhabi has an abundance of fossil fuels, the Abu Dhabi Urban Framework Plan recognises this as a finite resource and regards diversification of the economy as necessary. The Abu Dhabi Urban Framework Plan promotes capitalising on the region's natural supply of solar and wind power to augment its fossil fuel driven economy. It also seeks to monitor carefully the balance between supply and demand of real estate in order to try to avoid sudden market corrections.

Effect of Recent Developments on the Strategy

As a result of the global financial crisis and its impact on Abu Dhabi's economy in 2009, a re-assessment of certain goals set out in the 2030 Economic Vision, including in particular the planned GDP growth and the population assumptions underlying the 2030 Economic Vision, is being undertaken. Whilst the long-term strategy remains in place, the government is focusing on ensuring that financial discipline is maintained and identifying specific projects which, in light of changed circumstances, may be deferred or adapted to reflect those circumstances. An example relates to certain planned public transport improvements in Abu Dhabi which are likely to be deferred given the slowdown in current and anticipated population growth as a result of the global financial crisis.

International Relations

The foreign policy of the UAE is based upon a set of guiding principles, laid down by the country's first President, Sheikh Zayed bin Sultan Al Nahyan. He derived these principles from his belief in the need for justice in international dealings between states, including the necessity of adhering to the principle of non-interference in the internal affairs of others and the pursuit, wherever possible, of peaceful resolution of disputes, together with support for international institutions, such as the United Nations.

Within the Arabian Gulf region, and in the broader Arab world, the UAE has sought to enhance cooperation and to resolve disagreement through the pursuit of dialogue. Thus one of the central features of the UAE's foreign policy has been the development of closer ties with its neighbours in the Arabian Peninsula. The Gulf Cooperation Council ("**GCC**"), which comprises the UAE, Kuwait, Saudi Arabia, Bahrain, Qatar and Oman, was founded at a summit conference held in Abu Dhabi in May 1981.

At the broader level of the Arab world as a whole, the UAE is committed to rebuilding a sense of common purpose among both its people and its governments and, to this end, has supported the strengthening of common institutions, such as the League of Arab States. Beyond the Arab world, the UAE has pursued a policy of seeking, wherever possible, to build friendly relations with other nations, both in the developing and in the industrialised world. The UAE also maintains cordial relations with other regional states and has established good relations with the United States of America and the European Union as well as with developing nations in Africa and many of the countries of the former Soviet Union. In December 2009, the UAE entered into a bilateral agreement with the United States for peaceful nuclear co-operation which establishes the legal framework for commerce in civilian nuclear energy between the two countries.

Since its establishment, the UAE has played an active role in the provision of financial aid to developing countries and has been a contributor of emergency relief to countries and areas affected by conflict and natural disasters. The philosophy behind the aid policy is two-fold: first, the provision of help for the needy is a duty incumbent on all Muslims and, second, the country's policy on utilisation of the revenues from its oil and gas production has always included a component that they should be devoted, in part, to helping other countries which have fewer natural resources.

The UAE is also an active participant in a number of multi-lateral aid-giving institutions, including the International Bank for Reconstruction and Development (the "**World Bank**"), the International Monetary Fund (the "**IMF**"), the International Development Agency and regional bodies like the OPEC Fund for International Development, the Arab Gulf Fund for the UN, the Arab Bank for Economic Development in Africa, the Abu Dhabi-based Arab Monetary Fund and the Islamic Development Bank. In addition, the UAE is a member of various other international organisations including, among others, the GCC, the United Nations, the League of Arab States, the Organisation of Islamic Countries, the Organisation of Arab Petroleum Exporting Countries, the Organisation of the Petroleum Exporting Countries ("**OPEC**"), the World Health Organisation, the International Organisation for Industrial Development, the World Trade Organisation and the Asia-Pacific Economic Co-operation.

The UAE has an ongoing dispute with Iran and continuing discussions with Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by Iran. The UAE believes that the islands should be returned to Sharjah which claims sovereignty over them and is seeking to resolve the dispute through negotiation.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with Saudi Arabia on the border between the two countries, which the UAE believes should be substantially amended. In addition, the UAE is involved in discussions with the governments of Saudi Arabia and Qatar relating to a maritime corridor which Qatar has purported to grant to Saudi Arabia, from within Qatar's own maritime waters, which crosses part of the route of the gas pipeline constructed by Dolphin Energy Limited. The UAE believes that this grant is in breach of existing agreements between the UAE and Qatar and, in June 2009, the UAE's Ministry of Foreign Affairs stated this position in a letter to the UN Secretary General.

ECONOMY OF ABU DHABI

Introduction

With approximately 7 per cent. of the world's proven oil reserves of 1,295 billion barrels (according to OPEC at 31 December 2008) and approximately 3 per cent. of the world's natural gas reserves of 182,842 billion standard cubic metres (according to OPEC at 31 December 2008), Abu Dhabi's hydrocarbon wealth, coupled with a small population, gives it a high GDP per capita ratio. In each of the past five years Abu Dhabi has produced between 2.2 and 2.5 million barrels of crude oil (including condensates) per day ("**mb/d**") in line with OPEC quotas.

Since it first began exporting oil in the 1960s, Abu Dhabi has accumulated significant income from hydrocarbon exports much of which is invested by ADIA and ADIC. See "*Public Finance – Principal Investments*". Since 2004, the government has also committed significant funds to MDC, which is wholly-owned by the government and commenced operations in 2004 as the business development and investment company to lead the government's economic development strategy. Income earned by ADIA, ADIC and MDC and investments made or disposed of by them are not included in the public finance statistical information published by Abu Dhabi or the UAE. See "*Public Finance – Government Finance – Abu Dhabi Government Budget*".

Abu Dhabi's long-term economic development strategy (as articulated in the 2030 Economic Vision) envisages a process of diversification away from reliance on crude oil exports and includes substantial new investment in both the oil and gas sector as well as in a range of other industries and sectors listed in the 2030 Economic Vision.

In addition to a number of ongoing hydrocarbon projects, Abu Dhabi also intends to expand existing facilities and initiate new projects in the petrochemical area. The government, through MDC and other vehicles, is also making significant investments in international oil and gas assets, in the aluminium and steel industries, in the aerospace industry, in alternative energy development, in the development of healthcare and education facilities, in logistics, in financial and other services and in information, communications and technology, among other sectors.

As part of its drive to promote tourism and real estate, ADTA, through its development arm Tourism & Development Investment Corporation ("**TDIC**"), is undertaking several large scale development projects. See "*Tourism*" below. These projects will be served by an improved transport infrastructure, including an expanded airport and a new port which is under construction.

The Abu Dhabi government has also partially privatised its water and electricity utility and has, through MDC, entered into a number of public private partnerships to construct new university facilities and intends to enter into further privatisation and public private partnerships in the future.

Gross Domestic Product

Abu Dhabi's nominal GDP in 2005, at AED 383,430 million, equalled 75.6 per cent. of the nominal GDP for the UAE in the same year. In 2006, 2007 and 2008, the equivalent proportions were 76.5 per cent., 72.0 per cent. and 71.4 per cent., respectively. Abu Dhabi's nominal GDP in 2009 was estimated to be AED 546,476 million representing an 18.0 per cent. decrease from Abu Dhabi's nominal GDP in 2008. Abu Dhabi's estimated nominal GDP in 2009 was 59.8 per cent. of the estimated nominal GDP of the UAE in the same year.

Abu Dhabi's nominal GDP per capita, which was U.S.\$90,548 in 2009 according to the Statistics Centre, is one of the highest in the Gulf region. The oil and gas industry dominates Abu Dhabi's economy and contributed 49.4 per cent. to nominal GDP in 2009. Increases in oil and gas production rates combined with increases in oil prices have contributed significantly to the growth in Abu Dhabi's GDP from 2005 to 2008. Oil prices declined significantly in the second half of 2008 and remained low for the first six months of 2009. This was the principal reason for the decline in Abu Dhabi's GDP in 2009.

Abu Dhabi's nominal GDP data was significantly revised in 2008 following an economic survey conducted for the first time in that year with a view to quantifying more accurately the emirate's nominal GDP for 2007. As a result of this survey, Abu Dhabi's estimated nominal GDP data for 2007 was recalculated as was the data for prior years on a basis consistent with the 2007 recalculation. Abu Dhabi's nominal GDP data for 2008 is based on the outcome of an economic survey conducted in 2009 but its 2009 nominal GDP data is estimated pending the results of the 2010 economic survey being collated.

No meaningful real GDP information is currently available for Abu Dhabi as a result of historic uncertainties surrounding the calculation of inflation for the emirate, see “– *Inflation*”. It is anticipated that real GDP data may become available in 2011.

The tables below show Abu Dhabi’s nominal GDP, its percentage growth rate, the UAE’s nominal GDP and the percentage contribution of Abu Dhabi’s nominal GDP to the UAE’s nominal GDP for each of the years indicated. The revisions described above to Abu Dhabi’s nominal GDP had the effect of significantly increasing its nominal GDP in each of 2005 through 2008 compared to the nominal GDP which it had previously published. This revised data for 2005 through 2008 will not be reflected in the nominal GDP for the UAE as a whole in each of those years as that data, which was separately prepared by the National Bureau of Statistics, has not been revised to reflect the revised Abu Dhabi data. As a result, the percentage contributions of Abu Dhabi’s nominal GDP to the UAE’s nominal GDP for 2005 to 2008 in the table below are higher than they would have been had the UAE data been revised to reflect the revised Abu Dhabi data.

	2005	2006	2007	2008	2009
	(AED billions)				
Abu Dhabi nominal GDP (current prices).....	383.4	492.3	545.4	666.7	546.5
Percentage change in Abu Dhabi nominal GDP.....	30.7	28.4	10.8	22.3	(18.0)
UAE nominal GDP (current prices)	506.8	643.5	758.0	934.3	914.3
Abu Dhabi as a percentage of UAE.....	75.6	76.5	72.0	71.4	59.8

Sources: Statistics Centre (for Abu Dhabi nominal GDP) and UAE National Bureau of Statistics (for UAE nominal GDP only)

Principal Sectors of the Economy

Abu Dhabi’s GDP is dominated by the oil and gas sector, which contributed 56.2 per cent. of nominal GDP in 2005, 59.2 per cent. in 2006, 56.4 per cent. in 2007, 60.9 per cent. in 2008 and 49.4 per cent. in 2009. Outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2005, 2006, 2007, 2008 and 2009 have been: construction; real estate and business services; manufacturing; transport, storage and communications; financial institutions and insurance; and wholesale and retail trade and repairing services which, together, accounted for 37.0 per cent. of nominal GDP in 2005, 35.4 per cent. in 2006, 38.3 per cent. in 2007, 34.5 per cent. in 2008 and 44.4 per cent. in 2009.

In terms of growth, the fastest growing sectors between 2005 and 2009 were construction; real estate and business services; hotels and restaurants; electricity, gas and water; and financial institutions and insurance, with compound annual growth rates of 20.4 per cent., 15.8 per cent., 15.6 per cent., 15.3 per cent. and 15.2 per cent., respectively.

Excluding oil and gas which are treated as being under public ownership, public administration and defence accounted for 2.9 per cent. of GDP in 2009.

The following table shows the sectoral composition of Abu Dhabi’s nominal GDP by primary (agriculture, livestock and fishing), secondary (industry, including oil and gas) and tertiary (services) sector for each of the years indicated.

	2005	2006	2007	2008	2009
	(AED millions)				
Primary sector	5,863	5,603	5,591	5,512	5,496
Secondary sector	279,075	371,690	402,343	511,207	380,919
Tertiary sector	98,492	114,957	137,434	150,012	160,061
Total	383,430	492,250	543,368	666,732	546,476
	(%)				
Primary sector	1.5	1.1	1.0	0.8	1.0
Secondary sector	72.8	75.5	73.8	76.7	69.7
Tertiary sector	25.7	23.4	25.2	22.5	29.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Statistics Centre

The following tables show Abu Dhabi's nominal GDP by economic activity and by percentage contribution, as well as the year on year growth rate, for each of the years indicated.

Sector	2005			2006			2007		
	(AED millions)	(2005 compared to 2004, % change)		(AED millions)	(2006 compared to 2005, % change)		(AED millions)	(2007 compared to 2006, % change)	
		(%)	(%)		(%)	(%)		(%)	(%)
Crude oil and natural gas.....	215,455	56.2	45.9	291,464	59.2	35.3	307,445	56.4	5.5
Manufacturing.....	28,645	7.5	23.2	32,949	6.7	15.0	35,270	6.5	7.0
Public administration and defence	10,324	2.7	(8.2)	10,675	2.2	3.4	11,571	2.1	8.4
Construction.....	26,321	6.9	25.6	36,922	7.5	40.3	47,036	8.6	27.4
Real estate and business services	25,621	6.7	20.2	31,660	6.4	23.6	40,088	7.4	26.6
Wholesale, retail trade and repairing services.....	19,864	5.2	12.5	22,533	4.6	13.4	26,160	4.8	16.1
Financial institutions and insurance	17,988	4.7	17.6	21,119	4.3	17.4	27,294	5.0	29.2
Transport, storage and telecommunications	23,604	6.2	17.5	28,985	5.9	22.8	33,292	6.1	14.9
Agriculture, livestock and fishing	5,863	1.5	(16.1)	5,603	1.1	(4.4)	5,591	1.0	(0.2)
Electricity, gas and water.....	8,655	2.3	31.3	10,356	2.1	19.7	12,592	2.3	21.6
Hotels and restaurants.....	3,602	0.9	21.8	4,265	0.9	18.4	4,864	0.9	14.0
Other.....	8,925	2.3	6.8	9,375	1.9	5.0	10,398	1.9	10.9
Less imputed bank services.....	(11,436)	(3.0)	25.8	(13,654)	(2.8)	19.4	(16,233)	(3.0)	18.9
Total GDP	383,430	100.0	30.7	492,250	100.0	28.4	545,368	100.0	10.8

Sector	2008			2009		
	(AED millions)	(2008 compared to 2007, % change)		(AED millions)	(2009 compared to 2008, % change)	
		(%)	(%)		(%)	(%)
Crude oil and natural gas	405,827	60.9	32.0	269,875	49.4	(33.5)
Manufacturing	38,862	5.8	10.2	40,521	7.4	4.3
Public administration and defence.....	13,703	2.1	18.4	15,952	2.9	16.4
Construction.....	52,353	7.9	11.3	55,228	10.1	5.5
Real estate and business services.....	43,209	6.5	7.8	46,037	8.4	6.6
Wholesale, retail trade and repairing services	28,363	4.3	8.4	30,132	5.5	6.2
Financial institutions and insurance.....	30,313	4.5	11.1	31,652	5.8	4.4
Transport, storage and telecommunications	36,646	5.5	10.1	38,822	7.1	5.9
Agriculture, livestock and fishing.....	5,512	0.8	(1.4)	5,496	1.0	(0.3)
Electricity, gas and water	14,165	2.1	12.5	15,295	2.8	8.0
Hotels and restaurants.....	5,542	0.8	13.9	6,425	1.2	15.9
Other.....	11,590	1.7	11.5	12,572	2.3	8.5
Less imputed bank services	(19,353)	(2.9)	19.2	(21,531)	(3.9)	11.3
Total GDP	666,732	100.0	22.3	546,476	100.0	(18.0)

Source: Statistics Centre

Oil and Gas

The oil and gas sector contributed 56.2 per cent. of Abu Dhabi's nominal GDP in 2005, 59.2 per cent. in 2006, 56.4 per cent. in 2007, 60.9 per cent. in 2008 and 49.4 per cent. in 2009. The decline in 2009 compared to 2008 principally reflected the effect of significantly lower crude oil prices in the first half of 2009 when compared to the equivalent period of 2008, although these effects were partially offset by higher crude oil prices in the second half of 2009 compared to the equivalent period of 2008.

A number of major projects to increase oil and gas production capacity and general capital expenditure to maintain efficient production in Abu Dhabi are currently being undertaken. The anticipated cost of these upstream projects is approximately U.S.\$40 billion over the six-year period from 2009 to 2014. However, ADNOC and the joint venture partners are reviewing a number of these projects in light of the current economic environment and the decline in construction costs to exploit market opportunities and reduce funding costs where possible. ADNOC is responsible for a percentage of these costs based on its ownership in the relevant operating entities, but has the discretion to take on specific projects independently of its joint venture partners if ADNOC believes that there will be an overall benefit to the emirate of Abu Dhabi. ADNOC will fund its share of these projects using its own financial resources.

Oil

Abu Dhabi, with proven crude oil reserves estimated to be in excess of 90 billion barrels, has approximately 95 per cent. of the UAE's total reserves and approximately 7 per cent. of the proven world oil reserves (which were 1,295 billion barrels according to OPEC at 31 December 2008). At the current rate of production, Abu Dhabi's oil reserves are expected to last in excess of 100 years. In terms of production capacity, Abu Dhabi's onshore and marine facilities are roughly equal.

Abu Dhabi's oil is considered light, with gravities in the 34–40 degree American Petroleum Institute gravity range. Murban, a blend from the onshore fields, is its major export crude. Abu Dhabi is a major supplier of crude oil to the Far East.

Structure of Abu Dhabi's Oil Industry

Supreme Petroleum Council ("SPC")

Oil policy and the award of concessions for Abu Dhabi is determined by the SPC which is chaired by the Ruler of Abu Dhabi. The SPC's responsibilities include formulating and implementing the emirate's policy and objectives in all sectors of the petroleum industry as well as exercising control and management of ADNOC.

ADNOC

ADNOC was established in 1971 to centralise control over all aspects of the emirate's oil and gas industry, including its management and operations. Following its establishment, ADNOC acquired 60 per cent. of the rights in oil concessions held by Abu Dhabi Petroleum Company Limited ("**ADPC**") and Abu Dhabi Marine Areas Limited ("**ADMA**").

Iraq Petroleum Company ("**IPC**") acquired a concession over onshore areas of Abu Dhabi in 1939. IPC established a company called Petroleum Development (Trucial Coast) to search for oil. After oil was discovered, the name of the company was changed to Abu Dhabi Petroleum Company Limited. The current shareholders of ADPC are a number of major international oil companies.

ADMA was established as a joint venture between two major international oil companies which obtained a concession over certain offshore areas of Abu Dhabi in 1953. The current shareholders of ADMA are a number of major international oil companies.

