



Q3 ended 30 September 2013, Results Presentation



Forward-Looking Statement



This presentation contains forward-looking statements. Such statements are not statements of historical fact, and reflect the beliefs and expectations of the Company's management. The words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects" and "targets" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties. Known risks and uncertainties include those resulting from the short history of the Company's operations as a real estate developer, the inherent risk of the execution of large scale master planned development and the introduction of competition, as well as those relating to the cost and availability of financing, the performance of KSA economy generally and the levels of exchange rates between Saudi Riyal and foreign currencies. Accordingly, the actual results of operations of the Company may be different from the Company's current expectations, and the reader should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update them in light of new information or future developments.



Company overview



Dar Al-Arkan – A leading real estate developer in Saudi Arabia

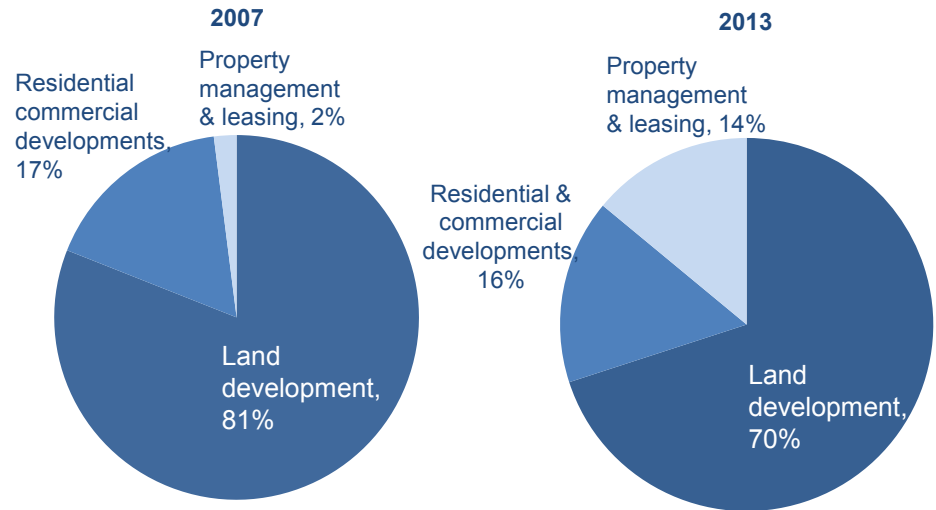
- Largest listed real estate developer in Saudi Arabia
- Market Capitalization as at 22 October 2013 was SR 11 billion (US\$2.9 billion)

As at 30 Sep 2013:

- **Total number of employees:** 327
- **Revenue:** FY2012 SR 3.6bn, YTD SR 2.2bn
- **EBITDA:** FY2012 SR 1.2bn, YTD SR 775m
- **Book value of assets :**
 - Land Bank: SR 13.4bn (US\$ 3.6bn)
 - Leasing: SR 2.7bn (US\$ 730m)
 - Residential: SR 3.0bn (US\$ 800m)

Headquarters: Riyadh, Saudi Arabia

Increasing investments in leasing assets



Land Development



Property Management and Leasing



Residential and Commercial Development

- A leading developer of residential real estate in Saudi Arabia
- Operating in the most populous and growing cities and regions
- Managing real estate developments & providing affordable homes to mid-income Saudis



Dar Al Arkan



At a glance

More than
10,000,000

SQM of Developed Land

500,000

Square Meters of
Rental properties

Occupancy
+70,000

People Living in DAAR's
residential units

Total Units Delivered

15,000

To the Saudi Real Estate Market

SR 6 Billion

Successful repayment of Sukuks

53%

Higher Market Value
of Assets versus
Book Value

Moderately leveraged

24%

Debt to Asset

Cash Balance

SR 1.8Bn

As at 30 September 2013

Total Book Value of Assets

SR 24 Bn

As at 30 September 2013

Q3 Business & Results Highlights



Business Highlights

Q3 2013, Market Backdrop Key Highlights

- Underlying fundamentals in Saudi Arabian real estate remain strong. Land and residential property prices continued to rise at moderate rates c.3% to 6%⁽¹⁾ p.a as per latest market research reports.
- Rental market for residential and retail commercial property remains solid. Lease prices continued to rise at moderate rates c.3% to 7%⁽¹⁾ p.a as per latest market research reports.
- Ministry of housing “MOH” signed SAR4 billion⁽²⁾ projects with contractors to develop 26 million sqm of land, located in different cities. The developed plots are to be distributed to low income Saudi’s under MOH’s new scheme called “land and loan”. The 26 million sqm will accommodate approx. 40k housing units.
- Actions of MOH may have a slight positive impact to DAAR driven by land acquired or removed from open market and given free to low income Saudi's not active in housing market due to their affordability limitations.
- REDF⁽³⁾ approved 3rd and 4th tranche of this year of interest free loans. 20,139 loans approved to build 24,142 housing units. In addition to this continued lending by REDF, private sector bank lending for home loans have been steadily picking up.

