

BOARD OF DIRECTORS REPORT 2019

BARWA REAL ESTATE
COMPANY

نبني المستقبل

BUILDING THE FUTURE

BOARD OF DIRECTORS REPORT



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Since our inception, we have proven to be a dynamic and influential contributor to the development of Qatar. Throughout our evolution, we have been in sync with the Qatar national vision 2030, and we are working towards building projects that could address the real demands of the marketplace.

TOTAL REVENUES

QR 2,782 million

CASH BALANCE

QR 1,254 million

NET OPERATING INCOME

QR 990 million

TOTAL LAND BANK

7.7 mn sqm.

RECURRING PROFITS

QR 747 million

DEBT:EQUITY

0.4

PAT

QR 1,505 million

TOTAL DIVIDEND PER SHARE

QR 0.20

Dear Esteemed Shareholders,

It is my pleasure to report to you, on behalf of myself and the members of the Board of Directors, on the highlights of Barwa's performance and the Consolidated Financial Statement for the year 2019, as well as the future plans of 2020.

BARWA lies today in the forefront of the leading real estate developers in Qatar and the region. Today, we have 3.6 million square meters in built-up area under operation, which consists of residential projects, workers accommodations, warehouses, retail showrooms, and office spaces. With years of hard work and excellence under our belt, I am pleased to inform you that the "BARWA" brand name has become synonymous with 'Excellence' in developing, operating and managing real estate assets.

OUR FINANCIAL PERFORMANCE

The financial results showed a net profit attributable to the shareholders of the parent company of QR 1,503 million and earnings per share amounted to QR 0.39.

Despite the challenges faced the real estate market during the year 2019, which negatively affected developers and investors, Barwa Real Estate Group has worked hard to accommodate these challenges and reduce their impact as much as possible. Barwa was keen to support its sustainable income as the Group has achieved recurring operating revenues amounted to QR 1,556 million, mostly came from lease income of the Group's projects. Barwa also has succeeded to decrease the general and administrative expenses with an amount of QR 21 million equivalent to 8% compared to 2018.

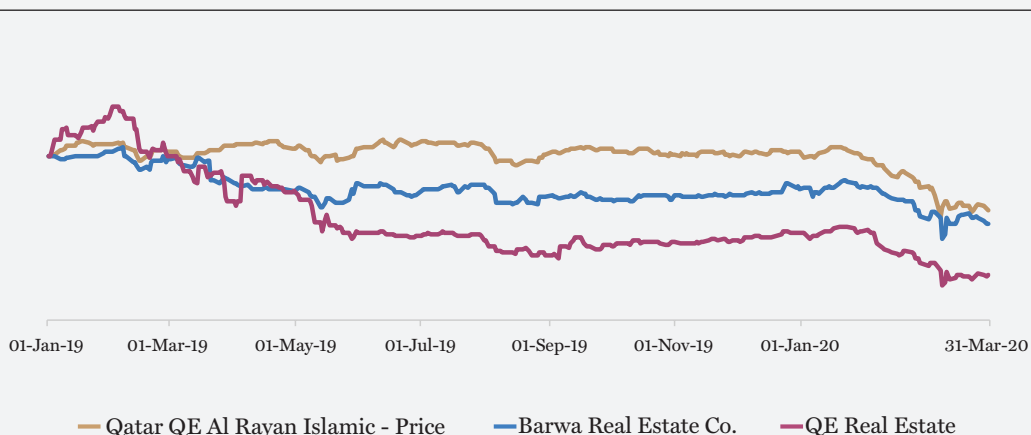
On another level, the net profit witnessed a decrease compared to last year as a result of a decrease in the non-recurring profits such as the sale of properties, gain on debt restructure in addition to the adoption of International Financial Reporting Standard 16.

The total assets of the group reached QR 32 billion showing an increase of QR 1.6 billion compared to the total assets as at 31 December 2018. The equity attributable to the shareholders of the parent company reached QR 19.9 billion. The Group maintained a cash balance of QR 1.25 billion.

The Board of Directors of Barwa Real Estate Company proposed to the General Assembly the distribution of a cash dividend of 20% (QR 0.20 per share).

COMPANY PERFORMANCE AND ACHIEVEMENTS DURING THE YEAR 2019

STOCK PRICE COMPARISON WITH QATAR EXCHANGE



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Since its inception, Barwa Real Estate has proven to be a dynamic and influential contributor to the development of Qatar. Throughout our evolution, we have never lost our focus on placing an important priority for developmental projects that could help the Qatari economy. Our journey has been in sync with the Qatar National Vision 2030, which we continuously work hard to bring to life. In this vein, we worked towards enhancing our strategic partnership with the Government of Qatar to build projects that could address the real demands of the marketplace. To mention some highlights for the financial year 2019:

MUKAYNIS COMPOUND

Barwa Real Estate started the leasing activities of Mukaynis Compound through its subsidiary Al-Waseef Asset Management during July 2019. The occupancy rate in the first phase of the project reached 84%, equivalent to 29% of the total project to date. Mukaynis Compound is located on Salwa Road and aims to create an integrated residential city for workers. The project extends over a land with a total area of 995 thousand square meters, and its constructed area of 731 thousand square meters, at a development cost of QR 1.6 billion. The project offers 3,170 housing units containing 25,360 rooms in addition to shops and mosques. The land adjacent to the project, with an area of 184 thousand square meters, has been allocated for the construction of parking lots for cars and buses, a hypermarket, a security center and government services.