Following the acquisition of rights by ADNOC in the concessions previously held by ADPC and ADMA, a joint venture operating company was established by ADNOC and ADPC called Abu Dhabi Company for Onshore Oil Operations ("**ADCO**") and a separate joint venture company was established by ADNOC and ADMA called Abu Dhabi Marine Areas Operating Company ("**ADMA-OPCO**").

Subsequently, a similar joint venture operating company was established to develop the Upper Zakum oil field. The joint venture partners were ADNOC (which held 88 per cent. of the shares) and a Japanese oil company. The operating company was called Zakum Development Company ("**ZADCO**"). In 2006, ADNOC sold 28 per cent. of its shares in ZADCO to another international oil company.

As a result, ADNOC currently owns 60 per cent. of each of ADCO, ZADCO and ADMA-OPCO.

ADNOC has also entered into partnership arrangements with international oil companies to produce gas and is involved in a number of other oil-related businesses. See "*– Other oil-related businesses*".

ADCO

ADCO currently generates approximately 50 per cent. of Abu Dhabi's total crude oil production. Oil is mainly produced from five fields located at Asab, Bab, Bu Hasa, Sahil and Shah. These fields are linked to the storage and shipping facilities located at Jebel Dhanna, where tankers load crude oil for export to markets in various parts of the world.

ADCO is also involved in the development of gas fields and undertakes production and processing of gas on behalf of Abu Dhabi Gas Industries Company Ltd. ("**GASCO**"). Gas is presently recovered by ADCO from the Asab and Bab fields. These fields currently yield approximately 4 billion cubic feet per day ("**cf/d**") of gas.

ZADCO

ZADCO currently generates approximately 25 per cent. of Abu Dhabi's total crude oil production. It is responsible for development and operation of the oil fields at Upper Zakum, Umm al-Dalkh, Satah, Jarnain and Dalma. Its ongoing projects are aimed at increasing the capacity of all its fields with the principal expansion taking place at Upper Zakum.

ADMA-OPCO

ADMA-OPCO currently generates approximately 23 per cent. of Abu Dhabi's total crude oil production. It is responsible for development and operation of the Umm Shaif and Lower Zakum offshore fields. Its ongoing projects are aimed at increasing the capacity of the Lower Zakum field and developing new fields as well as a range of other upstream projects at both Umm Shaif and Lower Zakum.

Other minor oil producers

There are three other minor oil producing companies operating in Abu Dhabi. These are:

- Abu Dhabi Oil Co. Ltd., which is owned by a consortium of Japanese oil companies and operates three offshore oil fields at Mubarratz, Umm Al Anbar and Neewat Al Ghalan. These fields currently produce slightly over 20,000 barrels of crude oil per day (“b/d”);
- Bunduq Company Limited (“**Bunduq**”), which operates an oil field that straddles the maritime border between Abu Dhabi and Qatar. In May 1969, Abu Dhabi and Qatar agreed to share revenues accruing from the field's oil production on an equal basis. Bunduq currently produces approximately 12,000 to 15,000 b/d for Abu Dhabi; and
- A joint venture between two international oil companies which operates the Abu Al Bukhoosh concession. The concession currently yields around 15,000 b/d.

Oil exports

Abu Dhabi's oil exports are principally shipped on tankers that load oil from Jebel Dhanna port and from facilities located on the Das, Zirku and Mubarratz islands. These tankers ship their cargoes through the Arabian Gulf. In 2008, construction commenced on a 370 kilometre (“**km**”) onshore pipeline project. The pipeline will carry crude oil from Habshan to Fujairah with a view to avoiding transit shipping through the Straits of Hormuz. IPIC, which is the government entity managing the project, currently anticipates that commissioning of the pipeline will take place during the second half of 2011. The new pipeline is intended, among other things, to increase the security of Abu Dhabi's oil exports.

Refining

Abu Dhabi Oil Refining Company P.J.S.C. (“**Takreer**”), which is owned by ADNOC, operates the emirate's refinery at Ruwais which has a total production capacity in excess of 400,000 b/d. The refinery includes two 140,000 b/d condensate processing trains, which came on-stream between 2000 and 2002, increasing its capacity to over 400,000 b/d. In February 2008, Takreer announced plans to build a new 417,000 b/d refinery in Ruwais, which is expected to become operational by 2014. Light products produced at Ruwais are mainly exported to Japan and India, while fuel oil produced there is sold locally and used for domestic power generation.

Other oil-related businesses

ADNOC also wholly owns or has majority shareholdings in a number of subsidiaries that specialise in upstream and downstream oil and gas operations, as well as distribution, shipping and all other aspects of the hydrocarbon industry. For example, it has substantial interests in:

- gas production through joint ventures with major international oil companies in Abu Dhabi Gas Liquefaction Company Ltd. (“**ADGAS**”), GASCO and Ruwais Fertilizers Industries Ltd. (“**Fertil**”);
- the retailing of refined products, through ADNOC for Distribution; and
- other hydrocarbon-related businesses through ESNAAD (the company formed through the merger of Abu Dhabi Drilling Chemicals and Products with National Maritime Services Company), Abu Dhabi National Tanker Company, Abu Dhabi Petroleum Port Operating Company, National Drilling Company, Natural Gas Shipping Company, Abu Dhabi Polymers Company Ltd (“**Borouge**”) and Takreer.

Gas

At 31 December 2008, the UAE's natural gas reserves were estimated by OPEC at 6,091 billion standard cubic metres, making them the world's sixth largest reserves after the former USSR, Iran, Qatar, Saudi Arabia and the United States. The largest reserves, approximately 93 per cent. of the UAE's total, are located in Abu Dhabi, with the rest shared by other emirates. The non-associated Khuff gas reservoirs beneath the Umm Shaif and Abu al-Bukhoosh oil fields in Abu Dhabi rank among the world's largest.

ADGAS, which is 70 per cent. owned by ADNOC, operates a liquefied natural gas ("LNG") plant on Das Island, which also produces liquefied petroleum gas ("LPG"), pentane and sulphur. The plant's production capacity is 6.5 million tonnes per year.

GASCO, which is 68 per cent. owned by ADNOC, operates four gas processing plants including its processing facility at Habshan, which is one of the largest in the world. This facility currently has a total of eight gas processing trains and two gas injection trains with a feed gas capacity of 3,500 million standard cubic feet per day ("mcf/d"). The plant produces network gas, natural gas liquids ("NGL"), condensate and liquid sulphur.

In addition to the significant volume of gas that is re-injected into oil fields, the UAE's power stations, desalination plants and other industrial projects depend on burning gas, rather than oil, driving gross natural gas production in the UAE to 80.1 million standard cubic metres in 2008 according to OPEC data. Of this production, approximately 23.1 million standard cubic metres was re-injected and approximately 7.6 million standard cubic metres was exported by the UAE in 2008.

Dolphin Gas Project

The Dolphin Gas project is the first cross-border natural gas project in the Middle East and has both upstream (production and processing) and downstream (transportation and distribution) elements. Gas is produced from fields in Qatar's offshore North Field, in respect of which MDC has a 51 per cent. interest in a 25 year concession granted by the Qatari government which expires in 2032. Once the gas is extracted from the fields, it is then transported to Dolphin Energy Limited's ("Dolphin Energy") gas processing plant in Ras Laffan in Qatar, the largest gas processing plant in the Middle East, for processing. Dolphin Energy is also 51 per cent. owned by MDC. The dry gas resulting from the processing is then transported to Abu Dhabi through a 370 km subsea export pipeline constructed by Dolphin Energy and which has a maximum design rate of 3.2 billion standard cubic feet ("SCF") per day. Once the dry gas reaches receiving facilities in Abu Dhabi, it is then distributed by Dolphin Energy to its customers in the UAE and Oman. In addition to its existing gas distribution facilities, Dolphin Energy is also constructing a gas pipeline from Taweelah to Fujairah in order to give flexibility to increase the gas volume delivered to the Fujairah region.

The main customers for the dry gas are ADWEA, the Dubai Supply Authority ("DUSUP") and the Oman Oil Company ("OOC"). Between them, ADWEA, DUSUP and OOC have 25-year contracts in place with Dolphin Energy for the supply of 1,859 million SCF of gas per day. The first gas shipments were transported through the pipeline in July 2007 with full capacity being reached in early 2008.

Manufacturing and Industry

The manufacturing sector contributed 7.5 per cent. of Abu Dhabi's nominal GDP in 2005, 6.7 per cent. in 2006, 6.5 per cent. in 2007, 5.8 per cent. in 2008 and 7.4 per cent. in 2009.

A significant element of Abu Dhabi's long-term economic strategy involves expansion of the emirate's industrial base. Specific strategic priorities include the promotion of specialised economic zones and the development of public private partnerships as a means of encouraging and increasing private sector participation. A number of specialised economic zones, including the Industrial City of Abu Dhabi ("ICAD"), have been established. See "*Foreign Direct Investment and Free Zones*".

In addition, the Khalifa Port and Industrial Zone located at Al Taweelah is being developed by Abu Dhabi Ports Company, which is wholly-owned by the government. Situated midway between Abu Dhabi and Dubai, this facility is intended to capitalise on industrial activity across both emirates. The new port facilities are expected to include container and general cargo terminals, which are expected to have the capacity to accommodate 35 million tonnes of general cargo and 15 million TEUs (twenty foot equivalent units) of containerised cargo upon completion of the first phase, which is anticipated to be at the end of 2012. The first phase of the industrial zone is expected to cover an area of approximately 150 km² and will seek to attract a range of companies in the aluminium, engineered metals, glass, paper, petrochemical, chemical product, high technology, food and

beverage and trade and logistics sectors. The new aluminium smelter referred to below under “– *Metal Industries – Aluminium*” is among the initial group of anchor tenants. It is also expected that, by the end of 2012, the entire port operations of Mina Zayed in Abu Dhabi will be transferred to the new Khalifa Port. See “– *Infrastructure – Ports and Airports*”.

A number of large-scale industrial investment projects have been announced in Abu Dhabi, including a renewable energy and sustainable development project located near Khalifa City (the Masdar Project), the construction of an aluminium smelter and a direct reduction and smelting steel plant at Mussafah in ICAD, which are discussed in more detail below.

Petrochemicals and Fertilisers

In addition to its upstream exploration, drilling, production and transportation of crude oil activities, Abu Dhabi also has a number of major downstream petrochemical and fertiliser industrial complexes.

Petrochemicals

Gas processing and LNG extraction is carried out in plants operated by ADGAS and GASCO. Feedstock for these plants is provided by ADMA-OPCO and ZADCO from their offshore fields to ADGAS and by ADCO and Abu Dhabi Oil Company Ltd. from their onshore fields to GASCO. These plants produce over 13 million tonnes of gas comprising LNG, methane, ethane, propane, butane, pentane plus, paraffinic naphtha, liquid sulphur, condensate and LPG. In addition to exporting these products, certain raw materials are also transferred to local petrochemical plants operated by Borouge (raw ethane) and Takreer (condensate and sulphur) for further processing.

Borouge’s petrochemical complex in Ruwais includes a 600,000 tonnes per year (“t/y”) ethane cracker that supplies ethylene feedstock to two 225,000 t/y polyethylene units. Borouge produces up to 580,000 tonnes of Borstar bimodal high-, medium-, and linear low-density polyethylene per year. In June 2006, Borouge announced an expansion project, Borouge 2, which is intended to be completed by the end of 2010 and to triple its polyolefin production capacity to 2 million t/y.

In addition to promoting its own polyethylene products, Borouge also oversees the distribution and marketing of Borealis’s range of polyolefins in the Middle East and Asia Pacific. Borouge was established by ADNOC (which held 60 per cent.) and Borealis (in which the Abu Dhabi government also held a stake). In 2005, IPIC, wholly owned by the Abu Dhabi government, acquired approximately 65 per cent. of Borealis, a fully integrated petrochemical company.

During 2008, Abu Dhabi National Chemicals Company (“**ChemaWEyaat**”) was established by IPIC, ADIC and ADNOC to support the government’s investment in the chemicals industry. Each of IPIC and ADIC owns 40 per cent. of ChemaWEyaat and the remaining 20 per cent. is owned by ADNOC. ChemaWEyaat has been established to develop the ChemaWEyaat Industrial City at the new Khalifa Port Industrial Zone, which is expected to accommodate large-scale industrial chemical facilities. As at the date of this Prospectus, ChemaWEyaat has not commenced operations.

Abu Dhabi is planning to grow its petrochemicals sector, both as a result of the existing facilities expansion projects described above and through the establishment of new projects that will produce derivatives such as melamine, polyethylene, polypropylene, polyvinyl chloride (PVC), vinyl chloride monomer, linear alpha olefins and aromatics.

Fertilisers

Fertil was established to utilise lean gas supplied from certain onshore gas fields to produce fertilisers and market them locally and internationally. Its existing nitrogenous fertiliser plant in Ruwais consists of a 1,310 tonnes per day (“t/d”) ammonia plant and a 1,850 t/d urea plant. An expansion programme is due to come on-stream in 2013 and is expected to increase the urea production capacity by 3,500 t/y and the ammonia production capacity by 2,000 t/y.

Metal Industries

Aluminium

Emirates Aluminium Company Limited PJSC (“**EMAL**”) is a joint venture equally owned by MDC and Dubai Aluminium Company Limited and is responsible for the construction and operation of a greenfield aluminium smelter with associated power generation facilities at Taweelah in the Khalifa Port and Industrial Zone

in Abu Dhabi (the “**EMAL Project**”). The EMAL Project has been designed in two phases. The first phase (“**Phase I**”), which began producing aluminium in December 2009 and is expected to be completed by the end of 2010, involves the construction of an aluminium smelter with an anticipated production capacity of 718,000 tonnes of aluminium per year and a combined cycle gas-fired power plant with an anticipated generating capacity of approximately 2,000 megawatts. EMAL has secured long-term contracts for the supply of alumina and gas. The EMAL Project has the potential to expand to its second phase, which would be expected to increase the initial aluminium production capacity to 1.5 million tonnes per year and the power plant capacity to 3,500 megawatts. However, no decision has yet been taken whether to develop the second phase.

Electric cables

Dubai Cable Company (“**Ducab**”) manufactures low and medium voltage electric cables and is a 50:50 joint venture between the Abu Dhabi and Dubai governments. Abu Dhabi’s interest in Ducab is managed by General Holding Corporation (“**GHC**”), which is wholly-owned by the government and is the holding company for, and manages, a number of holdings in industrial and other companies. In June 2008, Ducab commenced production at its new copper rod casting plant in its Abu Dhabi factory premises, which is currently able to produce up to 110,000 tonnes of 8 millimetre copper rod a year (with the ability to increase production to 160,000 t/y). At the end of 2010, Ducab expects to open a high voltage cable systems factory as part of a joint venture between Ducab, ADWEA and the Dubai Water and Electricity Authority (DEWA). The anticipated production capacity of the factory is 30,000 t/y of 66 to 400 kilovolt cables.

Steel Making

Emirates Steel Industries (“**ESI**”), a company wholly-owned by Abu Dhabi Basic Industries Corporation which is wholly-owned by GHC, is the only integrated steel plant in the UAE, utilising rolling mill technology to produce reinforcing bar and wire rod. In 2007, ESI acquired the assets and business of Mussafah-based Emirates Iron and Steel Factory. ESI is implementing an expansion programme and currently has an output capacity of 2 million metric t/y. Following completion of the programme, which is expected in 2011, the company’s production capacity is expected to reach 3 million metric t/y and its product range is expected to comprise rebar in both straight and coil form, wire rod, sections, plate, seamless pipe, longitudinally welded pipe, hot rolled coil and semi-finished products, such as billets and direct reduced iron.

Advanced Technologies

Late in 2008, Advanced Micro Devices (“**AMD**”), a company 19.3 per cent. owned by MDC, and Advanced Technology Investment Company (“**ATIC**”), a company wholly-owned by the government, announced the creation of a global semiconductor manufacturing company, which was launched as GLOBALFOUNDRIES in March 2009, based on AMD’s existing fabrication infrastructure. ATIC owns 70 per cent. of GLOBALFOUNDRIES, which has its primary foundry in Germany. In addition, ATIC acquired Chartered Semiconductor, the world’s third largest chipmaker, towards the end of 2009. Chartered Semiconductor has subsequently been rebranded as GLOBALFOUNDRIES Singapore and is now managed and operated by GLOBALFOUNDRIES.

Renewable Energy and Sustainable Development

The Masdar Project aims to support and capitalise on the government’s pledge that seven per cent. of Abu Dhabi’s energy will come from renewable sources by 2020. The Masdar Project is being undertaken by Abu Dhabi Future Energy Company (“**Masdar**”), which is wholly-owned by MDC. Under Article 17 of Law No. 22, the government has committed to provide the necessary support to Masdar in order to enable it to achieve the goals and purposes for which Masdar was established.

Masdar was formed for the purposes of implementing the Masdar Project, including investing or acquiring participations in companies operating in the renewable energy, hydrogen and other similar sectors, while complying with the principles of sustainable development; providing services for the reduction of carbon emissions; investing in and developing real estate projects (see “– *Construction and Real Estate*” below); and establishing and managing free zones on land granted by the government to serve the goals of Masdar (see “– *Foreign Direct Investment and Free Zones*” below).

Masdar is currently participating in, or conducting feasibility studies in respect of, a number of renewable energy projects, including: (i) the construction of a solar plant in Abu Dhabi; (ii) an investment in thin photovoltaic technology through the construction of a thin film photovoltaic panel manufacturing plant in Germany, the first phase of which has been completed, at a total cost of U.S.\$300 million; (iii) an integrated, natural gas-fed,

hydrogen-fueled power generation project in a joint venture with BP plc at a cost of U.S.\$2.5 billion; and (iv) the development of a carbon capture and storage project, which aims to collect and store the carbon dioxide produced by UAE industrial companies and to use the collected gas for re-injection in oil fields to enhance oil recovery.

Shipping and Shipbuilding

Abu Dhabi Ship Building PJSC (“**ADSB**”) is listed on the Abu Dhabi Securities Exchange (“**ADX**”). The government, either directly or through MDC, owns 50 per cent. of ADSB and the remaining 50 per cent. is held by public shareholders. The company was established in 1996 and constructs and repairs both military and commercial vessels.

Tourism

Development of the tourist industry in Abu Dhabi is a key strategic goal of the emirate and is the task of ADTA, which is aiming to position Abu Dhabi as the region’s most distinctive and exclusive tourist destination.