1. *Century 21 Saudi's Research & Advisory*
2. *Ministry of housing website*
3. *REDF website*



Business Highlights

Q3 2013, Business Key Highlights

- Gross margins (42%), EBITDA margins (37%), and net margins (25%) were much better than in Q2 2013 and marginally lower than Q3 2012. The margin is mainly driven by the product mix and geographical locations.
- Land sales in Q3 2013 were SR 694m, 2% lower than SR 708m in Q3 2012, and 6% up from Q2 2013 level, and near our average per quarter run rate, despite the annual seasonality effect of summer vacations and Ramadan time.
- Land sales gross margin was 42% in Q3 2013, up 40% from the 30% gross margin in Q2 2013 and marginally lower than Q3 2012. the margins are mainly driven by geographical location of the properties sold. In Q3 2013, two land parcels in Jeddah were sold.
- Leasing revenue grew marginally c.1% Q2 to Q3 2013 and grew 60% year on year.
- Leasing gross margin in Q3 2013 was inline with Q2 2013 levels of 55 % and marginally higher than Q3 2012 levels.
- A second bulk lease contract for 98 (14,816^{m2}) apartments was signed with Ritz Carlton for their staff in Al Qasr, bringing the total number of units leased to Ritz Carlton in Al Qasr to 161 (24,327^{m2}) units. New lease agreements signed in Q3 will contribute to revenue from October forward.
- Buoyant demand for leasing in Al Qasr investment properties from government agencies and reputed retailers boosts our leasing plans.
- Ram rating in Malaysia affirmed DAAR AA3/P1 credit rating and revised its outlook to positive from stable due to DAAR's resilient operating performance.



Business Highlights

Q3 2013, Balance Sheet Key Highlights

- SR 424m invested in land development projects in Q3 2013, bringing the total year to date investment in future growth to reach c. SR 2 billion
- Q3 2013 ended in a healthy liquidity position with SR 1.8 billion in cash.
- SR 111m debt repaid in Q3 2013, bringing the total year to date debt repayment to SR 536m, all repaid on time, satisfying all obligations.
- Continued strength of balance sheet as end of Q3 2013, asset base at SR 23.7billion, equity base at SR 16.8billion, with moderate leverage ratios. Net debt to equity ratio and net debt to asset ratio stood at 23% and 16% respectively.



Financial Results

Income Statement Highlights

SR in millions	Q3 2013 Vs. Q3 2012		Q3 2013 Vs. Q2 2013		9M 2013 Vs. 9M 2012	
Revenues	721.6	1% decline	6% increase	2,238.2	16% decline	
Gross Profit	306.5	7% decline	47.3% increase	890.1	18% decline	
Operating profit	257.7	4.6% decline	48.4% increase	749.6	20.5% decline	
Net Income	183.3	17% decline	76.8% increase	524.6	37.9% decline	

Commentary Q3 2013 Vs. Q3 2012

- Q3 2013: 1.2m sqm of land sales generated SR 693.8m; leasing from improved occupancy levels in rental assets generated SR 27.8m.
- Q3 2013: revenue of SR 721.6m driven by Land sales (96%) and Leasing (4%), as opposed to SR 728.5m in Q3 2012 driven by Land Sales (97%), Residential Sales (1%) and Leasing (2%).
- Q3 2013: gross margin marginally lower compared with Q3 2012 due to lower margin on properties sales, which is attributable to the geographical locations.
- Q3 2013: increase in finance charges and reduction in non operating income arising from the SWAP derivative impacted net income. This was offset by lower Zakat provision and lower operating expenses.



Financial Results

Income Statement Highlights... Cont'd.