This project is one of the fruits of cooperation between Barwa Real Estate Company and the government of the State of Qatar to ultimately support the efforts made by the government to improve the conditions of workers housing and meet the needs of the local market of workers housing in line with the goals of Qatar vision 2030 and Qatar's preparations to host Qatar 2022 World Cup.

AL-BARAHA PROJECT - WORKSHOPS AND STORAGES

The construction works of the project have been completed in September 2019 and the rental rate is currently 97% of the workshops and 58% of the storages. This is the second phase of Barwa Al Baraha project, providing 561 storages with an area of 300 square meters each, and 118 workshops with an area of 144 square meters each. The total built up area in the project is about 187 thousand square meters, in addition to developing the infrastructure and all necessary services for the project. The importance of Al-Baraha Workshops and Storages lies in its capability to provide suitable spaces for workshops and storages for small and medium businesses. The project also provides mechanical and electrical workshops to meet the needs of the market.

THE SECOND PHASE OF AL KHOR WORKERS SPORTS COMPLEX

The construction works of the second phase of the project have been completed and the company celebrated the achievement of 3.2 million working hours without accidents in the project. It is planned to obtain all necessary permits and start operating and leasing the project in the first quarter 2020. This stage was constructed on a land area of 70 thousand square meters. It consists of 516 apartments, multi-purpose hall and a hypermarket with a total built area of 54 thousand square meters.

- All works of Al Khor Housing project Package (09) have been completed in May 2019, and all 110 Villas, which the project offers have been leased as well.
- All construction works of Dara A have been completed. Dara A is the first phase of Dara project. It is located in Lusail City covering an area of 16 thousand square meters, with a total built up area of 41 thousand square meters. Dara A offers 271 apartments of various sizes. Options are being studied to achieve the highest possible return on the project, whether by selling or leasing.
- The company also started building car service centers on the first of August 2019 as the first part of the third phase of Madinat Mawater, which is an extension of the first and second phases. This stage will be implemented on a land area of 418 thousand square meters, to provide 118 used car showrooms, a hypermarket, a center for car services, a car parts sales center and a showroom for one of the car dealers. The company is currently studying the market to determine a suitable timing to start the second part of this phase.

- Barwa real estate portfolio expanded to include 8,129 residential units, 37,340 residential rooms for workers, 335,981 square meters of commercial units, showrooms and offices, as well as 445,779 square meters of workshops and storages.

GOVERNANCE, SYSTEMS AND RISK MANAGEMENT

Barwa Real Estate emphasizes on the importance of promoting and spreading a culture of integrity, transparency and credibility in its commercial and administrative transactions by ensuring the highest levels of compliance to the Corporate Governance Code of Listed Companies, as regulated by the Qatar Financial Markets Authority. Barwa Real Estate Group considers corporate governance one of the main pillars that form the guidelines of its operational and administrative activities, and dealings with all stakeholders. With this philosophy in mind, the Board of Directors, by delegating the authority to the executive management, seeks to accelerate commercial operations, eliminate complications and ensure the highest levels of operational efficiency. This has a positive impact on the company's projects and serves the interest of the shareholders. Moreover, the risk management policy plays a crucial role in creating suitable work frames in order to manage projects and investments in an effective way, while controlling operational, economical and relevant legal risks.

Barwa Real Estate applies an internal control system, with the purpose of establishing trustworthy standards and regulations that contain internal control methods. These control methods ensure the accuracy and reliability of Barwa's accounts and records, the integrity of transaction licenses and the protection of group assets. It also ensures the disclosure of any risks to Barwa, as well as compliance with systems and regulations, in order to set the record straight.

PEOPLE AT THE CORE OF OUR SUCCESS

Attracting and retaining talented people is key to our success. We have a strong company culture that is continuously being guided by our Purpose and Values in every part of our business. We urge everyone to maximize their potentials at Barwa and explore the opportunities that awaits them within the company. We value our people by providing them with our best support; prioritizing their health and safety and providing essential training and development programmes to them. We have also invested in technologies that allow employees to work more flexibly and encourage diversity and inclusion throughout the workplace.

OUR COMMITMENT TO COMMUNITY

Barwa Real Estate is committed towards its social long-term initiatives, through its residential communities developed specifically for workers, its Safety & Security initiatives or through support which the group offers as part of national events and celebrations.

Barwa pays special attention to workers and has a unique position in providing real estate solutions to serve them. Barwa offers a wide range of entertainment events and activities to workers inside its different projects such as Barwa Al Baraha, Barwa Al Khor and Mukaynis Compound, in partnership with Waseef Company and the Ministry of Interior. Barwa is keen to implement safety and security measures in its projects in accordance with the frameworks established by the Government of Qatar. Moreover, Barwa constantly works towards enhancing security and safety applications in all aspects of its business, as it listens to the needs of its employees and customers and develops plans that simulate the needs of local communities. In addition to the partnership between Barwa and the Department of Civil Defense at the Ministry of Interior, providing sponsorships for awareness raising programmes and safety trainings conducted by the Department of Civil Defense.