There are a large number of new hotel and other tourism-related projects under development or planned in Abu Dhabi to be developed by companies such as TDIC, which is a master developer of leading tourism real estate assets within Abu Dhabi and is the development arm of ADTA, Aldar, MDC and other public and private sector companies. Significant recent developments include the Shangri-La Hotel – Qaryat Al Beri, which opened in 2008, the Anantara Qasr al Sarab Desert Resort and the Fairmont Bab Al Bahr, each of which opened in 2009, the Saadiyat Beach Golf Club, which opened in January 2010, and a range of developments on Yas Island including the Formula One circuit, Yas Hotel and the Yas Links golf course which have opened since late 2009. Examples of ongoing projects include: the Angsana Eastern Mangroves Hotel and Resort; the Westin Hotel & Spa, forming part of the Abu Dhabi Golf Resort; and the Al Bateen Wharf Hotel and Apartments to be built as part of the redevelopment of the Al Bateen district, the Ferrari World theme park and Yas Mall, each on Yas Island, and a number of hotels being developed as part of the Capital Centre project. In addition to the above developments in the city of Abu Dhabi, TDIC is also developing the Anantara Desert Islands Resort off the coast of Abu Dhabi some 250 km from the capital; and is also undertaking the redevelopment of the Hili Fun City, an amusement and leisure park in Al Ain.

The table below shows certain indicators relating to Abu Dhabi’s hotel establishments for each of the years indicated.

	2005	2006	2007	2008	2009
Hotel establishments	55	56	77	97	110
Number of rooms	7,758	7,986	10,192	12,727	17,104
Number of guests	1,205,852	1,345,926	1,449,625	1,502,954	1,540,258
Average length of stay (<i>days</i>)	3.07	2.90	2.95	3.11	2.8
Occupancy rate (<i>yearly, %</i>)	68	86	81	84	72

Source: Abu Dhabi Tourism Authority

Completion of Abu Dhabi’s AED 25 billion airport expansion project, anticipated in 2015, is expected to significantly increase tourism in the emirate. The aim is to increase the annual passenger capacity to 50 million passengers in the long-term and, as part of this expansion, a new terminal, Terminal 3, was completed in early 2009. Abu Dhabi-based Etihad Airways, which commenced operations in 2003, has increased the accessibility of Abu Dhabi and is a significant factor in the emirate’s tourism development planning. At the same time, a number of new tourist attractions are being created, including:

- ADTA’s Saadiyat Island project. This project is expected to transform the 27 km² Saadiyat Island, half a kilometre north-east of the capital, into a major tourism destination with 29 hotels, one being a seven-star property. The island will also house the world’s largest Guggenheim Museum of Modern Art, the first Louvre Museum established outside of Paris and a wide range of other key attractions;
- resort projects on Al Lulu Island, Al Reem Island and at Al Raha Beach;
- a new international exhibitions complex, intended to complement efforts being made to encourage the meetings, incentives, conventions and exhibitions tourism segment in the emirate;

- the Sir Baniyas Island project, aimed at making the island an environmental and tourist destination; and
- eco-tourism developments such as the Al Wathba Wetland Reserve.

In November 2009, Abu Dhabi hosted its first Formula One motor race, on the newly constructed Yas Marina track on Yas Island, near to Abu Dhabi International Airport.

Construction and Real Estate

The construction and the real estate and business services sectors together contributed 13.6 per cent. to Abu Dhabi's nominal GDP in 2005, 13.9 per cent. in 2006, 16.0 per cent. in 2007, 14.3 per cent. in 2008 and 18.5 per cent. in 2009.

The construction sector grew by 25.6 per cent. in 2005, by 40.3 per cent. in 2006, by 27.4 per cent. in 2007, by 11.3 per cent. in 2008 and by 5.5 per cent. in 2009, reflecting the significant amount of building work taking place across the emirate during those years. The deterioration in global economic conditions in 2008 and 2009 has resulted in a change in emphasis in the construction sector, which is reflected in the slowing rate of growth of construction in 2008 and 2009. While the government intends to continue with significant public sector projects, certain private sector projects are being delayed or completed more slowly. In particular, the government currently intends to focus on key infrastructure projects, including the development of Khalifa Port, the expansion of Abu Dhabi International Airport (both of which are described under “– *Infrastructure – Ports and Airports*” below) and the construction of a new highway link to Saudi Arabia in the west of Abu Dhabi as well as on other strategic projects such as the development of Saadiyat Island (referred to under “– *Tourism*” above). The decline in construction activity generally within the UAE and the GCC resulting from the economic slowdown has resulted in increased competition among contractors and generally lower construction costs, which the government believes will help it to complete its infrastructure developments in a more cost-effective manner.

Although other government sponsored and private sector projects currently under development are generally expected to be completed as planned to meet existing demand, new developments are expected to be led by market conditions. The government of Abu Dhabi has appointed consultants to advise it in relation to the scale and pace of the proposed developments with a view to ensuring that they can be matched with infrastructure development.

Significant real estate projects currently underway include the development of the Central Business District at Al Sowwah Island, and Masdar City, a 6 km² development in a designated special free zone next to Khalifa City. Both Al Sowwah Island and Masdar City are being developed by MDC. The plan for Masdar City includes offices, hotels, residential and retail space, light industry, development units and laboratories. The city is intended to employ innovation in energy-efficiency, sustainable practices, resource recycling, biodiversity, transportation and green building standards. Construction commenced in 2008 on Phase 1 of the project, with the first building, housing the Masdar Institute (a research partnership between Masdar and a number of leading academic institutions around the world), scheduled to be completed in the third quarter of 2010. The blueprint for Phase 1 is for a mixed-use, self contained development with office, retail, hotel and residential units and the Masdar headquarters building. Masdar is currently undertaking an internal strategic review of the Masdar City project in order to define more carefully the timing and optimal design for the City. Phase 1 is scheduled to be completed in 2014 and is expected to cost approximately U.S.\$5 billion although the timing and final cost of Phase 1 will depend on the outcome of the strategic review. Timing of the further six phases has not been set and will be driven principally by market demand.

Other significant projects include Raha Gardens, a 665,000 square metre (“m²”) landscaped area being developed by Aldar Properties PJSC (“**Aldar**”) (which is part-owned by the government through MDC), which incorporates villas, townhouses and a full range of facilities for residents. All of the 1,388 villas to be constructed in the early phases of this development have been pre-sold to UAE nationals. In addition, in November 2005, Ferrari and Aldar launched Ferrari World, a themed entertainment and leisure project based on the Ferrari motoring brand, which is being built on Yas Island and is expected to be completed in 2010.

Under Abu Dhabi law, non-nationals are prohibited from owning property in Abu Dhabi, other than in specified investment areas where they can hold property in one of three ways:

- under a 99-year land title/usufruct agreement;
- through renewable 50-year development agreements; or
- through surface property agreements that allow for ownership of apartments developed on the land in such investment areas.

These investment areas include Al Raha Beach, Al Reem Island and Al Reef. UAE companies are responsible for construction and development of properties in these areas in coordination with relevant government departments.

In early 2008, the government, through MDC and in conjunction with other Abu Dhabi-based founding shareholders, established Abu Dhabi Finance Company as a specialised mortgage lender offering home loans in Abu Dhabi. Prior to the establishment of Abu Dhabi Finance Company there was no specialised mortgage provider in Abu Dhabi.

Financial Institutions and Insurance

The financial institutions sector (principally banks) contributed 4.7 per cent. to Abu Dhabi's nominal GDP in 2005, 4.3 per cent. in 2006, 5.0 per cent. in 2007, 4.5 per cent. in 2008 and 5.8 per cent. in 2009. This sector grew by 17.6 per cent. in 2005, by 17.4 per cent. in 2006, by 29.2 per cent. in 2007, by 11.1 per cent. in 2008 and by 4.4 per cent. in 2009. The increases in the period up to 2008 reflect significantly increased liquidity as a result of oil price rises and general economic expansion. The slowdown in the rate of growth in 2008 and 2009 reflects the effects of the global economic crisis on Abu Dhabi's banking sector. There are a significant number of banks and other financial institutions operating in Abu Dhabi, with the five leading banks being the National Bank of Abu Dhabi, Abu Dhabi Commercial Bank, Union National Bank, First Gulf Bank and Abu Dhabi Islamic Bank. These banks provide a full range of banking services. The banking sector in Abu Dhabi is described in more detail under "*Monetary and Financial System – Banking and Financial Services*" below.

Other Economic Sectors

Other significant economic sectors in Abu Dhabi include transport, storage and telecommunications; and wholesale and retail trade and repairing services. These sectors contributed an estimated 7.1 per cent. and 5.5 per cent., respectively, to Abu Dhabi's nominal GDP in 2009. The agriculture, livestock and fisheries sector contributed an estimated 1.0 per cent. to Abu Dhabi's nominal GDP in 2009.

Inflation

Abu Dhabi has been focussing on the preparation of meaningful inflation statistics. The methodology used for calculating the consumer price index for 2006 and 2007 was amended in conjunction with the IMF and as part of a wider project aimed at significantly improving the quality and timeliness of the UAE's statistical data. In addition, using data obtained from a household income and expenditure survey that was carried out in Abu Dhabi in 2007 and 2008, 10 years after the previous such survey, the consumer price index was re-based to 100 in 2007 and the inflation basket was revised to comprise 12 groupings from the previous eight. As a result, although the consumer price index figures in the table below are comparable as the years prior to 2007 have been rebased to the 2007 base and a correction factor has been included to adjust for the effects of the basket revision, the subsequent tables which provide details of the inflation baskets for 2006 and 2007 and for 2008 and 2009, respectively, cannot be compared with each other.

The tables below show the consumer price index ("CPI") and the percentage change, year on year, of consumer prices in Abu Dhabi for each of the years indicated.

	2005	2006	2007	2008	2009
Consumer price index (2007 = 100).....	83.46	90.36	100.00	114.88	115.79
Consumer prices (percentage change, year on year).....	6.17	8.27	10.67	14.88	0.79

Source: Statistics Centre

The increases in inflation in the period between 2005 and 2008 were fuelled by domestic demand growth generated by high oil prices, rising government spending, low interest rates and population growth. As a result, real estate prices and rents rose significantly and companies were forced to increase staff wages and prices as a consequence. Further, large public and private sector pay increases during the period generated further pressure on prices. Finally, increases in prices of imported goods during the period also increased inflation rates in the emirate. In 2006, Abu Dhabi introduced rent caps limiting rental increases to seven per cent. per annum and, in 2007, rental increases were capped at five per cent. per annum. In the 2030 Economic Vision, the government identified the need to encourage greater rates of saving and to develop new methods with which to lock wealth into the economy and employ it in long-term productive methods as a means of controlling inflation. The significant slowdown in the rate of inflation in 2009 principally reflected the effects of the global economic

recession which significantly reduced imports in 2009 and generally lower oil prices and rental increases in 2009 compared to 2008, as further described below.

The table below shows the principal components of the CPI in each of 2006 and 2007, the percentage change year on year and the index weighting of each component.

	2006	2007	Change (%)	Index Weight
Food, beverage and tobacco.....	119.4	128.5	7.63%	14.43
Clothing and footwear	116.7	131.4	12.62%	6.74
Rent, fuel and power.....	149.8	175.1	16.91%	36.14
Furniture and furnishings.....	112.9	119.0	5.37%	7.40
Medical care and health services.....	127.5	130.1	2.07%	1.85
Transportation and communication	127.8	129.3	1.17%	14.93
Recreational, educational and cultural services.....	124.5	128.4	3.17%	10.29
Other goods and services	125.9	144.2	14.56%	8.22
Overall CPI.....	132.2	146.3	10.67%	100.00

Source: Statistics Centre

The principal basket component impacting the increase in inflation during 2007 was a 16.9 per cent. increase in rent, fuel and power which was weighted at 36.14 per cent. of the overall index. Changes in rental rates were the principal factor within this component. In addition, increases in the prices for the other goods and services; food, beverages and tobacco; and clothing and footwear components also contributed to the overall increase in inflation during 2007.

The table below shows the principal components of the CPI in each of 2008 and 2009, the percentage change year on year and the index weighting of each component.

	2008	2009	Change %	Index Weight
Food and non-alcoholic beverages	120.9	117.0	(3.2)%	16.05
Alcoholic beverages, tobacco and narcotics.....	101.3	114.9	13.5%	0.25
Clothing and footwear	129.6	122.5	(5.5)%	9.76
Housing, water, electricity, gas and other fuels.....	112.8	118.1	4.7%	37.86
Furnishings, household equipment and routine household maintenance.....	115.6	112.5	(2.7)%	4.83
Healthcare	110.4	112.4	1.8%	0.85
Transport	107.4	108.6	1.1%	9.67
Communications	99.9	99.9	0.0%	7.72
Recreation and culture	111.9	105.7	(5.5)%	2.42
Education	119.0	132.5	11.3%	2.59
Restaurants and hotels	123.9	123.8	(0.1)%	3.37
Miscellaneous goods and services.....	114.5	114.4	(0.1)%	4.62
Overall CPI.....	114.9	115.8	0.8%	100.00

Source: Statistics Centre

The principal basket components iStatistics Centre impacting the lower rate of inflation in 2009 compared to 2008 were lower or flat food and non alcoholic beverage; clothing and footwear; furnishings, household equipment and routine household maintenance; restaurant and hotel; communications; recreation and culture; and miscellaneous prices (which components together constitute 48.8 per cent. of the overall index). These price declines were offset by significantly increased prices in the housing, water, electricity, gas and other fuels; and healthcare components, as well as a small increase in transport prices. Within the housing, water, electricity, gas and other fuels component, rental rates are the most significant item and were the principal factor behind the increases.

On a monthly basis (compared with the same month in the previous year), inflation in Abu Dhabi in January 2009 was 3.45 per cent. This declined to 0.39 per cent. in June 2009 and the emirate experienced deflation in amounts of less than 1 per cent. from July 2009 to November 2009. Since then, inflation has increased, reaching 3.02 per cent. in May 2010 compared to May 2009.

Employment and Wages

Based on 2005 census information, the labour force (comprising the employed and unemployed population from age 15 to 65) in Abu Dhabi was 815,311 of which 786,738 were employed and 28,573 were unemployed. The labour force excludes students, persons engaged in housework and those classified as unable or unwilling to find work. In 2008, the labour force was estimated by the Statistics Centre to comprise 919,299 people of which 889,418 were estimated to be employed and an estimated 29,881 were unemployed.

One of the key challenges for the emirate is the creation of jobs for nationals, supported by initiatives to educate and motivate young Emiratis to join the workforce and, in particular, the private sector. The Abu Dhabi government is supporting the private sector by initiating educational and training programmes as well as schemes to identify deficiencies among public sector workers with a view to providing appropriate retraining. Specifically, in the education arena, the Abu Dhabi government is outsourcing the management of schools to private operators and initiating partnerships with internationally respected universities with a view to increasing the quality of education offered.

Registered unemployment in Abu Dhabi is low with the Statistics Centre recording registered unemployment rates (comprising those persons registered as unemployed divided by the total labour force) of 3.50 per cent. in 2005, 3.44 per cent. in 2006, 3.34 per cent. in 2007 and 3.25 per cent. in 2008. In 2009, according to Statistics Centre estimates, the unemployment rate increased to 6.7 per cent.

Unemployment benefits are payable to nationals only and the responsibility for the payment lies with the federal government.

The Abu Dhabi Retirement Benefits and Pension Fund (the “**Pension Fund**”) was created in June 2000 to provide pensions to all nationals employed in the public and the private sector in Abu Dhabi. The Pension Fund provides a percentage of the average salary of the final three years of employment, which ranges from 48 per cent. after 15 years employment to 80 per cent. after 25 years employment. Monthly contributions are made to the pension fund both by employers (at a rate of 15 per cent.) and by employees (at a rate of 5 per cent.) based on the employee’s monthly salary. The government contributes an additional sum of 6 per cent. as a subsidy, which is intended to meet the administrative costs of managing the Pension Fund.

A contribution of AED 6.2 billion was made by the Abu Dhabi government in 2005 toward funding the contingent liability of the pensioners and the government has since committed to ensure that the obligations of the Pension Fund are met. It is estimated that an additional sum of approximately AED 25 billion would be required to make the Pension Fund fully funded.

Separate social security provision is made for all members of the military and the police force and this provision is funded by Abu Dhabi through the contributions it makes to the federal government budget in this respect.

Non-nationals are not entitled to pensions but are legally entitled to end-of-service benefits based on the length of service and in accordance with the terms of their employment contracts.

The Thiqa Health Insurance Program was launched in Abu Dhabi in May 2008 as part of the implementation of Abu Dhabi Health Insurance Law No. 23 of 2005 and is provided by the National Health Insurance Company, DAMAN. The Thiqa Health Insurance Program covers all UAE nationals working and residing in Abu Dhabi with comprehensive free healthcare coverage at all private and public healthcare facilities in the emirate, although starting in 2009 only 50 per cent. of dental treatment and pharmaceutical costs were covered. Non-nationals are required to take out health insurance which is paid for by their employers. The Abu Dhabi government funds the costs of the programme to the extent that it is provided free to UAE nationals in Abu Dhabi.

Infrastructure

Roads and Highways

Abu Dhabi has an extensive network of roads connecting the emirate with Saudi Arabia in the west, Oman in the east and Dubai in the north. Over the past two decades, a network of roads has been built up both within urban areas and connecting various towns and villages in the emirate. One significant ongoing road project is a public private partnership to design, finance and construct a 327 km highway linking Mafraq (which is south of the metropolitan area of Abu Dhabi) to the border post with Saudi Arabia at Ghweifat in the western part of the emirate.

The Abu Dhabi Urban Framework Plan envisages an integrated multi-modal transport system for the city of Abu Dhabi utilising and extending the existing regular grid of boulevards running through the city with a view to distributing traffic evenly through the core and allowing congestion on one street to dissipate through the grid. New roads will be constructed where necessary, including new connections between Saadiyat Island and the airport and connecting Al Reem and Saadiyat Islands to Al Raha Beach. In addition, feasibility studies are being conducted in relation to a possible high speed rail line linking the central station with the airport and, ultimately, Dubai as well as a freight line connecting the new port, the airport and Jebel Ali with other GCC countries. Additions and improvements to the regional road and public transport networks in the emirate are also anticipated in both the Al Ain and the Al Garbia Urban Framework Plans.

Feasibility studies are being conducted in relation to a possible high speed rail link linking the central station with the airport and, ultimately, Dubai, as well as a freight line connecting the new port, the airport and Jebel Ali with other GCC countries and Al Ain.