Commentary 9M 2013 Vs. 9M 2012

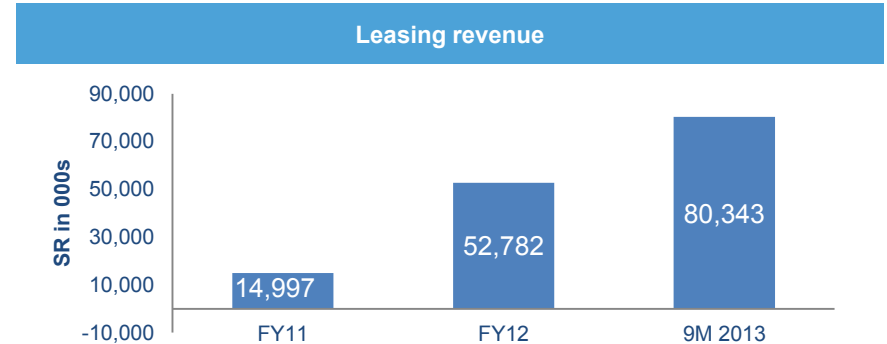
- 9M 2013: 16% decline in revenues due to lower properties sales, particularly during Q2, 2013. this was partially offset by increasing lease revenue from improved occupancy levels in rental assets.
- 9M 2013: Revenue of SR 2,238m driven by Land Sales (96%) and Leasing (4%), as opposed to SR 2,680m in the same period of 2012 was driven by Land Sales (98%), Residential Sales (1%) and Leasing (1%).
- 9M 2013: Gross margin stood at 40%, inline with the same period of 2012. This demonstrates continued focus on premium margins.
- 9M 2013: Operating expenses are inline with the same period in 2012. An increase in sales & marketing & admin expenses, is offset by lower depreciation charges. The increase in sales & marketing & admin expenses due to higher consultation and payroll cost.
- 9M 2013: Increase in finance cost compared to the same period of 2012 is due to new Sukuk facilities arranged in Q2 2013.
- 9M 2013: Higher finance charges and reduction in non operating income arising from the SWAP derivative impacted net income.

Real Estate portfolio Highlights

Leasing Portfolio

Growing portfolio with excellent occupancy rate

Leasing property	Occupancy Q3 2013
Al Qasr Mall	85%
Al Qasr (apartments & shops)	53%
Azizia Towers	100%
Al Qasr (villas)	100%
Al Masif (Villas) (under renovation and releasing within 6 month)	0%



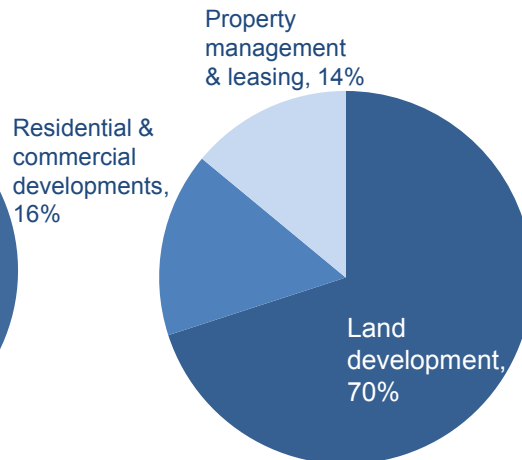
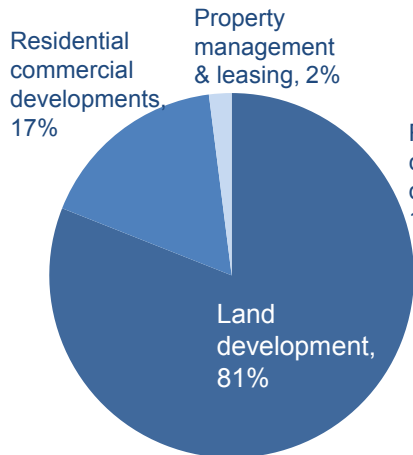
Source: Audited Financial Statements & Management Information



Increasing investments in leasing assets

2007

2013



Case Study: Al-Qasr Mall



- In June 2012, Dar Al-Arkan opened the Al-Qasr Mall located adjacent to the Al-Qasr project, which is the largest mall in Riyadh
- Al-Qasr Mall includes a children's amusement zone, a food court and an 800 metre long exterior lighting façade used for advertising



Al-Qasr Mall by Numbers	
Built-up Area (sq m)	230k
Net Leasable Commercial Space (sq m)	78k
Leasing Ratio (as at 30 Sep 2013)	85%
# Shops	350
# Floors	4
Parking Capacity	1,800 cars
Total cost	SAR 950m (\$253m)

Blue Chip Tenant Mix



Case Studies: Al-Qasr and Al Tilal Projects



- **The Al-Qasr Project**, Dar Al-Arkan's first Master Planned Community, was started in 2006 and completed in 2012
- Located in the Al-Suwaidi suburb of Riyadh and designed to cater to the middle-income market segment, it is divided into 5 zones and includes various public service and commercial facilities, including mosques, public parks, green belts, schools, entertainment areas and retail areas