Barwa is constantly looking to support activities and celebrations of Qatar National Day, as an expression of solidarity, national unity, and pride in the Qatari identity. Barwa is keen to interact with the people of Qatar through its participating and sponsorship to national events on regular basis.

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OUR FUTURE PLANS FOR THE YEAR 2020

As per the plans, Barwa Real Estate is keen to work on various aspects during the year 2020, which the group considers to be the pillars of its business. Those aspects are as follows:

INCREASE IN REVENUE:

The primary goal of Barwa is to achieve sustainable growth for its revenues and returns for its shareholders, through achieving a balanced mix of operational projects that meet the needs of the real estate market in Qatar and lower the potential of risks linked to it. In the short to medium term, we expect improvement in occupancy levels in our investment portfolio with the upcoming FIFA World Cup approaching in the year 2022. In the long term, we believe that Qatar National Vision 2030 will serve as the main vehicle for long-term growth. During 2020, Barwa will work to:

- Enhance the strategic partnership with the government of Qatar to address market needs. Hence, Barwa participated in tenders offered by the Public Works Authority “Ashghal” to develop various real estate projects according to the model of the partnership between the public and private sectors (PPP).

- Complete projects under development, including the additional works in Mukaynis Compound, car service centers as part of the third phase of Madinat Mawater.

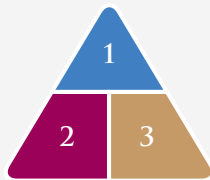
- Leverage on the latest legal and economical laws. Since the issuance of Law no. 16 for the year 2018, regulating the ownership and use of real estate assets for non-Qataris, foreign investors are now in a position to purchase property in designated freehold areas. This development has led to an increase in interesting opportunities for investors to own a property in Qatar. It has also facilitated a more diverse market capable of attracting foreign investments. Hence, the Council of Ministers recently approved a draft resolution to define and expand the designated areas for foreign investment, to include Lusail area, where Barwa owns some of its main projects; Dara, as well as Lusail land, formerly known as Lusail Golf.

- Today, Barwa has a land bank of 7.7 million square meters, of which 68% is in Qatar, and the remaining 32% is in other regions. Having such a rich land bank places the Company in an advantageous position to build more projects to sell or keep as a source on reoccurring revenue. We will work during the year 2020 to re-articulate the investment strategy to support the implementation of those plans. Those plans include:
 1. In 2019, Barwa has completed receiving the land located in the Lusail area, formerly known as Lusail Golf, which extends over a land area of 3.5 million square meters. It is a distinct addition to the group’s available land bank, which will give the group a good advantage in developing new projects in the future. We are currently preparing for the competition between local and international consulting firms, which are known for their innovations and quality of designs, to put together a proposal for the development of Lusail land to become a distinct attraction in the city of Lusail, and for Qatar in the wider perspective. We aim to accomplish this through usage diversification and integration of facilities offered within the project. As well as other investment alternatives, such as build to lease or to sell, or for the purpose of selling part of the fully-fledged lands.
 2. Barwa is currently studying a number of promising investment opportunities which go beyond the common framework for existing projects focusing on investments in educational, healthcare and hospitality sectors.
 3. Barwa will continue to study a number of investment opportunities, including the third phase of Barwa Al Baraha, phase three of Barwa City, as well as the expansion of Umm Shaharian Warehouses, as we are in the process of preparing a detailed study to determine the feasibility of the proposed design ideas and accomplish best use and return for the project.

REDUCING COSTS

During the year 2020, Barwa is working towards reducing costs by reviewing operational, administrative and financing costs in order to ensure maximum benefit and reduce cost without affecting the quality of the projects and services provided.

RAISING BRAND VALUE OF THE GROUP AND ACTIVATING THE CORPORATE SYSTEM



1. Improving shareholder and customer satisfaction with Barwa's performance
2. Contributing to national and social initiatives
3. Raising the efficiency of Barwa's organizational and administrative structure

Dear shareholders, whilst we remain alert to market risks, we are optimistic about our prospects for the coming year and beyond. We will continue to focus on active asset management to ensure we are maximising returns from our existing portfolio while also developing new opportunities.

I would like to take this opportunity to express our deepest appreciation and gratitude to the wise leadership of H.H Sheikh Tamim Bin Hamad Al Thani, the Emir of the State of Qatar, and His Excellency Sheikh Khalid Bin Khalifa Bin Abdulaziz Al Thani, Prime Minister and Minister of Interior. We also extend our gratitude to the company's shareholders and employees, for their continuous support to achieve our goals and to serve the interest of our country and its citizens, as well as the Qatar National Vision 2030.


Yours sincerely,

Salah Bin Ghanim Bin Nasser Al Ali
Chairman of the Board of Directors



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