In 2008, the government approved investments aimed at upgrading and modernising the city of Abu Dhabi's bus transport network.

Ports and Airports

Mina (Port) Zayed in the city of Abu Dhabi is the emirate's main general cargo port, while the terminals at Jebel Dhanna and Das, Zirku and Mubarras islands handle the vast bulk of the emirate's crude oil and gas exports. In addition, a significant new port (Khalifa Port) for Abu Dhabi is being built at Al Taweelah by Abu Dhabi Ports Company. Dredging and reclamation work commenced on the project in April 2008. Construction of Khalifa Port is intended to provide the necessary port logistics and infrastructure for Abu Dhabi as envisaged by the Policy Agenda.

Established in 1972, Mina Zayed's facilities occupy a total area of 510 hectares, including 41 hectares dedicated to container terminals that can accommodate around 15,000 TEUs at any one time. Within the port's boundaries are over one million m² of paved storage yard, over 100,000 m² of climatically controlled storage sheds and additional cold storage. There are 21 berths for handling general cargo, including bulk cargo, roll-on roll-off, project cargo, reefer cargo and petroleum products. The port has 17 general cargo berths with a total quay length of 3,380 metres and a quayside depth varying from nine metres to 15 metres. In 2005, the day-to-day management of operations of Mina Zayed were assumed by Dubai-based ports operator, DP World Limited. It is intended that, by the end of 2012, all of Mina Zayed's existing operations will be transferred to the new Khalifa Port currently being constructed at Taweelah.

Khalifa Port is being constructed on an artificial island complex approximately 5km off mainland Abu Dhabi. The port is planned to be developed in five stages and, on final completion, the port is planned to have facilities which are expected to accommodate annually 15 million TEUs of containerised cargo and 35 million tonnes of general cargo. The first stage of the development is expected to result in capacity for 2 million TEUs and 8 million tons of general cargo. A dedicated berth to service EMAL requirement is expected to be operational from the end of 2010 with the remainder of the first phase facilities being completed by end of 2012.

Abu Dhabi Airports Company has, since 2006, had overall responsibility for the operation, maintenance and redevelopment of Abu Dhabi's airports. In 2008, more than nine million passengers passed through Abu Dhabi International Airport. As part of a major expansion project for the airport, which commenced in mid-2005, a new third terminal was opened in the first quarter of 2009, increasing the airport's capacity to 12 million passengers per year. The overall expansion project is expected to increase capacity to approximately 20 million passengers per year by the end of 2012.

Costing an estimated AED 25 billion, the master plan for Abu Dhabi International Airport involves the construction of a new mid-field passenger terminal (which has been completed), a new air traffic control complex, a second runway, and cargo, maintenance facilities and other commercial development on land immediately adjacent to, and north of, the existing airport. Another key part of the project is the provision of a substantial increase in cargo facilities, with an ultimate handling capacity of approximately two million tonnes of freight a year compared to the current capacity of 150,000 tonnes of freight per year.

Abu Dhabi's second international airport is located on a 600-hectare site, 23 km from Al Ain City, an important agricultural and educational area.

Telecommunications

The UAE has a well-developed, technologically-advanced telecommunications infrastructure and has high mobile telephone penetration. Since 1976, the majority federal government-owned telecoms corporation, Emirates Telecommunications Corporation (“**Etisalat**”), has operated, maintained and developed the national and international fixed-line network, mobile telephony, Internet access and cable TV services.

In mid-2004, the federal government announced plans to end the monopoly of Etisalat. A regulator, the Telecommunications Regulatory Authority (“**TRA**”), was formed to oversee the process and, in 2006, it granted a licence to Emirates Integrated Telecommunications Company (“**EITC**”), a new telecom provider, operating under the brand name “Du”. EITC is currently owned 40 per cent. by the federal government, 20 per cent. by MDC, 20 per cent. by Emirates Telecommunications and Technology Ltd and 20 per cent. by the public.

According to the TRA, as at April 2010 there were approximately 1.5 million fixed lines in operation in the UAE, with 10.6 million active mobile subscribers (198.4 per cent. penetration) and 1.5 million internet subscribers (comprising approximately 730,000 and 735,000 dial-up and broadband subscribers, respectively, and equal, in total, to approximately 68.8 per cent. penetration based on an estimated 2.5 users per internet subscription). No separate statistics are available for Abu Dhabi.

Energy and Water

The Abu Dhabi water and electricity sector comprises the production, transmission, distribution and supply of electricity and potable water to customers. In 1998, ADWEA was formed by the government of Abu Dhabi to assume responsibility for the water and electricity sector in Abu Dhabi. See “– *Privatisation*”.

Electricity is generated in predominantly gas-fired power stations located throughout the emirate. Transmission lines at voltages of 400, 220 and 132 kilovolts connect the major centres of generation and demand (some small centres of population in remote areas are not connected to the transmission grid and are served by separate generating facilities). Electricity is distributed to customers at 33 and 11 kilovolts through two licensed distributors based in Abu Dhabi city and Al Ain.

Potable water is produced mainly from desalination plants. Desalination takes place predominantly alongside the generation of electricity in cogeneration stations. Water is transmitted through trunk mains pipelines of 600mm to 1,600mm and pumping stations. Distribution to customers is carried out through main pipelines less than 600mm and, in some remote areas, by road tankers.

According to the Regulation and Supervision Bureau for the Water, Wastewater and Electricity Sector in the Emirate of Abu Dhabi, gross energy generated in 2008 was 38,543 gigawatt hours, up 12.9 per cent. from the previous year (including exports). Desalinated water production in 2008 was 208,844 million gallons, up 8.0 per cent. from the previous year. Electricity customers numbered 326,068 in 2008, a 4.1 per cent. increase on the previous year, whilst desalinated water customers numbered 243,745, a 5.2 per cent. increase on 2007.

In December 2009, the Abu Dhabi government established Emirates Nuclear Energy Corporation (“**ENEC**”) as the entity responsible for developing nuclear power plants in the UAE. In April 2010, ENEC applied for licences to commence preliminary work at its preferred site at Braka in Abu Dhabi, approximately 53km west-southwest of the city of Ruwais. Final approval of the proposed site location for the four planned plants rests with the UAE Federal Authority for Nuclear Regulation. ENEC has appointed a consortium led by Korea Electric Power Company as its prime contractor in relation to the proposed development of the nuclear plants. ENEC’s currently announced intention is to produce nuclear energy for the UAE national grid by 2017.

Privatisation

One of the key strategies of the Abu Dhabi government is to raise productivity in the economy, including through privatisation and public private partnerships. The principal privatisation to date in the emirate has been in the water and electricity sector. Following the establishment of ADWEA in 1998 and the splitting of the sector into separate companies responsible for generation, transmission and distribution, ADWEA then undertook a privatisation programme with a view to reducing power and water costs and increasing fuel efficiency through market competition. ADWEA offered participations in each of its power generation and water desalination facilities to international developers by way of competitive bids. In each privatisation, ADWEA divested 40 per cent. of its interest in the relevant facility to the successful bidding consortium and subsequently transferred 90 per cent. of its remaining 60 per cent. interest to Abu Dhabi National Energy Company PJSC (“**TAQA**”). Together, the privatised facilities provide more than 85 per cent. of Abu Dhabi’s power and water requirements.

TAQA, which was established in June 2005, was initially wholly owned by ADWEA. Following the incorporation of TAQA, ADWEA transferred 24.1 per cent. of its shareholding to the Fund for the Support of Farm Owners in the Emirate of Abu Dhabi to provide farmers with an income stream and to provide longer-term support to farming in Abu Dhabi. In mid-2005, a further 24.9 per cent. of TAQA's shares were offered to the public in the UAE in conjunction with the listing of TAQA on the ADX.

Other examples of privatisation in Abu Dhabi include the outsourcing of the management of Mina Zayed to DP World Limited and the outsourcing of the management of Abu Dhabi International Airport to Changi Airports International of Singapore. In addition, the management of a number of healthcare facilities in the emirate have been or are being outsourced to partners such as John Hopkins Hospital and Cleveland Clinic of the United States. Furthermore, a number of university campus developments are being undertaken by way of public private partnerships. These include a sixth campus for the UAE University in Al Ain and campuses for the Paris-Sorbonne University and New York University in Abu Dhabi. Each of these university campus projects is being undertaken by MDC on behalf of the government.

Foreign Direct Investment and Free Zones

There are many incentives for foreign corporate entities to set up in one of the free zones in Abu Dhabi. Foreign corporate entities can freely operate in the free zones and free zone entities can be 100 per cent. foreign-owned, unlike entities registered elsewhere in the UAE which are required to have various degrees of local participation. Free zone entities are exempt from paying corporate tax for 15 years, renewable for an additional 15 years, and individuals are exempt from paying income tax. There are no currency restrictions levied on the capital or the profits of free zones entities and 100 per cent. of their capital and/or profit can be repatriated. The ability to import into the free zones and to export abroad without any import duties, taxes or currency restrictions being levied on the free zone entity is intended to be a strong incentive for foreign corporate entities wishing to carry on such activities from and into the Middle East region to set up in one of the free zones.

The incentives to establishment in a free zone include an easily available and relatively inexpensive workforce, no restrictions on the issuance of work permits and residence visas, availability of plots of land, prebuilt warehouses and offices on an annual lease basis, affordable workers' accommodation and minimal legal and administrative procedures to commence operations.

ZonesCorp, the government backed entity that manages specialised economic zones in Abu Dhabi, was established in 2004. The main objectives of ZonesCorp are to create, operate and manage free zones. Its range of services include the issue of industrial licences, the provision of suitable development sites for factories, and the issue of customs exemptions for goods, equipment and machines imported by entities located in its free zones. ZonesCorp has been establishing and developing industrial cities with a view to attracting multinational and national operations and investors. ZonesCorp provides infrastructure and services that offer investors a business friendly environment with a view to attracting and promoting industries that are knowledge, energy and capital intensive in nature. The principal free zones managed by ZonesCorp are ICAD in Abu Dhabi city and an industrial city in the city of Al Ain, each as further described below. In addition, one other free zone has been established at Masdar City (as described below) and an industrial zone is being located at the new Khalifa Port, which is currently under construction. See “– *Manufacturing and Industry*” above.

Industrial City of Abu Dhabi

Located in Mussafah, 30 km from the city of Abu Dhabi and 25 km from Abu Dhabi International Airport, ICAD 1 covers a total area of 14.5 km², ICAD 2 covers 11 km² (with another 8.5 km² to be added) and ICAD 3 covers 12 km². ICAD 4 and ICAD 5 are both in the planning stage.

Key sectors positioning themselves in ICAD include basic metals, building products and construction materials, oil and gas services, agriculture and food processing, paper and wood products, automotive industries, logistics services, high-tech industries, financial services, pharmaceutical and medical companies, polymers, and chemical and petrochemical industries. The ICAD facilities include hotels, a cultural centre, banks, shopping malls and health centres as well as a residential area for factory workers.

Al Ain Industrial City

Al Ain industrial city is located on the eastern border of the emirate about 25 km from the centre of Al Ain. Al Ain industrial city covers an area of 5 km² with a second phase covering an additional 5 km² currently under consideration. Al Ain industrial city aims to attract light manufacturing and repair workshops covering a

range of industries including textiles, paper and wood. In addition, the chemicals and plastics industries as well as technology and environmental concerns are being targeted.

Masdar City

Masdar is developing a special free zone area within Masdar City (see “– *Construction and Real Estate*” above). The special free zone area is expected to accommodate up to 1,500 companies and offer its tenants an attractive package of incentives, including permission for 100 per cent. foreign ownership and a tax-free environment.

Khalifa Industrial Zone

The Khalifa Industrial Zone is being developed in two separate areas (Areas A and B). Area A comprises 51 km² fronting the Taweelah shoreline and Area B comprises 367km² on the other side of the Abu Dhabi to Dubai highway. It is expected to comprise free zones offering 100 per cent. foreign ownership to companies and individuals.

The industrial zone is expected to be developed in two phases. The first phase is expected to include the whole of Area A and 110km² of Area B and to be designed to cater to a range of industrial uses, including an aluminium cluster based around the EMAL Project, and the engineered metals, glass, paper, petrochemical, chemical products, high technology, food and beverage and trade and logistics sectors, in addition to the associated utilities and infrastructure and supporting and ancillary uses such as workforce accommodation and other amenities. Phase 2 is expected to comprise the remainder of Area B and to comprise principally high impact industries together with supporting utilities and infrastructure.

BALANCE OF PAYMENTS AND FOREIGN TRADE

As Abu Dhabi does not prepare separate balance of payment statistics, this section describes the UAE's balance of payments generally, although the discussion of foreign trade focuses on Abu Dhabi's trade rather than that of the UAE.

Balance of Payments

Current Account

Since there are no separate figures on the capital account for Abu Dhabi, the table below shows the balance of payments for the UAE for each of the years indicated.

	2005	2006	2007	2008	2009
	(AED millions)				
Current account balance	89,494	132,375	72,132	81,818	28,816
Trade balance (FOB).....	157,154	211,302	170,852	231,092	154,760
Total exports of the hydrocarbon sector	202,277	257,442	271,128	374,915	249,273
Non-hydrocarbon exports	82,342	104,518	125,768	157,814	162,235
Re-exports ⁽¹⁾	146,118	172,706	259,124	345,779	294,320
Total exports and re-exports (FOB)	430,737	534,666	656,020	878,508	705,828
Total imports (FOB).....	(273,583)	(323,364)	(485,169)	(647,417)	(551,068)
Services (net)	(53,559)	(66,226)	(95,359)	(124,244)	(100,346)
Investment income (net).....	10,600	17,400	30,750	13,970	11,800
Transfers (net)	(24,701)	(30,101)	(34,111)	(39,000)	(37,400)
Capital and financial account⁽²⁾	(53,881)	(58,987)	105,424	(203,061)	8,416
Capital account ⁽²⁾	—	—	—	—	—
Financial account	(53,881)	(58,987)	105,424	(203,061)	8,416
Net errors and omissions	(26,112)	(49,503)	5,683	(50,759)	(59,752)
Overall balance	9,501	23,885	183,238	(172,485)	(22,520)

Notes:

(1) Including re-exports of non-monetary gold.

(2) Capital account data not disclosed.

Source: UAE Central Bank

The UAE has a long history of positive trade balances reflecting both the importance of its hydrocarbon exports, which accounted for over 35 per cent. of total exports and re-exports in 2009, for over 40 per cent. in each of 2007 and 2008 and for over 45 per cent. in each of 2005 and 2006, and its significant volumes of re-exports. The value of the UAE's hydrocarbon exports, the vast majority of which are made by Abu Dhabi, can be volatile as they depend on prevailing oil prices and agreed OPEC production quotas. Its imports, on the other hand, tend to be more stable although they exhibited a rising trend between 2005 and 2008 reflecting economic expansion in the region (which has also boosted re-exports) and increased demand for goods to support infrastructural development in the UAE.

The significant reduction in crude oil prices since mid 2008 resulted in a significant fall in hydrocarbon exports in 2009 relative to 2008. This fall, coupled with reduced re-exports in 2009, was the principal cause of the lower trade balance in 2009 although the negative affects of those trends were partially mitigated by reduced imports in 2009 compared to 2008 as economic growth slowed.

The UAE's trade balance as a percentage of its nominal GDP was 31.0 per cent. in 2005, 32.8 per cent. in 2006, 22.5 per cent. in 2007, 24.7 per cent. in 2008 and 16.9 per cent. in 2009.

Data on non-trade flows into and out of the UAE is not complete and is subject to revision, reflecting, in part, weaknesses of the central statistical bodies, and, in part, the operations of the large free zones. In general, however, the UAE tends to have a non-trade balance deficit reflecting services outflows underlining the UAE's dependence on foreign services for the development of its industrial and services sectors. In addition, there are significant levels of current transfers principally reflecting expatriate workers' remittances.

Although there is a deficit on the net services balance and a high level of current transfers, these have not outweighed the trade surplus in recent years, resulting in a positive current account balance in each of 2005, 2006, 2007, 2008 and 2009, equal to 17.7 per cent., 20.6 per cent., 9.5 per cent., 8.8 per cent. and 3.1 per cent., respectively, of the UAE's nominal GDP in each of these years.

Capital and Financial Accounts

No data is released on the UAE's capital account.

In general, the size of the UAE's trade and current account surpluses, coupled with the limited capacity of the local economy to absorb capital, ensure that net foreign capital flows have, historically, generally been outward, preserving the UAE's position as a net international creditor and foreign investor.

Most capital outflows have been directed towards the U.S. and European capital markets although more recently there has also been an increase in direct investment in Europe, Asia and the Middle East. This has included government-controlled entities such as MDC and IPIC purchasing significant stakes in foreign companies as well as major UAE firms such as Etisalat and TAQA making significant acquisitions in order to boost their regional and international presence.

The net balance of the financial account reached AED 105.4 billion in 2007, against a deficit of AED 59.0 billion in 2006. This was mainly due to the increase in private sector inflows, which rose by 148.1 per cent. from AED 87.6 billion in 2006 to AED 217.3 billion in 2007 (principally reflecting currency inflows connected with speculation that the UAE dirham – U.S. dollar peg would be abandoned at the end of 2007 (see “*Monetary and Financial System – Monetary and Exchange Rate Policy*”)), despite the increase in the public sector's outflows from AED 146.6 billion in 2006 to AED 175.8 billion in 2007.

In 2008, the net deficit of the financial account was AED 203.1 billion, principally reflecting the repatriation of money once it became clear that the exchange rate peg would be maintained coupled with the closure of the international capital markets in the period following the bankruptcy of Lehman Brothers. In 2009, the net balance of the financial account was AED 8.4 billion principally reflecting an inflow of private sector non-bank capital of AED 51.0 billion in 2009 compared to an outflow of AED 50.4 billion in 2008 and a reduction in the outflow of capital by public sector enterprises from AED 108.2 billion in 2008 to AED 20.0 billion in 2009. As a result of movements in the financial account, and after taking into account errors and omissions, the UAE's balance of payments showed a surplus of AED 9.5 billion in 2005, AED 23.9 billion in 2006, AED 183.2 billion in 2007 and deficits of AED 172.5 billion in 2008 and AED 22.5 billion in 2009, equal to 1.9 per cent., 3.7 per cent., 24.2 per cent., (18.5) per cent. and (2.5) per cent., respectively, of the UAE's nominal GDP in 2005, 2006, 2007, 2008 and 2009.