Al-Qasr Project by Numbers

Built-up Area (sq m)	1.2m
Total cost (exc. Al-Qasr Mall)	SAR 1.8bn (\$480m)
Office Space (sq m)	20k
Commercial Space (sq m)	65k
Housing Capacity	13k people
Total # Residential Units	3,051
Total # Villas	254
Total # Apartments	2,797
# Villas Retained for Leasing	57
# Apartments Retained for Leasing	1,318
% of Leasing Units which have been leased (as at 30 Sep 2013)	53%
% of Sale Units which have been sold (as at 30 Sep 2013)	95%

*Based on current development plan

**Based at potential sale value expected

***Based at 8% outgoing yield

- **The Al-Tilal Project** is located in southern Medinah, south of Hijra Road, c. 9km from the Holy Prophet Mosque and partially within the boundary of the Haram zone, which is considered a desirable area by many Muslims
- The construction of Al-Tilal's 499 villas was completed in 2010 and all of these villas have since been sold

Al-Tilal by Numbers*

Total net area (sq m)	0.5m
# completed villas sold	499
Residential area to be sold (sq m)	457k
Commercial space to be leased (sq m)	4k
% Infrastructure completion (as at 30 Sep 2013)	100%
% Ongoing development superstructure completion (as at 30 Sep 2013)	0%
Estimated value of sellable area**	SAR 607m
Estimated value of leasable area***	SAR 72m



In Development: Shams Ar-Riyadh & Shams Al-Arous



- **Shams Ar-Riyadh** is Dar Al-Arkan's second Master-Planned Community and is located in Riyadh's Al-Dariya district
- One of the largest residential development projects ever initiated in the Kingdom, comprising a total area of approximately 5m sqm of which 1.8m sqm were sold to SABIC in 2012
- The project to cater to the middle-income market segment, notable features include high land altitude, wide roads, pedestrian sidewalks and scenic landscaping
- **Q3 2013 Activity:**
- Master plan zones detailed layouts is under final approvals. It includes a compound development in an area of c.450,000 sqm containing residential buildings (apartments and villas) and a range of community facilities and commercial services. The compound development design is under tendering.
- Main roads and infrastructure re-design are under tendering



Shams Ar-Riyadh by Numbers*

Total area (sq m)	2.4m
# Residential units to be leased	1,110
# Residential units to be sold	250
# Residential Plots to be sold	122
Commercial land to be sold (sq m)	489k
% Infrastructure completion (as at 30 Sep 2013)	55%
% Superstructure completion (as at 30 Sep 2013)	0%
Estimated value of sellable area**	SAR 3.9bn
Estimated value of leasable area***	SAR 1.3bn

*Based on current development plan

**Based at potential sale value expected

- **Shams Al-Arous** is Dar Al-Arkan's third Master-Planned Community and is located approximately 12km east of downtown Jeddah, covering an area of approximately 3m sqm
- All the land has been fully developed including access to Palestine road which is one of the main highways in Jeddah
- Connecting the project to Palestine Road led to significant value appreciation. Subsequent city growth and strong demand for the area supports steady rise in land prices.
- **Q3 2013 Activity:**
- Zones Parcellization are in progress

Shams Al-Arous by Numbers*

Total net area (sq m)	1.7m
# Residential units to be leased	3,304
Residential area to be sold (sq m)	1.4m
Commercial space to be leased (sq m)	190k
% Infrastructure completion (as at 30 Sep 2013)	100%
% Superstructure completion (as at 30 Sep 2013)	0%
Estimated value of sellable area**	SAR 2.5bn
Estimated value of leasable area***	SAR 2.8bn