As at 31 December 2009, the UAE's official foreign reserves (in the form of the UAE Central Bank's holdings of foreign assets) amounted to AED 89,875 million and were equal to approximately two months of imports. See “*Monetary and Financial System – Foreign Reserves*”.

Foreign Trade

Hydrocarbon Exports

The table below shows Abu Dhabi's oil crude oil production (including condensates), exports and average selling prices for each of the years indicated.

	2005	2006	2007	2008	2009
Crude oil production (million b/d).....	2.3	2.5	2.5	2.5	2.2
Crude oil exports (million b/d).....	2.1	2.3	2.3	2.4	2.0
Crude oil exports (U.S.\$ billions).....	40.85	54.34	59.50	84.59	45.95
Average selling price (U.S.\$ per barrel).....	53	64	71	97	63

Source: ADNOC

Abu Dhabi has exported between 80 and 90 per cent. of its total crude oil production over the five years from 2005, representing over 90 per cent. of the UAE's exports of crude oil. Markets in the Far East, in particular Japan, are the most significant markets for ADNOC's crude oil exports.

The principal hydrocarbon products produced and exported by Abu Dhabi are LNG, liquefied petroleum gas (“LPG”) and pentane plus. The table below shows production and export figures for Abu Dhabi's principal hydrocarbon products in each of the years indicated.

	2005		2006		2007		2008		2009	
	Production	Exports	Production	Exports	Production	Exports	Production	Exports	Production	Exports
	(thousand metric tons)									
LNG	5,647	5,433	5,695	5,628	5,832	5,597	5,918	5,787	5,467	5,410
LPG	6,369	6,376	6,611	6,574	6,052	6,027	6,099	6,093	5,597	5,560
Pentane plus	2,021	2,045	2,114	2,107	1,945	1,958	1,824	1,829	1,843	1,843
Others	2,046	2,035	2,037	2,040	2,173	2,181	1,707	1,697	1,831	1,841
Total	16,083	15,890	16,457	16,349	16,003	15,764	15,547	15,406	14,738	14,654

Note: The figures in the table above do not account for changes in inventories

Source: ADNOC

Non-hydrocarbon exports and imports

The information in the tables below uses data supplied by the Abu Dhabi Customs Department and therefore excludes all non-hydrocarbon exports and imports to the neighbouring emirate of Dubai. As a significant proportion of Abu Dhabi's non-hydrocarbon exports and imports are made through free zones in Dubai, this data does not present a complete picture of Abu Dhabi's trade flows. The data also does not separately present re-exports.

The table below shows Abu Dhabi's non-hydrocarbon exports and imports in each of the years indicated.

	2005	2006	2007	2008	2009
	(AED millions)				
Non-hydrocarbon exports	3,186	4,587	5,805	6,255	9,505
Imports	35,214	45,698	63,343	90,284	93,889

Source: Abu Dhabi Customs Department

The tables below provide information on Abu Dhabi's principal non-hydrocarbon exports and imports in each of the years indicated.

Non-hydrocarbon exports by type

	2005		2006		2007		2008		2009	
	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)
Base metals	229.4	7.2	350.9	7.7	754.1	13.0	715.6	11.4	3,667.6	38.6
Chemicals and plastics	2,016.3	63.3	2,229.7	48.6	2,869.2	49.4	3,555.6	56.8	2,744.1	28.9
Vehicles and transport equipment ..	39.8	1.2	563.2	12.3	450.1	7.8	78.4	1.3	1,335.1	14.1
Machinery and manufacturing equipment	260.9	8.2	688.5	15.0	557.5	9.6	506.3	8.1	703.7	7.4
Agriculture and animal products	208.5	6.5	245.2	5.3	289.7	5.0	402.1	6.4	253.1	2.7
Other	431.5	13.5	509.0	11.1	884.7	15.3	997.5	15.9	801.1	8.4
Total	3,186.4	100.0	4,586.6	100.0	5,805.3	100.0	6,255.4	100.0	9,504.6	100.0

Source: Abu Dhabi Customs Department

Until 2009, Abu Dhabi's principal non-hydrocarbon export item was the chemicals and plastics produced by its petrochemicals and fertiliser complexes in Ruwais and elsewhere. See "*Economy of Abu Dhabi – Principal Sectors of the Economy – Manufacturing and Industry – Petrochemicals and Fertilisers*". In 2009, base metals comprised the principal export item. Together, these five categories of exports comprised more than 84 per cent. of total exports in each of 2005, 2006, 2007, 2008 and 2009.

Imports by type

	2005		2006		2007		2008		2009	
	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)
Machinery and manufacturing equipment	9,133.3	25.9	12,689.7	27.8	20,298.6	32.0	27,164.6	30.1	30,588.1	32.6
Vehicles and transport equipment	7,647.7	21.7	8,580.0	18.8	12,158.5	19.2	19,255.5	21.3	18,860.0	20.1
Base metals	5,428.6	15.4	8,299.7	18.2	10,801.0	17.1	18,574.6	20.6	14,998.2	16.0
Chemicals and plastics	4,665.2	13.2	5,511.2	12.1	7,083.8	11.2	8,410.6	9.3	7,822.1	8.3
Agriculture and animal products	2,420.3	6.9	2,660.3	5.8	3,332.8	5.3	4,337.1	4.8	4,921.7	5.2
Other	5,919.1	16.8	7,957.0	17.4	9,668.1	15.3	12,541.8	13.9	16,698.6	17.8
Total	35,214.3	100.0	45,697.9	100.0	63,342.8	100.0	90,284.3	100.0	93,888.6	100.0

Source: Abu Dhabi Customs Department

Abu Dhabi's principal import items are machinery and manufacturing equipment (including plant, machinery, electrical cables, military equipment and air conditioning equipment), vehicles and transport equipment (including motor vehicles, aeroplanes, helicopters and their parts), base metals (including cast iron, stainless steel, unalloyed aluminium and copper and nickel base alloys), and chemicals and plastics which, together, comprised more than 76 per cent. of total imports in each of 2005, 2006, 2007, 2008 and 2009.

In terms of geographical destination and point of origin, almost all of Abu Dhabi's non-hydrocarbon exports are to, and a significant proportion of its imports are from, Asia and other Arab countries. In addition, Western Europe is the single largest regional source of imports and North America is another significant import source.

The tables below provide information on the geographical breakdown of Abu Dhabi's non-hydrocarbon exports and imports in each of the years indicated.

Non-hydrocarbon exports by destination

	2005		2006		2007		2008		2009	
	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)
Arab countries	1,558.5	48.9	1,996.5	43.5	3,329.9	57.3	3,570.3	57.0	6,038.8	63.5
Asia	1,212.9	38.1	2,279.1	49.7	2,019.5	34.8	2,199.9	35.2	1,927.1	20.3
Other	415.0	13.0	310.9	6.8	455.9	7.9	485.1	7.8	1,538.7	16.2
Total	3,186.4	100.0	4,586.5	100.0	5,805.3	100.0	6,255.4	100.0	9,504.6	100.0

Source: Abu Dhabi Customs Department

The principal Arab country export destinations are the other GCC countries which, in 2009, together accounted for 88.6 per cent. of exports in this category. The major non-hydrocarbon items exported to Arab countries include water boilers used for desalination, petrochemical products and other locally produced items.

The major Asian country export destinations are China, India and Iran which, in 2009, together accounted for 72.7 per cent. of exports in this category.

Imports by source

	2005		2006		2007		2008		2009	
	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)	(AED millions)	(%)
Western Europe ⁽¹⁾	12,276.5	34.9	16,556.3	36.2	23,436.8	37.0	29,691.5	32.9	31,141.6	33.3
Asia	7,769.6	22.1	9,519.9	20.8	15,025.2	23.7	26,913.7	29.8	28,109.0	29.9
Arab countries	8,699.4	24.7	11,963.8	26.2	14,568.1	23.0	18,491.1	20.5	14,954.8	15.9
North America	3,956.5	11.2	4,863.6	10.6	6,786.7	10.7	9,974.7	11.0	14,119.3	15.0
Eastern Europe	1,329.6	3.8	1,277.7	2.8	1,850.3	2.9	3,056.3	3.4	2,453.8	2.6
Other	1,182.7	3.4	1,516.6	3.3	1,657.7	2.6	2,156.9	2.4	3,110.0	3.3
Total	35,214.3	100.0	45,697.9	100.0	63,342.8	100.0	90,284.3	100.0	93,888.6	100.0

Note:

(1) Comprising Austria, Belgium, Channel Islands, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Source: Abu Dhabi Customs Department

The principal items imported from Western Europe are machinery and vehicles. Petrochemicals, base metals and machinery are the principal import items from other Arab countries. Imports from Asian countries principally comprise motor vehicles and base metals.

On an individual country basis, Abu Dhabi's five most significant sources of imports in 2009 were the United States of America, Germany, Saudi Arabia, Japan and South Korea.

MONETARY AND FINANCIAL SYSTEM

As Abu Dhabi does not have a separate monetary or financial system, this section describes the UAE's monetary and financial system generally, although certain sections focus specifically on Abu Dhabi where information is available.

Monetary and Exchange Rate Policy

The UAE's monetary and exchange rate policy is managed by the UAE Central Bank. Until recently, the principal objective of the UAE's monetary policy has been to maintain the stability of the fixed exchange rate regime and to manage inflation. In common with most other GCC countries, and reflecting the fact that oil and gas revenues are priced in U.S. dollars, the UAE dirham is linked to the U.S. dollar. In the case of the UAE, the exchange rate has been pegged at AED 3.6725 = U.S.\$1.00 since 22 November 1980. There are no exchange controls in the UAE and the UAE dirham is freely convertible.

Towards the end of 2007, there was significant press speculation that certain countries within the GCC (including the UAE) might de-peg or re-peg their national currencies from the U.S. dollar in favour of a peg against a basket of currencies. To date, only Kuwait has taken this step. The UAE authorities have expressed publicly their commitment to the U.S. dollar peg. In addition, there are ongoing discussions between the GCC countries relating to a possible monetary union. The UAE has not publicly committed to any such union.

With the advent of the global financial crisis in 2008, the UAE's monetary policy has, in addition, been focussed on protecting its banking sector and a number of measures were announced by the UAE Central Bank and federal authorities in this regard, see “– *Recent Developments*” below.

Liquidity and Money Supply

The table below shows certain liquidity indicators for the UAE as at 31 December in each of 2005, 2006, 2007, 2008 and 2009 and, where data is available, as at 30 April 2010.

	2005	2006	2007	2008	2009	2010 ⁽¹⁾
	(AED millions)					
Currency issued (M0)	21,033	26,832	31,671	45,327	45,580	45,001
Money supply (M1)	104,449	120,019	181,664	208,138	223,482	232,970
Private domestic liquidity (M2)	324,064	399,293	565,702	674,310	740,618	750,683
Overall domestic liquidity (M3)	415,383	503,985	696,229	899,093	946,825	941,166
Broad money (M2) to nominal UAE GDP ⁽²⁾ (%)	64.0	62.1	74.6	72.2	81.0	
Private sector credit	290,302	385,789	530,790	751,921	786,551	
Private sector credit to nominal UAE GDP ⁽²⁾ (%)	57.3	60.0	70.0	80.5	86.0	
Domestic credit	353,139	474,161	647,482	924,383	958,588	
Domestic credit to nominal UAE GDP ⁽²⁾ (%)	69.7	73.7	85.4	98.9	104.8	

Notes:

(1) As at 30 April. Data not supplied is not available.

(2) For UAE GDP data, see “*Economy of Abu Dhabi – Gross Domestic Product*”. No estimate of the UAE's GDP for 2010 is currently available.

Source: UAE Central Bank

Reflecting high oil prices through the first half of 2008, the UAE experienced significant capital inflows with broad money (comprising cash and money on deposit in banks in the domestic currency) expressed as a percentage of the UAE's nominal GDP growing from 64.0 per cent. in 2005 to 74.6 per cent. in 2007 before falling slightly to 72.2 per cent. in 2008. AED term deposits in particular grew significantly in the period to mid 2008. The growth in liquidity was also reflected in increased availability of credit with the levels of both private sector credit and domestic credit, expressed as a percentage of GDP, growing significantly from 57.3 per cent. in 2005 to 86.0 per cent. in 2008 in the case of private sector credit and from 69.7 per cent. in 2005 to 98.9 per cent. in 2008 in the case of domestic credit.

Since mid 2008 and reflecting the effects of the global financial crisis, the rate of growth in broad money slowed, with AED term deposits increasing by 19.2 per cent. in 2008 and by 9.8 per cent. in 2009 compared to an increase of 41.6 per cent. in 2007. Similarly, the availability of credit has been constrained since the end of 2008 with private sector credit standing at AED 751,921 million at 31 December 2008 and AED 786,551 million at 31 December 2009, an increase of 4.6 per cent. in 2009, compared to increases of 41.7 per cent., 37.6 per cent.

and 32.9 per cent. in each of 2008, 2007 and 2006, respectively. Similarly, domestic credit stood at AED 924,383 million at 31 December 2008 and AED 958,588 million at 31 December 2009, an increase of 3.7 per cent. in 2009, compared to increases of 42.8 per cent., 36.6 per cent. and 34.3 per cent. in each of 2008, 2007 and 2006, respectively.

Foreign Reserves

The table below shows the foreign asset holdings of the UAE Central Bank as at 31 December in each of 2005, 2006, 2007, 2008 and 2009 and as at 30 April 2010.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010⁽¹⁾</u>
	(AED millions)					
Foreign asset holdings.....	77,657	102,345	285,693	113,039	89,875	79,065

Notes:

(1) As at 30 April.

Source: UAE Central Bank

These assets are principally held in deposit accounts with banks outside the UAE or are invested in securities and treasury bills issued by non-UAE issuers. The official reserves figure, however, excludes the stock of publicly controlled foreign assets held in other accounts by bodies such as ADIA. In addition, the ruling families of the various emirates as well as the governments of the emirates and private citizens within the emirates have very significant sums invested abroad.

The significant increase in foreign reserves at the end of 2007 principally reflected U.S. dollar purchases by the UAE Central Bank in response to market speculation that the UAE might abandon its policy of pegging the national currency to the U.S. dollar. As this speculation abated in 2008, the UAE Central Bank was able to sell U.S. dollars thus reducing its foreign currency reserves by comparison with the 31 December 2007 level.

Banking and Financial Services

The financial institutions and insurance industry in Abu Dhabi contributed 4.7 per cent. of Abu Dhabi's nominal GDP in 2005, 4.3 per cent. in 2006, 5.0 per cent. in 2007, 4.5 per cent. in 2008 and 5.8 per cent. in 2009. Within the UAE as a whole, the financial corporations sector was estimated to have contributed approximately 5.7 per cent., 5.5 per cent., 5.4 per cent., 5.3 per cent. and 5.8 per cent. of nominal GDP in each of 2005 through 2009. With 51 licensed banks (comprised of 23 locally-incorporated banks and 28 foreign banks) at 30 April 2010, serving a population estimated by the UAE Ministry of Economy to be approximately 4.8 million at the end of 2008, the UAE could be viewed as an over-banked market, even by regional standards. UAE banks continue to be profitable, although they have been affected by the liquidity issues that have been experienced by banks globally since the second half of 2008.

The IMF noted in its July 2006 UAE country report that credit risk is the most important risk factor in the UAE banking sector and that the increased concentration of bank loans to a few large business groups that dominate the economy calls for close monitoring. According to the Central Bank, the total loans (net of provisions and interest in suspense) extended to residents and non-residents of the UAE by UAE banks at 31 December 2009 was AED 1,061.8 billion, compared to AED 1,019.0 billion at 31 December 2008 and AED 722.1 billion at 31 December 2007. As at the same dates, the non-performing loan ("NPL") portfolio of the UAE banks was AED 51.0 billion, AED 25.5 billion and AED 21.0 billion, respectively, and the total provisions made by UAE banks were AED 50.5 billion, AED 31.1 billion and AED 26.7 billion, respectively. All the banking sector data sourced to the UAE Central Bank in this section is calculated by the UAE Central Bank on the basis on parent bank only reports submitted to it and, accordingly, excludes the effect of any consolidation by those banks of the results of their subsidiaries.

The table below provides a statistical analysis of the UAE banking sector as at 31 December in each of 2005, 2006, 2007, 2008 and 2009 and, where data is available, as at 30 April 2010.

	2005	2006	2007	2008	2009	2010 ⁽¹⁾
	(AED millions)					
Total number of banks	46	46	49	52	52	51
Total number of branches and outlets	506	573	589	696	756	770
Total number of employees	23,600	26,963	32,142	39,589	37,704	36,509
Total loans ⁽²⁾ (AED millions)	394,893	537,671	722,095	1,018,996	1,061,076	
Total NPLs (AED millions)	32,625	33,883	20,951	25,455	51,046	
Total NPLs/total loans (per cent.)	8.3	6.3	2.9	2.5	4.8	
Total provisions ⁽³⁾ (AED millions)	31,576	38,542	26,678	31,086	50,511	
Total provisions/total loans (per cent.)	8.0	7.2	3.7	3.0	4.8	
Total assets (AED millions)	638,003	859,665	1,232,717	1,481,822	1,562,457	
Total deposits (AED millions)	409,669	518,806	716,021	912,170	982,579	
Tier 1 capital ratio (per cent.)	16.9	15.0	12.4	12.3	15.4	
Total capital ratio (per cent.)	17.4	16.6	14.0	13.3	19.2	

Notes:

(1) As at 30 April. Data not supplied is not available.

(2) Extended to residents and non-residents. Net of provisions and interest in suspense for 2007, 2008 and 2009 only.

(3) Total specific and general provisions.

Source: UAE Central Bank

Principal Banks in Abu Dhabi

The table below provides summary information for each of the five principal banks established in Abu Dhabi.

Bank Name	Number of Branches ⁽¹⁾	Year Established	Government ownership ⁽²⁾ (%)	2008 Assets ⁽³⁾ (AED millions)
National Bank of Abu Dhabi	74	1968	73.00	196,845
Abu Dhabi Commercial Bank	42	1985	64.84	160,209
First Gulf Bank	18	1979	— ⁽⁴⁾	125,473
Union National Bank	46	1982	50.00	75,726
Abu Dhabi Islamic Bank	54	1997	10.00	64,084

Notes:

(1) As at 28 February 2010.

(2) Government ownership is either direct or through government-owned organisations.

(3) Consolidated total assets. As at 31 December 2009.

(4) First Gulf Bank is approximately 60 per cent. owned by members of the ruling family of Abu Dhabi.

Source: UAE Central Bank and, for 2009 assets, published financial statements.

In June 2008, Al Hilal Islamic Bank (“**Hilal Bank**”) began operations. Hilal Bank was established by ADIC with an authorised share capital of approximately AED 4 billion and is licensed to operate as an Islamic bank. As at 28 February 2010, Hilal Bank had 15 branches across the UAE.

The table below provides a statistical analysis of the Abu Dhabi banking sector as at 31 December in each of the years indicated.

	2005	2006	2007	2008	2009
Total loans ⁽¹⁾ (AED millions)	129,962	179,668	242,190	377,443	435,105
Total NPLs (AED millions)	4,962	4,610	4,789	6,476	13,433
Total NPLs/total loans (per cent.)	2.8	2.6	2.0	1.7	3.4
Total provisions ⁽²⁾ (AED millions)	4,933	10,171	11,034	13,480	18,868
Total provisions/total loans (per cent.)	3.8	5.7	4.6	3.6	4.3
Total assets (AED billions)	214.8	288.7	394.5	521.5	616.4
Total deposits (AED billions)	137.8	165.0	222.3	331.2	381.0
Tier 1 capital ratio (per cent.)	19.6	15.8	13.3	12.0	16.3
Total capital ratio (per cent.)	19.9	17.6	14.7	12.5	19.1

Notes:

(1) Extended to residents and non-residents. Net of provisions and interest in suspense for 2007, 2008, 2009 and 2010 only.

(2) Total specific and general provisions.

Source: UAE Central Bank

Supervision of Banks

The UAE Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE. The Central Bank has supervisory responsibility for all banking institutions in the UAE. Supervision is carried out through on site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they are required to contain. An improved risk management framework is currently being implemented, which is designed to provide the UAE Central Bank with more up-to-date information on credit, market and operational risks within the banking sector.

The UAE Central Bank does not act as a lender of last resort, a role which tends to fall on the individual emirates.

Federal Law No. 10 of 1980 (the “**1980 Law**”) grants the UAE Central Bank powers to:

- exercise currency issue, stabilisation, valuation and free convertibility;
- direct credit policy for balanced growth of the economy;
- organise and promote an effective banking system with private banks and institutions;
- advise the federal government on financial and monetary issues;
- maintain the federal government’s reserves of gold and foreign currencies;
- act as a bank for the Federal Government and other banks operating in the UAE; and
- act as the federal government’s financial agent with the IMF, the World Bank and other international financial organisations.

The UAE Central Bank is also responsible for regulating anti-money laundering activities in the UAE. It has established a Financial Intelligence Unit and hosted teams from the Financial Action Task Force (“**FATF**”) and the IMF who reviewed, discussed and tested existing UAE laws and regulations. This led the FATF to decide, in January 2002, that the UAE had put in place an adequate anti-money laundering system.

Since 1999, regulated banks in the UAE have been required to present their financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Characteristics of the Banking System

The UAE banks are predominantly focused on the domestic market. In 1987, foreign banks operating in the UAE were limited to a maximum of eight branches.

With much of the economy directly or indirectly dependent on the oil sector, the UAE banks are vulnerable during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity. The high oil prices and strong economic conditions in the UAE between 2005 and 2008 allowed the UAE banks to expand significantly their activities with total loans and deposits of the banking sector increasing by 255 per cent. and 214 per cent., respectively, between 31 December 2004 and 31 December 2008. Because a significant part of this growth was linked to growth in the real estate sector and investments in equity markets, the increased liquidity of the UAE banking sector has come with an associated increase in exposure to credit and market risk. This exposure was evidenced with the onset of the global economic crisis when, in 2008, equity prices declined, with the ADX’s Abu Dhabi index falling from 4,551.80 as at 31 December 2007 to 2,390.01 as at 31 December 2008 (according to data provided by Bloomberg) and the Dubai Financial Market declining from 5,931.95 as at 31 December 2007 to 1,636.29 as at 31 December 2008. Towards the end of 2008, rents and property values in the UAE also fell significantly, which further adversely impacted the UAE banking sector during 2009.

There is a high degree of state involvement in the UAE banking sector, with a number of the largest banks in terms of consolidated assets being controlled by the governments and/or ruling families of individual emirates.

Additionally, a number of banks have developed in the Islamic world, including in the UAE, to serve customers who wish to observe Shari’ah principles, including the prohibition on the charging of interest on any financial transaction. These institutions offer a range of products, which broadly correspond to conventional

banking transactions but are structured to ensure that all relevant Shari'ah principles are complied with. The principal Abu Dhabi-based Islamic banks are Abu Dhabi Islamic Bank and Hilal Bank.

Structure of the Banking System

Banking institutions in the UAE fall into a number of categories, as defined by the 1980 Law. Domestic commercial banks, also known as “local” banks, of which there were 23 at 30 April 2010, are required to be public shareholding companies with a minimum share capital of AED 40 million.

Licensed foreign banks, of which there were 28 at 30 April 2010, need to demonstrate that at least AED 40 million has been allocated as capital funds for their operations in the UAE. The 1980 Law also licenses “financial institutions” (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities but are not permitted to accept funds in the form of deposits), investment banks (institutions which may not accept deposits with maturities of less than two years but which may borrow from its head office or other banks and the financial markets) and financial and monetary intermediaries (money and stock brokers).

Recent Developments

Capital

The national banks are well capitalised by international standards. The UAE Central Bank requires all UAE banks to have a total capital adequacy ratio of at least 10 per cent., in which Tier I capital must reach a minimum of 6 per cent. of total risk weighted assets, and Tier II capital may only be considered up to a maximum of 67 per cent. of Tier I capital. However, as a result of the global economic slowdown, the UAE Ministry of Finance and the UAE Central Bank temporarily increased the Tier I capital ratio to 11 per cent. from 30 June 2009 and the minimum Tier I capital ratio to 12 per cent. to apply by 30 June 2012. Subsequently, on 31 August 2009, the UAE Central Bank recommended that domestic and foreign banks operating in the UAE should establish a Tier I capital adequacy ratio of 7 per cent., with a minimum total capital adequacy ratio of 11 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier I capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of 12 per cent. by 30 June 2010. These new minimum rates are anticipated to be reviewed at the beginning of 2011.

While the calculation of capital adequacy ratios in the UAE follows the BIS guidelines, claims on or guaranteed by GCC central governments and central banks are risk weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.

Banks in the UAE are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

Banks in the UAE were required to implement the Basel II Accord using the standardised approach for credit risk by December 2007 and all UAE banks are expected to be internal risk-based compliant for credit risk by 1 January 2011.

The Basel II Accord are risk-based guidelines on capital adequacy requirements and regulatory standards, issued by the Bank of International Settlements in June 2004, and are a progression of the original 1988 Basel I global capital adequacy rules for banks and financial institutions. Basel II framework has three “pillars”: minimum capital requirements, supervisory review process and market discipline. Banks are required to allocate capital towards the standard banking risks: credit risk, market risk and operational risk, termed as Pillar I risks and also towards other risks such as liquidity risks, legal risks, interest rate risk in the banking book, reputational risks etc, generally termed as Pillar II risks. The Pillar II framework also envisages that banks adopt an Internal Capital Assessment Adequacy Process (ICAAP).

Basel II requires banks to maintain a minimum capital adequacy ratio of 8 per cent., calculated as the percentage of total eligible regulatory capital to total risk weighted assets for credit risks, operational and market risks. Under Pillar II, regulators could require some banks to provide additional capital based on the overall risk profile, beyond the minimum requirements under Pillar I.

During 2008 and in response to the global financial crisis, Abu Dhabi government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the government (acting through the DoF) subscribed, in aggregate, a

sum of AED 16 billion in subordinated tier 1 capital notes issued by the five largest Abu Dhabi banks (see “– *Principal Banks in Abu Dhabi*” above). In addition, the federal government provided AED 50 billion in deposits to UAE banks and UAE banks were given the option to convert those deposits into tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE subsequently made such conversions. As a result of the onset of the global financial crisis and reflecting the impact of all these measures, the average capital adequacy ratio of all UAE national banks moved from 14.0 per cent. at 31 December 2007 to 13.3 per cent. at 31 December 2008 and to 19.2 per cent. at 31 December 2009 and the average capital adequacy ratio of the Abu Dhabi national banks moved from 14.7 per cent. at 31 December 2007 to 12.5 per cent. at 31 December 2008 and to 19.1 per cent. at 31 December 2009.

Liquidity

Most UAE banks are funded through on demand or time based customer deposits made by UAE private individuals or UAE private sector companies. Together, these deposits constituted 59.3 per cent. of total deposits of the UAE banking sector at 30 April 2010. Government and public sector deposits contributed approximately 18.0 per cent. of total deposits at 30 April 2010. Non-resident and other sources contributed 22.7 per cent. as at the same date.

There is currently no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the authorities. In October 2008, in response to the global financial crisis, the UAE Federal Government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE.

Following the collapse of Lehman Brothers in September 2008, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity would be available to banks operating in the UAE. In September 2008, the Central Bank established an AED 50 billion liquidity facility which banks were permitted to draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. To date, only limited drawings have been made under the facility. The Central Bank also established a certificate of deposit repurchase facility under which banks can use certificates of deposit as collateral for dirham or US dollar funding from the Central Bank.

Certain mortgage companies based in the UAE have experienced significant liquidity issues in recent months and plans are being formulated to restructure these institutions.

Large exposures

The UAE Central Bank has set a large exposures limit of seven per cent. of bank capital and a single holding limit of five per cent. of bank capital.

Increased provisions and insolvencies

A number of UAE and Abu Dhabi banks have announced exposures to well known GCC-based companies which have become insolvent or are being restructured. A recent example of these was the announcement in November 2009 by the Dubai government that its wholly-owned company, Dubai World, and two of its property development subsidiaries would seek a standstill on property-related debt until May 2010 to allow time for an orderly restructuring. The standstill and restructuring was intended to relate to approximately U.S.\$26 billion in outstanding debt although approximately U.S.\$4.1 billion of the debt was subsequently repaid in full following a loan by the Abu Dhabi government of up to U.S.\$10 billion. This loan was in addition to U.S.\$10 billion which had been lent to the Dubai government in July 2009 by the federal government through the Central Bank and which was used by the Dubai government to establish a support fund for its government related entities that require temporary assistance but can otherwise demonstrate sustainable business plans. An agreement in principle between Dubai World and a co-ordinating bank lender committee (which is subject to ratification by other lenders) to restructure Dubai's World's debt was announced by Dubai World on 20 May 2010.

As a result of worsening economic conditions since late 2008 and in particular significant downturns in the real estate and equity capital markets in the UAE and elsewhere in the Middle East, the provisions recorded by banks in the UAE have increased from AED 26.7 billion, or 1.7 per cent. of total UAE bank assets, at 31 December 2007 to AED 50.5 billion, or 3.3 per cent. of total UAE bank assets, at 31 December 2009. It is possible that bank provisions will continue to increase in 2010 in light of the Dubai World and other similar regional developments, see “– *Steps proposed to be taken by the UAE authorities*”.

Steps proposed to be taken by the UAE authorities

In its UAE 2009 Article IV Consultation, the IMF noted that there was evidence that non-performing loans in the banking sector were increasing and recommended that, among other actions, the UAE authorities should proceed with their plans to introduce a general loan provision for unclassified loans and advances equal to 1.25 per cent. of risk weighted assets, enforce more uniform provisioning standards and strengthen the central bank's on- and off-site supervision. In addition, the IMF recommended that the central bank should also evaluate its crisis preparedness framework and conduct an assessment of banks' corporate governance. In a statement dated 3 February 2010, Mr. Shakour Shalaan, IMF Executive Director for the UAE, confirmed that the UAE authorities were considering steps to strengthen bank supervision and macro-prudential policies, including counter-cyclical solvency and liquidity measures. These measures also include direct limits on government related entity borrowing, standardising and strengthening loan classification and provisioning rules and stricter enforcement. Mr. Shalaan noted that certain banks in the UAE had already been requested to increase their provisioning.

Insurance

There is currently no significant published statistical data on the insurance sector in the UAE and Abu Dhabi. Insurance companies are regulated by the Insurance Division of the Federal Ministry of Economy.

Capital Markets

The capital markets in the UAE are regulated by a number of entities including the Emirates Securities and Commodities Authority ("SCA"), which licenses intermediaries to trade on the ADX and the Dubai Financial Market ("DFM"). SCA is a federal government organisation but has financial, legal and administrative independence.

In common with other regional exchanges, the ADX and the DFM stock exchange indices experienced a sustained decline from mid-2008 with the ADX's Abu Dhabi index falling from a high of 5,137.44 as at 5 June 2008 to a low of 2,137.15 as at 5 February 2009 (according to data provided by Bloomberg) and the Dubai Financial Market index declining from a high of 6,320.44 as at 16 January 2008 to a low of 1,469.98 as at 14 September 2009.

The other significant stock exchange in the UAE is NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) which commenced operations in September 2005 and, as a entity based in the Dubai International Financial Centre, is separately regulated. In December 2009, it was announced that the DFM would acquire NASDAQ Dubai from its current owners, Borse Dubai and NASDAQ OMX and that NASDAQ OMX would become a minority shareholder of the DFM.

Abu Dhabi Securities Exchange

The ADX was established by the government in November 2000 as an independent entity and operates as a market for listing and trading of shares, bonds and investment units issued by companies, investment funds and other local or foreign financial institutions that conform to its listing requirements. The ADX was established as the Abu Dhabi Securities Market but, in May 2008, changed its name to the Abu Dhabi Securities Exchange. The table below shows the number of listed companies and bonds, the number of traded shares, the value of traded shares and the number of executed transactions for the years indicated.

	2005	2006	2007	2008	2009
Number of listed companies ⁽¹⁾	59	60	64	65	65
Number of listed bonds ⁽¹⁾	–	2	2	2	1
Number of traded shares (millions)	8,267	11,296	52,066	49,984	37,616
Value of traded shares (AED millions)	104,707	70,601	175,344	232,160	70,169
Number of executed transactions	565,562	715,748	1,102,658	1,126,486	744,710

Note:

(1) As at 31 December.

Source: ADX

ADX has the authority to establish centres and branches outside the emirate of Abu Dhabi. To date it has done so in Fujairah, Ras al Khaimah and Sharjah.

PUBLIC FINANCE

Government Finance

Abu Dhabi Government Budget

The Abu Dhabi government budget incorporates revenues, recurrent expenditure, development expenditure, the contribution to the federal government and foreign aid grants. The government budget also includes financing items such as loans to state-owned companies (net of any repayments) and equity investments in such companies (net of any disposals).

The budget consolidates the individual budgets of a number of departments and other administrative units of the government that report to the Executive Council. Each of these units is established and assigned with specific responsibilities by Emiri Decrees or directives by the Executive Council. See “*Overview of the Emirate of Abu Dhabi – Relationship between the UAE Constitution and Abu Dhabi – Emirate of Abu Dhabi*”.

Save to the limited extent described below, the government budget does not consolidate any revenues or expenditures of its public sector units. These units include ADNOC, ADIA, ADIC, ADWEA, IPIC and MDC. Accordingly, these entities comprise the principal off balance sheet items for the government budget.

The principal source of government revenue is the royalty and tax payments that the government receives from crude oil and natural gas production. Royalties and taxes are paid in accordance with the terms stated in the concession agreements. Each partner in the agreement, including ADNOC, pays its own share of the amounts due from the relevant joint venture.

Profits earned by ADNOC, after payment to the government of its share of royalty and tax on the crude oil and natural gas produced by the operating companies in which it participates, are retained by ADNOC together with profits or losses made by its other businesses. ADNOC periodically transfers surplus cash to ADIA and ADIC for investment and such cash transferred is adjusted against the dividend that the ADNOC board declares annually and pays to ADIA and ADIC.

Abu Dhabi’s budget is prepared on a cash accounting basis. As a result, the proceeds of its 2007 and 2009 eurobond issues were recorded as revenues in those years. Similarly, the AED 16 billion in support provided to five Abu Dhabi banks in 2009 was recorded as an equity investment in that year and amounts drawn under the loan of up to USD 10 billion to the Government of Dubai in 2009 were recorded under domestic loans in that year.

The Abu Dhabi government budget preparation process is coordinated by the DoF and typically commences in June of each year when individual departments and other administrative units are requested to submit their draft budgets. These budgets are usually received in July and August and are consolidated by the DoF. Since revenues from crude oil and gas typically comprise over 80 per cent. of total government revenues, a rough estimate of this item is obtained from ADNOC and an outline budget is prepared. Meetings are then held with the various departments and other administrative units in October and November to discuss and finalise their expenditure needs. Upon completion of this exercise in early December, a final draft of the consolidated government budget is prepared and submitted to the Executive Council for discussion and approval. The approved budget is announced to the departments at the beginning of the fiscal year (which is the same as the calendar year) and is entered in the computerised accounting system by the DoF for control and monitoring. The performance of the budget is overseen by the individual spending department and monitored by the DoF.

The recurrent expenditure budget is controlled through a computerised system. Any proposed spending beyond the allocated budget requires justification and approval. There is flexibility to spend beyond each individual line item in the budget, provided that total spending for a department does not exceed the total recurrent budget allocated for that department.

Development expenditure requires approval by the Executive Council or its sub-committee or the chairman of the relevant department, in accordance with limits established by the Executive Council.

Cash contributions to the Federal Government are made periodically in accordance with the arrangements agreed with the Federal Government. Spending in relation to federal services which are managed by the Abu Dhabi government, principally security and defence, is controlled in the same manner as other recurrent expenditure described above.

Payments of domestic and foreign aid grants are made in accordance with the directives of the Ruler or the Crown Prince.

Loan advances and equity participation payments to state-owned companies are made in accordance with the decisions of the Executive Council or as stated in an Emiri Decree.

The Abu Dhabi government prepares annual financial statements which are audited by the Abu Dhabi Accountability Authority (previously known as the Abu Dhabi Audit Authority). This body issues its audit report to the Chairman of the Executive Council. Neither the report nor the financial statements are published.

In April 2010, a decision in principle was taken to establish a special department to co-ordinate the emirate's fiscal and budget policy.

The table below shows a summary of the Abu Dhabi fiscal accounts (as presented to the IMF) for each of the years indicated together with the budgeted numbers for 2010.