***Based at 8% outgoing yield

Financial Performance



Financial Performance

Income Statements

SR in 000s	FY 2010	FY 2011	FY 2012	9M 2012	9M 2013	Q3 2012	Q3 2013
Revenue	4,141,981	3,312,510	3,557,072	2,680,222	2,238,241	728,522	721,559
Cost of sales	(2,377,724)	(1,943,497)	(2,163,366)	(1,595,341)	(1,348,135)	(399,141)	(415,104)
Gross profit	1,764,257	1,369,013	1,393,706	1,084,881	890,106	329,381	306,455
Operating expenses	(107,492)	(91,793)	(154,601)	(106,010)	(118,611)	(43,512)	(40,426)
Operating profit	1,656,765	1,277,220	1,239,105	978,871	771,495	285,869	266,029
Income from associates	-	400	850	400	3,250	-	-
EBITDA	1,656,765	1,277,620	1,239,955	979,271	774,745	285,869	266,029
Depreciation & amortization	(14,260)	(8,510)	(21,197)	(36,401)	(21,875)	(15,740)	(8,355)
EBIT	1,642,505	1,269,110	1,218,758	942,870	752,870	270,129	257,674
Other Income	79,364	99,299	92,776	94,619	7,765	31,147	24,035
Finance cost	(239,158)	(231,100)	(297,567)	(170,390)	(222,405)	(73,391)	(93,385)
EBT	1,482,711	1,137,309	1,013,967	867,099	538,230	227,885	188,324
Zakat	(27,000)	(49,374)	(25,430)	(22,600)	(13,600)	(7,000)	(5,000)
Net Income	1,455,711	1,087,935	988,537	844,499	524,630	220,885	183,324
Revenue growth	(24.2)%	(20.0)%	7.4%	7.14%	(16.49)%	(32.8)%	(0.96)%
KPIs							
GM%	42.6%	41.3%	39.2%	40.48%	39.77%	35.8%	42.47%
Operating profit%	40.0%	38.6%	34.8%	36.52%	34.47%	32.5%	36.87%
EBITDA%	40.0%	38.6%	34.9%	36.54%	34.61%	32.5%	36.87%
EBIT%	39.7%	38.3%	34.3%	35.18%	33.64%	31.5%	35.71%
EBT%	35.8%	34.3%	28.5%	32.35%	24.05%	31.3%	26.10%
NI%	35.1%	32.8%	27.8%	31.51%	23.44%	30.6%	25.41%

Financial Performance... cont'd)

Balance Sheet

SR in 000s	FY 2010	FY 2011	FY 2012	9M 2012	9M 2013
Cash	1,188,513	2,505,774	535,771	519,740	1,821,644
Accounts Receivables	1,667,000	1,227,708	1,492,749	1,226,982	1,693,150
Pre-paid Expenses	556,391	506,761	632,781	523,393	306,693
Residential and commercial development-ST	184,660	64,469	46,702	48,966	46,339
Develop Land -ST	270,887	2,106,603	844,332	2,135,381	896,735
Others	1,364	143	143	591	143
Total Current Assets	3,868,815	6,411,458	3,552,478	4,455,053	4,764,704
Investment in Land	4,731,660	5,082,926	5,605,630	5,621,747	4,838,302
Residential and commercial development-LT	3,677,456	3,868,580	3,214,085	3,199,429	2,992,803
Land development projects -LT	4,971,362	3,978,354	3,924,500	4,458,152	5,686,737
Develop Land -LT	2,929,939	759,757	2,124,441	833,658	1,931,614
Investment Properties	1,914,327	2,753,353	2,737,060	2,758,331	2,706,691
Investment is Associates	1,162,360	1,162,760	744,157	743,707	747,407
Other Assets	92,942	83,571	77,938	79,277	75,257
Total Non-Current Assets	19,480,046	17,689,301	18,427,811	17,694,301	18,978,811
Total Assets	23,348,861	24,100,759	21,980,289	22,149,354	23,743,515
Payables & Accruals	1,115,149	1,106,902	1,267,876	1,231,934	1,262,227
Murabahas & Sukuks-ST	1,000,000	4,634,380	1,095,120	1,424,113	1,439,313
Total Current Liabilities	2,115,149	5,741,282	2,362,996	2,656,047	2,701,540
Murabahas & Sukuks-LT	6,721,485	2,757,756	3,289,359	3,310,525	4,187,862
Others	12,599	14,158	16,575	15,461	18,124
Total Non-Current Liabilities	6,734,084	2,771,914	3,305,934	3,325,986	4,205,986
Total Equity	14,499,628	15,587,563	16,311,359	16,167,321	16,835,989
Total Liabilities & SE	23,348,861	24,100,759	21,980,289	22,149,354	23,743,515
Business Assets Breakup:					
Land development	12,903,848	11,927,640	12,498,903	13,048,938	13,353,388
Property management and leasing	1,914,327	2,753,353	2,737,060	2,758,331	2,706,691
Residential and commercial developments	3,862,116	3,933,049	3,260,787	3,248,395	3,039,142

Closing Remarks

Closing Remarks

Investment Highlights

1

Healthy and growing real estate sector in Saudi Arabia driven by favourable demographics and a supportive legislative backdrop

2

Continued favorable trends in land price appreciation

3

Continued focus on premium margins

4

Dar Al-Arkan's proven ability to develop large-scale projects such as Master Planned Communities

5

The Company's substantial and geographically diverse land bank

6

A conservative financial profile with a strong balance sheet and healthy income generation

7

An experienced management team and good corporate governance

8

The benefits of its access to the international and domestic capital markets