	2005	2006	2007	2008	2009 ⁽¹⁾	2010 ⁽²⁾
	(AED millions)					
Hydrocarbon revenues	104,279	157,125	168,274	269,586	121,775	118,656
Crude oil royalty and tax	99,699	151,118	162,557	259,227	116,817	114,509
Natural gas income tax	4,580	6,007	5,717	10,359	4,958	4,147
Other revenues	8,881	3,500	5,733	7,661	5,612	3,956
Customs.....	635	748	1,427	1,817	1,954	1,869
Water and electricity ⁽³⁾	6,207	—	—	—	—	—
Other.....	2,039	2,752	4,306	5,844	3,658	2,087
Proceeds from eurobond issues ⁽⁴⁾	—	—	3,673	—	13,789	—
Total revenues	113,160	160,625	177,680	277,247	141,176	122,612
Current expenditure.....	29,719	39,894	50,296	59,879	83,072	81,139
Wages and salaries	3,169	3,236	4,813	5,861	6,006	4,949
Goods and services	12,396	13,592	22,387	32,234	49,469	56,010
Subsidies, domestic aid/transfers ⁽⁵⁾	13,836	23,066	23,096	21,784	27,597	20,180
Water and electricity ⁽⁵⁾	318	—	—	—	—	—
Development expenditure	9,792	7,321	5,041	13,211	27,635	18,163
Water and electricity projects ⁽⁶⁾	3,002	2,428	1,902	2,300	4,154	3
Other.....	6,790	4,893	3,139	10,911	23,481	18,160
Domestic loans and equity investments ⁽⁷⁾	4,813	8,798	19,218	50,460	68,557	36,924
Loans (net)	1,607	2,759	10,377	38,070	44,835	26,924
Equity (net)	3,206	6,039	8,841	12,390	39,722	10,000
Foreign aid	408	(1,953)	2,408	2,775	2,187	778
Loans (net)	(607)	(2,325)	279	(710)	(909)	(380)
Grants	1,015	372	2,129	3,485	3,096	1,158
Contribution to federal government.....	35,096	38,250	44,774	61,038	70,224	70,477
Total expenditure	79,828	92,310	121,737	187,363	251,675	207,481
Surplus/(deficit)	33,332	68,315	55,943	89,884	(126,499)	(84,869)

Notes:

(1) Results for 2009 are preliminary and subject to amendment and audit.

(2) Initial approved budget as of January 2010.

(3) Reflects a one-off payment from ADWEA relating to its sale of a plant to its joint venture partners. This payment was accounted for as a dividend received from ADWEA.

(4) The inclusion of eurobond proceeds as revenues reflects the fact that the budget is prepared on a cash basis.

(5) Subsidies includes payments made by the government on behalf of ADWEA. These payments are recovered by reducing the subsidy payable to ADWEA. Only the net subsidy is shown under "Subsidies, domestic aid/transfers".

(6) Payments made on behalf of ADWEA. These advances are treated as loans to ADWEA to be repaid by it.

(7) For these purposes, domestic refers to the UAE as a whole.

Source: DoF

Revenue

Abu Dhabi's revenues are principally derived from the hydrocarbon sector and consist of royalties and taxes levied on crude oil production and income tax charged on natural gas production. Royalties on crude oil production, which range between 12.5 per cent. and 20 per cent., are charged on the "posted value" of the crude oil that is extracted. Tax, ranging between 55 per cent. and 85 per cent., is charged on formula-computed profits, using posted value as the sale value for the crude oil extracted, and after deducting the cost of production and royalty as costs chargeable to posted value. Posted value does not necessarily reflect any market price obtainable.

Natural gas producers pay income tax at the rate of 55 per cent. on the actual profits earned by them from gas production.

Hydrocarbon revenues accounted for 92.2 per cent., 97.8 per cent., 94.7 per cent., 97.2 per cent. and 86.3 per cent. of total revenues in each of 2005, 2006, 2007, 2008 and 2009, respectively. Hydrocarbon revenues are budgeted to account for 96.7 per cent. of total revenues in 2010. Hydrocarbon revenues increased by 53.4 per cent. in 2005 compared to 2004, by 50.7 per cent. in 2006 compared to 2005, by 7.1 per cent. in 2007 compared to 2006 and by 60.2 per cent. in 2008 compared to 2007, in each case principally reflecting increased oil prices rather than production changes, although there was a small decline in production in 2007 compared to the previous year. Hydrocarbon revenues declined by 54.8 per cent. in 2009 compared to 2008, reflecting substantially lower average oil prices in 2009 compared to 2008. Hydrocarbon revenues are budgeted to decline by 2.6 per cent. in 2010 compared to actual hydrocarbon revenues in 2009, reflecting an assumed oil price in 2010 of U.S.\$60 per barrel compared to the average posted value of U.S.\$67.12 per barrel for 2009.

The table below shows the assumed oil price for the purposes of the budget in each year as well as the average posted value for each year shown.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	(U.S.\$ per barrel)					
Assumed budget oil price	26.00	38.00	50.00	80.00	40.00	60.00
Average posted value	56.12	68.29	76.28	103.40	67.12	

Source: DoF

Abu Dhabi's other revenues are derived from a range of sources including customs and excise duties, interest payments on cash deposits and loans made by it, charges for goods and services supplied, certain dividends received, fees for granting licences and permits, rental income received and, in 2007 and 2009, the proceeds of eurobonds issued by it. No proceeds from debt financing have been included as revenues in the initial approved 2010 budget.

Expenditure

Abu Dhabi's expenditures principally comprise its contribution to the federal government budget and its own current and development expenditure as well as net domestic loans and equity investments and net foreign aid payments made by it.

Contributions made by Abu Dhabi to the federal government comprised 44.0 per cent. of Abu Dhabi's total expenditure in 2005, 41.4 per cent. in 2006, 36.8 per cent. in 2007, 32.6 per cent. in 2008 and 27.9 per cent. in 2009. These contributions are budgeted to account for 34.0 per cent. of Abu Dhabi's total expenditure in 2010. The contributions are made in the form of a small cash contribution and payment by Abu Dhabi of certain federal government services expenditure, principally comprising security and defence expenditure for which Abu Dhabi bears almost all of the cost. The amount (if any) of the cash contribution to the federal budget made by each emirate is determined by the Ruler of each emirate at the time the federal budget is prepared and is approved by the Supreme Council.

Abu Dhabi's current expenditure comprised 37.2 per cent. of its total expenditure in 2005, 43.2 per cent. in 2006, 41.3 per cent. in 2007, 32.0 per cent. in 2008 and 33.0 per cent. in 2009. Current expenditure is budgeted to account for 39.1 per cent. of Abu Dhabi's total expenditure in 2010. Current expenditures comprise wages and salaries, payments for goods and services used by the various government departments and contributions given to various autonomous government units. Payments for goods and services have increased sharply in each year since 2007 as a result of the government outsourcing a number of services, reflecting the restructuring referred to under "*Overview of the Emirate of Abu Dhabi – Strategy of Abu Dhabi – Abu Dhabi Government Restructuring*" which commenced in 2005 and continued until 2008. As part of the same restructuring, the government has also substantially reduced its workforce between 2005 and 2008 although this has not had a material impact on the cost of wages and salaries as significant wage increases were approved in early 2007 to bring government salaries more in line with private sector salaries.

In addition, current expenditure includes subsidy and domestic aid payments made by the Abu Dhabi government. These payments accounted for 46.6 per cent. of current expenditure in 2005, 57.8 per cent. in 2006, 47.2 per cent. in 2007, 36.4 per cent. in 2008 and 33.2 per cent. in 2009, principally reflecting subsidies to ADWEA during those years. These payments are budgeted to account for 24.9 per cent. of current expenditure in 2010.

Domestic loans and equity investments made by the government to and in entities controlled by it principally reflect funding provided by the government to state-owned companies such as MDC and TDIC, among

others. In 2009, the AED 16 billion in support provided by the government to five Abu Dhabi banks was recorded as an equity investment, reflecting the fact that the support took the form of an investment in tier 1 securities issued by the banks. In addition, loans made to the Government of Dubai in 2009 were recorded as domestic loans and amounts advanced to the Government of Dubai under the same facility in 2010 will be similarly recorded. Domestic loans and equity investments accounted for 6.0 per cent. of total expenditure in 2005, 9.5 per cent. in 2006, 15.8 per cent. in 2007, 26.9 per cent. in 2008 and 27.2 per cent. in 2009, principally reflecting the costs associated with the implementation of the government's strategic vision for Abu Dhabi as implemented by those companies and, in 2009, the support provided to Abu Dhabi banks and the Government of Dubai. See "*Overview of the Emirate of Abu Dhabi-Strategy of Abu Dhabi*". These payments are budgeted to account for 17.8 per cent. of total expenditure in 2010, although this is an indicative figure only as the 2010 budget does not include the full amount that is likely to be spent on domestic loans and equity investments as a significant proportion of these are approved during the course of year and are therefore not included in the budget at the start of the year.

Development expenditure in Abu Dhabi comprised 12.3 per cent. of its total expenditure in 2005, 7.9 per cent. in 2006, 4.1 per cent. in 2007, 7.1 per cent. in 2008 and 11.0 per cent. in 2009. This expenditure is budgeted to account for 8.8 per cent. of Abu Dhabi's total expenditure in 2010 although again this is an indicative figure as further development expenditure may be approved in the course of the year. As indicated above, development expenditure is required to be approved by the Executive Council before being incurred. The principal items of development expenditure in 2005 were electricity and water, transport and communications, and housing and community centres. In 2006 and 2007, the principal items were electricity and water, and transport and communications, reflecting the substantial completion of a significant community housing programme. In 2008, the principal item of development expenditure was transport and communications, principally reflecting the expansion being undertaken at Abu Dhabi International Airport. In 2009, the principal items of development expenditure were transport and communications, principally reflecting the construction of new roads both within the city of Abu Dhabi and the emirate, and electricity and water, principally reflecting work on the electricity transmission grid. In 2010, the principal items of development expenditure are budgeted to be transport and communications, although as indicated by the contingency reserve included under "other", this part of the budget is expected to be subject to significant revision as the year progresses.

The table below shows a breakdown of the principal categories of development expenditure for each of the years indicated.

	2005	2006	2007	2008	2009 ⁽¹⁾	2010 ⁽²⁾
	(AED millions)					
Agriculture	943	331	289	430	506	78
Electricity and water	3,002	2,428	1,902	2,300	4,154	3
Industry and commerce.....	916	288	239	280	333	47
Transport and communications	2,357	2,715	1,310	6,708	14,371	4,698
Housing and community centres.....	1,189	414	216	1,571	1,465	223
Sport and recreation	393	395	233	394	1,084	546
Sewerage and sanitation.....	773	541	333	542	1,154	48
General administration	156	106	194	241	933	125
Education ⁽³⁾	—	—	36	205	655	1,278
Other ⁽⁴⁾	63	103	289	540	2,979	11,117
Total	9,792	7,321	5,041	13,211	27,634	18,163

Notes:

(1) Development expenditure for 2009 is preliminary and subject to amendment and audit.

(2) Initial approved budget.

(3) Effective 2007, education services in Abu Dhabi are managed by Abu Dhabi Education Council. Previously, education services were managed by the Federal government.

(4) Principally reclamation and dredging and health. The 2010 budget includes a significant contingency reserve under "other".

Source: DoF

Budget Surplus or Deficit

In each of 2005, 2006, 2007 and 2008, significant surpluses were recorded equal to 8.7 per cent., 13.9 per cent., 10.3 per cent. and 13.5 per cent., respectively, of Abu Dhabi's nominal GDP in those years, reflecting the effect of increased oil prices. In 2009, reflecting substantially lower average realised oil prices coupled with significantly increased current and development expenditure, a deficit of AED 110.5 billion, equal to 20.2 per cent. of Abu Dhabi's nominal GDP in that year, was recorded. This deficit was financed by transfers from ADIA and ADIC which in turn were funded by ADNOC dividends. In 2010, based on an oil price assumption of U.S.\$60 per barrel, the budget is estimated to be in deficit in the amount of AED 84.9 billion. As with previous

deficits, the budgeted deficit in 2010 is expected to be financed by transfers from ADIA and ADIC which in turn are expected to be funded by ADNOC dividends.

Principal Investments

The Abu Dhabi government has direct investments in a number of companies, including, in particular, ADNOC, ADIA, ADIC, IPIC and MDC. Other significant investments of the government include TDIC, Etihad Airways and ADWEA.

ADNOC is the company which manages and operates all aspects of Abu Dhabi's oil and gas industry and is described under "*Economy of Abu Dhabi – Principal Sectors of the Economy – Oil and Gas*".

ADIA and ADIC are investment arms of the Abu Dhabi government. ADIA was established in 1976 in order to invest the Abu Dhabi government's oil-generated surpluses across various asset classes. ADIC was established in 1977 to focus on investment activity in the local and regional markets, which traditionally was a lower focus area for ADIA. In 2009, ADIA co-chaired the International Working Group of sovereign wealth funds that developed 26 principles, known as the Santiago Principles, which re-affirmed the basis on which sovereign wealth funds should invest. Following the publication of the Santiago Principles, ADIA confirmed its compliance with them and, in 2010, published its first annual review, with a view to enhancing understanding of ADIA in key areas such as governance, investment strategy, portfolio, structure, its approach to risk and its people.

As a matter of policy, the government of Abu Dhabi discloses only limited information in relation to the investment portfolio of ADIA and ADIC, although the ADIA annual review disclosed that the 20-year and 30-year annualised returns of its portfolio, calculated on a time-weighted return basis, as at 31 December in each of 2008 and 2009 were 6.1 per cent. and 6.5 per cent., respectively (in the case of the 20-year return) and 7.6 per cent. and 8.0 per cent., respectively (in the case of the 30-year return).

IPIC was established in 1984 to invest in the hydrocarbon and related sectors outside Abu Dhabi. IPIC is principally funded through the receipt of a portion of ADNOC's surplus revenues.

MDC was formed in 2002 with a mandate to form new companies or to acquire shareholdings in existing companies in the UAE or abroad and to focus on generating sustainable economic benefits for Abu Dhabi through partnerships with local, regional and international investors. MDC effectively commenced business in 2004 and has, to date, principally been funded through capital contributions from the Abu Dhabi government. MDC invests in a wide range of sectors, including oil and gas, energy, industry, real estate and hospitality, infrastructure, services, information and communication technology, and healthcare.

Both IPIC and MDC are state-owned but are run on commercial principles. MDC has a wide range of investments including holdings in Dolphin Energy, Pearl Energy Limited, EMAL and a range of other companies both in the UAE and internationally across its industry sectors. IPIC's investments include holdings in Austria's ÖMV, Canada's Nova Chemicals, Spain's Cepsa, Austria's Borealis, Korea's Hyundai Oilbank, the UAE's Gulf Energy Maritime (GEM), the Islamic Republic of Pakistan's Pak-Arab Refinery, Oman's Oman Polypropylene, Japan's Cosmo Oil Co., Portugal's Energias de Portugal Utilities, Germany's MAN Ferrostaal Industrial Services and Egypt's Arab Petroleum Pipeline Crude Oil Pipeline.

TDIC is the development arm of ADTA and is described under "*Economy of Abu Dhabi – Tourism*". Etihad Airways commenced operations in November 2003 and has since grown significantly. ADWEA was established in March 1998 to implement a major restructuring, refurbishment and expansion programme in the water and electricity sector. See "*Economy of Abu Dhabi – Privatisation*".

The Abu Dhabi government shareholdings are generally strategic investments. Investments held by ADIA and ADIC may be strategic or held on a portfolio basis.

In addition to the entities described above, the Abu Dhabi government is also the sole owner (whether directly or indirectly) of GHC, Emirates Palace Hotel, Abu Dhabi Airports Company and Abu Dhabi Ports Company.

In addition, the Abu Dhabi government, directly or indirectly, owns significant shareholdings in TAQA and Aldar, as well as in National Bank of Abu Dhabi, Abu Dhabi Commercial Bank, Union National Bank, Abu Dhabi Islamic Bank and Hilal Bank, see "*Monetary and Financial System – Banking and Financial Services – Principal Banks in Abu Dhabi*". This section is not a complete list of companies in which the Abu Dhabi government holds shares and, in particular, does not include companies in which entities such as ADIA, ADIC, ADNOC, MDC, IPIC and GHC hold shares. All the shareholdings described above are fully paid up and unencumbered.

INDEBTEDNESS

The Abu Dhabi government has U.S.\$4 billion outstanding in foreign indebtedness, represented by its U.S.\$1 billion eurobonds due 2012 which were issued in 2007 and its U.S.\$1.5 billion eurobonds due 2014 and U.S.\$1.5 billion eurobonds due 2019, each of which were issued in 2009, and no outstanding domestic indebtedness. The Abu Dhabi government has guaranteed certain indebtedness incurred by ADWEA and Abu Dhabi Commercial Bank. The principal amount of such guarantees outstanding at 31 December 2009 was approximately AED 1.8 billion.

The Abu Dhabi government has also provided other forms of credit support to Abu Dhabi entities including liquidity commitments and letters of comfort and the amount of these commitments is not qualified. Further, the Abu Dhabi government has, in the past, provided funding to certain strategic entities including Aldar, Tabreed and a number of Abu Dhabi based banks through the purchase (whether directly or through entities wholly-owned by it) of mandatory convertible bonds issued by certain of these companies and, in February 2009, by subscribing AED 16 billion in subordinated tier 1 notes issued by Abu Dhabi's five largest banks.

Certain entities wholly-owned by the Abu Dhabi government, including in particular MDC and TDIC, also have borrowings. The aggregate amount borrowed and outstanding by the Abu Dhabi government's wholly-owned entities was approximately U.S.\$22.1 billion at 30 April 2010. This figure excludes shareholder loans made by the Abu Dhabi government to these entities.

Abu Dhabi is in the process of establishing a debt management office which is intended to be responsible for, among other things, managing all aspects of borrowing by the Abu Dhabi government. This mandate is expected to include new issuances and risk management. The debt management office is also expected to coordinate the borrowing activities of government-owned and certain other government-related enterprises and to ensure that their borrowing is maintained at prudent levels. In addition, the debt management office is expected to be responsible for managing the government's relationships with bond rating agencies and for ensuring that global investors have the necessary data to make informed decisions about investing in Abu Dhabi's government and public-sector debt.

TAXATION

The following summary of certain Dutch, United States, European Union and United Arab Emirates tax consequences of ownership of Bonds is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Bonds. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Bonds. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Bonds, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

The Netherlands

General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Bonds, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Bonds.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (i) holders of Bonds holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Bonds of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*); and
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.

Where this summary refers to a holder of Bonds, such reference is restricted to a holder holding legal title to, as well as an economic interest in, such Bonds.

Withholding Tax

All payments made by the Issuer under the Bonds may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Corporate and Individual Income Tax

(a) Residents of The Netherlands

If a holder is a resident or deemed to be a resident of The Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Bonds are attributable, income derived from the Bonds and gains realised upon the redemption, settlement or disposal of the Bonds are generally taxable in the Netherlands (at up to a maximum rate of 25.5 per cent.).

If an individual holder is a resident or deemed to be a resident of The Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of The Netherlands), income

derived from the Bonds and gains realised upon the redemption, settlement or disposal of the Bonds are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under The Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Bonds are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Bonds are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Bonds that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Bonds, taxable income with regard to the Bonds must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4 per cent. of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Bonds less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Bonds will be included as an asset in the individual's yield basis. The 4 per cent. deemed return on income from savings and investments will be taxed at a rate of 30 per cent.

(b) *Non-residents of The Netherlands*

If a holder is not a resident nor is deemed to be a resident of The Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of The Netherlands), such holder is not taxable in respect of income derived from the Bonds and gains realised upon the settlement, redemption or disposal of the Bonds, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands to which permanent establishment or permanent representative the Bonds are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in The Netherlands (other than by way of securities) and to which enterprise the Bonds are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25.5 per cent.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands to which permanent establishment or permanent representative the Bonds are attributable, or (2) realises income or gains with respect to the Bonds that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in The Netherlands, which activities include the performance of activities in The Netherlands with respect to the Bonds which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is entitled to a share in the profits of an enterprise which is effectively managed in The Netherlands (other than by way of securities) and to which enterprise the Bonds are attributable.

Income derived from the Bonds as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52 per cent. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "*Residents of The Netherlands*"). The fair market value of the share in the profits of the enterprise (which includes the Bonds) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

(a) Residents of The Netherlands

Generally, gift and inheritance tax will be due in The Netherlands in respect of the acquisition of the Bonds by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of Dutch nationality is deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax if he or she has been resident in The Netherlands and dies or makes a donation within ten years after leaving The Netherlands. A holder of any other nationality is deemed to be a resident of The Netherlands for the purposes of Netherlands gift tax if he or she has been resident in The Netherlands and makes a donation within a twelve months period after leaving The Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of The Netherlands.

(b) Non-residents of The Netherlands

No gift or inheritance taxes will arise in The Netherlands in respect of the acquisition of the Bonds by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Bonds by a holder who at the date of the gift was neither a resident nor deemed to be a resident of The Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of The Netherlands.

Value Added Tax

In general, no Netherlands value added tax will arise in respect of payments in consideration for the issue of the Bonds or in respect of a cash payment made under the Bonds, or in respect of a transfer of Bonds.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in The Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Bonds.

EU Savings Directive

Under the Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above. Bondholders who are in any doubt as to their position should consult their professional advisers.

United States

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) acquiring, holding and disposing of Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the “Code”), final, temporary and proposed U.S. Treasury regulations, and administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in the light of their particular circumstances, such as those that apply to investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Bonds through pass-through entities; (viii) investors that hold Bonds as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (ix) U.S. Holders that have a functional currency other than the U.S. dollar; (x) U.S. expatriates and former long-term residents of the United States, and (xi) holders that actually or constructively own 10 per cent. or more of the total combined voting power of all classes of voting stock of the Issuer or its parent), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, or non-U.S., state or local tax considerations, and does not address the U.S. federal income tax treatment of holders that do not acquire the Bonds as part of the initial distribution at their issue price (generally, the first price to the public at which a substantial amount of Bonds is sold for money). This summary assumes that investors will hold their Bonds as capital assets (generally, property held for investment).

For the purposes of this summary, a “**U.S. Holder**” is a beneficial owner of Bonds that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or that has a valid election in place to be treated as a United States person.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the Bonds, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership.

Payments of Interest

Subject to the discussion of original issue discount, below, payments of stated interest on a Bond (and payments of any additional amounts), generally will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Bonds and original issue discount (as discussed below), if any, accrued with respect to the Bonds and any additional amounts will generally constitute income from sources outside the United States, subject to the rules regarding the U.S. foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). Should any tax be withheld, the amount withheld and the gross amount of any additional amounts paid to a U.S. Holder will be included in such holder's income at the time such amount is treated as received or accrued in accordance with such holder's method of tax accounting. Withholding tax, if any, imposed on a U.S. Holder would, subject to limitations and conditions and at the election of such holder, be treated as foreign income tax eligible for credit against such holder's U.S. federal income tax liability or a deduction in computing taxable income, to the extent such tax is not otherwise refundable.

Original Issue Discount

If the issue price of a Bond is less than its stated redemption price at maturity by more than a *de minimis* amount, U.S. Holders would generally be subject to special U.S. federal income tax rules with respect to this

original issue discount (“**OID**”). OID will be considered to be *de minimis* if it is less than 0.25 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity. Generally, the “issue price” of a Bond will be the first price at which a substantial amount of such Bonds included in the issue of which the Bond is a part is sold to persons other than bondhouses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The “stated redemption price at maturity” of a Bond is the total of all payments provided by the Bond that are not payments of “qualified stated interest”. A “qualified stated interest” payment is generally any one of a series of stated interest payments on a Bond that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in certain circumstances) applied to the outstanding principal amount of the Bond.

U.S. Holders of Bonds treated as issued with OID must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and would generally have to include in income increasingly greater amounts of OID over the life of the Bonds. The amount of OID includible in income by a U.S. Holder would be the sum of the daily portions of OID with respect to the Bond for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Bond. The daily portion is determined by allocating to each day in any “accrual period” a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Bond may be of any length selected by the U.S. Holder and may vary in length over the term of the Bond as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Bond occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess, if any, of (a) the product of the Bond’s adjusted issue price at the beginning of the accrual period and the Bond’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Bond allocable to the accrual period. The adjusted issue price of a Bond at the beginning of any accrual period is the issue price of the Bond increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Bond that were not qualified stated interest payments.

Sale, Exchange and Redemption of Bonds

Generally, upon the sale, exchange or redemption of a Bond, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, or redemption (less any amount attributable to accrued but unpaid interest not previously included in income, which will be taxable as such) and such U.S. Holder’s adjusted tax basis in the Bond. A U.S. Holder’s adjusted tax basis in a Bond will generally equal the cost of such Bond to such U.S. Holder, reduced by any amortisable bond premium previously taken into account with respect to the Bond, and increased by any OID previously included in income. A U.S. Holder’s tax basis in a Bond will be determined by reference to the U.S. dollar cost of the Bonds. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or redemption the Bond has been held by such U.S. Holder for more than one year, and will generally be treated as from U.S. sources for the purposes of the U.S. foreign tax credit limitation. The deductibility of capital losses is subject to limitations.

Further Issues

The Issuer may, without the consent of the Bondholders of outstanding Bonds, issue additional Bonds with identical terms. These additional Bonds, even if they are treated for non-tax purposes as part of the same series as the original Bonds, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Bonds may be considered to have been issued with OID even though the original Bonds had no OID, or the additional Bonds may have a greater amount of OID than the original Bonds. These differences may affect the market value of the original Bonds if the additional Bonds are not otherwise distinguishable from the original Bonds.

Information Reporting and Backup Withholding

In general, payments of principal, interest and accrued OID, if any, on, and the proceeds of a sale, redemption or other disposition of, the Bonds, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.

New Legislation

Recently enacted legislation imposes new reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds U.S.\$50,000. The Bonds are expected to constitute foreign financial assets subject to these requirements unless the Bonds are held in an account at a domestic financial institution. U.S. Holders should consult their tax advisors regarding the application of this legislation.

United Arab Emirates and the Emirate of Abu Dhabi

There is currently in force in the Emirate of Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments of principal or interest on the Bonds.

The Constitution of the UAE specifically reserves to the federal government of the UAE the right to raise taxes on a federal basis for the purpose of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with a number of countries, but these are not extensive in number.

SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch, J.P. Morgan Securities Ltd., Nomura International plc and Société Générale (the “**Joint Lead Managers**”) have, pursuant to a Subscription Agreement between the Issuer, the Guarantor and the Joint Lead Managers dated 22 July 2010 (the “**Subscription Agreement**”), jointly and severally agreed, subject to the satisfaction of certain conditions contained therein, to subscribe for the Bonds at the issue price of 100 per cent. of the principal amount of the Bonds less a combined management, underwriting and selling commission of 0.28 per cent. of the principal amount of the Bonds.

The Issuer, failing whom the Guarantor, will reimburse the Joint Lead Managers in respect of certain of their expenses incurred in connection with the issue of the Bonds and the Issuer and the Guarantor have each agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances set out therein prior to payment being made to the Issuer.

Certain of the Joint Lead Managers and their affiliates have from time to time performed, and in the future may perform, various financial advisory, commercial banking and investment banking services for the Issuer, the Guarantor and their respective affiliates, for which they have received and/or will receive fees and expenses.

The Joint Lead Managers are not U.S. registered broker-dealers and therefore, to the extent that the Joint Lead Managers intend to effect any sales of the Bonds in the United States, they will do so through one or more U.S. registered broker-dealers as permitted by the FINRA regulations.

United States

The Bonds and the Guarantees have not been and will not be registered under the Securities Act and the Issuer is not and will not be registered under the Investment Company Act. Accordingly, the Bonds and Guarantees, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds and the Guarantees are being offered and sold outside of the United States to non-U.S. persons within the meaning of and in reliance on Regulation S. The Bonds and Guarantees are being offered and sold within the United States only to QIBs that are also QPs in transactions exempt from or not subject to the registration requirements of the Securities Act. The Subscription Agreement provides that the Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of the Bonds and the Guarantees within the United States only to QIBs that are also QPs in reliance on Rule 144A and each such purchaser is hereby notified that the Joint Lead Managers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. To the extent that the Issuer is not required to file periodic reports under Sections 13 or 15 the United States Securities Exchange Act of 1934, nor is exempt from such reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Bonds and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds or the Guarantees within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Bonds have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering or the sale of securities.

Each Joint Lead Manager has acknowledged that the information contained in this Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1986 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Bonds to any person in the Dubai International Financial Centre unless such offer is:

- (i) deemed to be an “Exempt Offer” in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “**DFSA**”); and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires Bonds pursuant to an offering should note that the offer of Bonds is a private placement under Article 9 (para a. No. 2) of the “Offer of Securities Regulations” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the “**KSA Regulations**”). Each Joint Lead Manager has represented and agreed that the offer of the Bonds will only be directed at “Sophisticated Investors” (as defined in Article 10 of the KSA Regulations)).

The offer of Bonds shall not therefore constitute a “public offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Bonds pursuant to a private placement may not offer or sell those Bonds to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Bonds are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Bonds in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer any Bonds to the Public (as defined in Articles 142-146 of the Commercial Companies Law (decree Law No. 21/2001 of Bahrain)) in Bahrain.

General

No representation is made that any action has been or will be taken in any country or jurisdiction by the Issuer, the Guarantor or any Joint Lead Manager that would permit a public offering of the Bonds, or possession or distribution of the Prospectus (in proof, preliminary or final form) or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has represented and agreed that it will (to the best of its knowledge and belief) comply in all material respects with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses or distributes this Prospectus (in proof, preliminary or final form) or any other offering material, in all cases at its own expense. Each Joint Lead Manager will obtain any consent, approval or permission required by it for the purchase offer, sale or delivery by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor or any of the Joint Lead Managers shall have any responsibility therefore. None of the Issuer, Guarantor or any of the Joint Lead Managers has represented nor agreed that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Bonds and the Guarantees are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of the Bonds.

Each purchaser of the Bonds and the Guarantees within the United States, by accepting delivery of this Prospectus and the Bonds, will be deemed to have represented, agreed and acknowledged that:

- (A) It is (a) a QIB that is also a QP, (b) not a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acquiring such Bonds for its own account or for the account of a QIB that is also a QP, (e) not formed for the purpose of investing in the Bonds, the Issuer or the Guarantor and (f) aware, and each beneficial owner of such Bonds has been advised, that the sale of such Bonds to it is being made in reliance on Rule 144A.
- (B) It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Bonds in a principal amount that is not less than U.S.\$100,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in the Issuer's securities from one or more book-entry depositories.
- (C) It understands that the Bonds and the Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB and that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) to a non-U.S. person within the meaning of Regulation S in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (D) It understands that the Issuer has the power to compel any beneficial owner of such Bonds that is a U.S. person and is not both a QIB and a QP to sell its interests in such Bonds, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honour the transfer of an interest in such Bonds to a U.S. person that is not both a QIB and a QP.
- (E) It understands that such Bonds, unless otherwise agreed between the Issuer, the Guarantor and the Registrars in accordance with applicable law, will bear a legend to the following effect:

THIS BOND AND THE GUARANTEE GRANTED IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "**QIB**") THAT IS ALSO A QUALIFIED PURCHASER (A "**QP**") WITHIN THE MEANING OF SECTION 2(a)(51)(A) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE "**INVESTMENT COMPANY ACT**"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, OR (2) TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), AND IN EACH CASE IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$100,000 PRINCIPAL AMOUNT OF BONDS AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFERS IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE

TRANSFEEE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS BOND OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS BOND.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN; (4) IT IS HOLDING THIS BOND FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER, THE GUARANTOR OR THIS BOND; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS BONDS, WILL HOLD AND TRANSFER AT LEAST U.S.\$100,000 IN PRINCIPAL AMOUNT OF BONDS; (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES; AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES. THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS BOND IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QP, THE ISSUER MAY (A) REQUIRE IT TO SELL ITS INTEREST IN THIS BOND TO A PERSON (I) WHO IS A QIB WHO IS ALSO A QP AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS BOND IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) TO A NON-U.S. PERSON PURCHASING THIS BOND IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S OR (B) REQUIRE THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS BOND TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS BOND TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE PAID THEREFOR BY THE BENEFICIAL OWNER, (Y) 100 PER CENT. OF THE OUTSTANDING PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS BOND TO A U.S. PERSON WHO IS NOT BOTH A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

THE ISSUER MAY COMPEL EACH BENEFICIAL HOLDER OF THIS BOND TO CERTIFY PERIODICALLY THAT SUCH HOLDER IS A QIB AND A QP.

- (F) It acknowledges that the Issuer, the Guarantor, the Registrars, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any acknowledgments, representations or agreements deemed to have been made by it by its purchase of Bonds is no longer accurate, it shall promptly notify the Issuer, the Guarantor, the Registrars and the Joint Lead Managers. If it is acquiring any Bond for the account of one or more QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
- (G) It understands that the Bonds offered in the United States will be represented by a Rule 144A Global Bond Certificate. Before any interest in the Rule 144A Global Bond Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Bond Certificate, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of the Bonds outside the United States, by accepting delivery of this Prospectus and the Bonds, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time such Bonds are purchased will be, the beneficial owner of such Bonds and (a) it is a non-U.S. person within the meaning of Regulation S and it is located outside the United States, (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate and (c) it will hold and transfer beneficial interests in the Bonds in a principal amount that is not less than U.S.\$100,000.
- (2) It understands that the Bonds and the Guarantees have not been and will not be registered under the Securities Act and it will not offer, sell, pledge or otherwise transfer such Bonds except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) to a non-U.S. person within the meaning of Regulation S in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that the Bonds offered in reliance on Regulation S will be evidenced by an Regulation S Global Bond Certificate. Before any interest in an Regulation S Global Bond Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Bond Certificate, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (4) It acknowledges that the Issuer, the Guarantor, the Registrars, the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agree that, if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of Bonds is no longer accurate, it shall promptly notify the Issuer, the Guarantor, the Registrars and the Joint Lead Managers. If it is acquiring any Bonds as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

GENERAL INFORMATION

- (1) The listing of the Bonds on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that listing of the Bonds on the Official List and admission of the Bonds to trading on the London Stock Exchange's regulated market will be granted on or before 28 July 2010, subject only to the issue of the Global Bond Certificates. Transactions on the London Stock Exchange's regulated market will normally be effected for delivery on the third working day after the day of the transaction.
- (2) The issue of the Bonds was duly authorised by a resolution of the Board of Directors of the Issuer dated 15 July 2010 and the giving of the Guarantees has been duly authorised.
- (3) There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Guarantor since 31 December 2009.
- (4) There has been no significant change in the financial or trading position of the Issuer and there has been no material adverse change in the financial position or prospects of the Issuer since 9 December 2009 (the date of its incorporation).
- (5) Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer intends to publish audited accounts on an annual basis and the first such accounts are expected to be prepared in 2011 in respect of the period from 9 December 2009 to 31 December 2010. No auditors of the Issuer have yet been appointed.
- (6) Neither the Issuer nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past a significant effect on the financial position of the Issuer or the Guarantor.
- (7) The Bonds have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code, ISIN and WKN for the Regulation S Bonds and the Common Code, ISIN, CUSIP number and WKN for the Rule 144A Bonds are as follows:

Regulation S Bonds

Common Code: 052872162

ISIN: XS0528721623

WKN: A1AZEAA

Rule 144A Bonds

Common Code: 052897980

ISIN: US92928BAA98

CUSIP: 92928BAA9

WKN: A1AZEB

- (8) For the period of 12 months starting on the date on which this Prospectus is made available to the public as required by the FSA, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the specified offices of the Paying and Transfer Agents:
 - (i) the Deed of Incorporation and Articles of Association (with an English translation thereof) of the Issuer;
 - (ii) the Agency Agreement, the Deed Poll and the forms of the Global Bonds and the Guarantees endorsed thereon;
 - (iii) the budget for the current fiscal year (as set out on page 71 of this Prospectus); and
 - (iv) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus.

This Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews.

- (9) The expenses in connection with the admission to trading of the Bonds are expected to amount to U.S.\$4,500.
- (10) The Issuer does not intend to provide any post issuance information in relation to the Bonds.

ISSUER

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1017 CA Amsterdam
The Netherlands

GUARANTOR

Emirate of Abu Dhabi

P.O. Box 246
Abu Dhabi
United Arab Emirates

FISCAL AGENT, PRINCIPAL PAYING AND TRANSFER AGENT

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
England

REGISTRARS, PAYING AND TRANSFER AGENTS

in respect of the Rule 144A Bonds

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United States

in respect of the Regulation S Bonds

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