



## Q3 2012 Results presentation 23 Oct, 2012

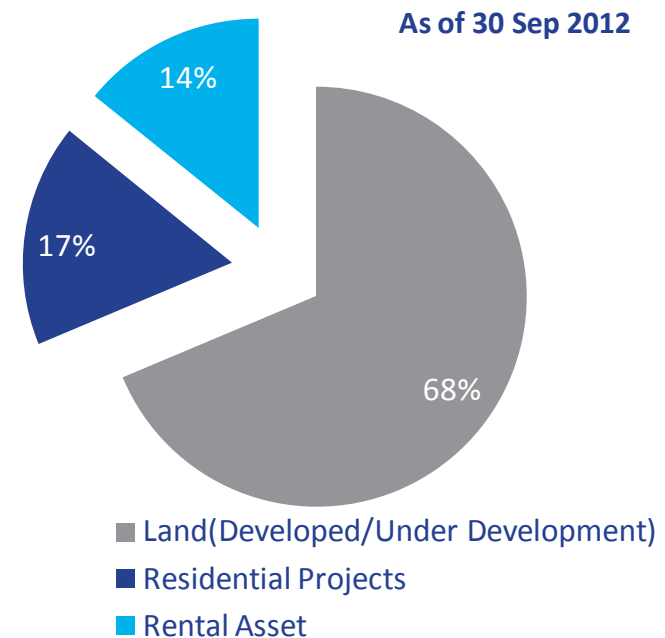
<http://www.alarkan.com>

# Market Leading Presence in the Middle Income Real Estate Domain

## Dar Al-Arkan Overview

- Largest land & property developer in KSA, with about 35m sq.m. of land mainly in Riyadh and Jeddah
- Listed on Saudi Arabia Stock Exchange since 2007, and Sukuk issuances listed on LSE, Nasdaq Dubai, Labuan and Bahrain Exchanges
- Evolution since 1994 foundation from a basic infrastructure constructor to a master planned community developer
- Purchases undeveloped land in major Saudi urban centers on a large scale, developing infrastructure and selling developed /Semi developed land to sub developers and investors
- Spearheading developments in the mid-income residential segment - the largest and fastest growing segment in KSA
- Investment in income generating asset through development/acquisition of commercial and residential properties.

Ratings: S&P B+  
 Rating Agency of Malaysia AA3  
 Capital Intelligence A-

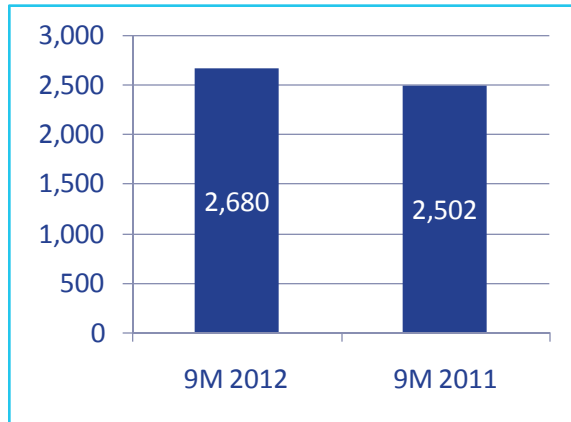


288% Growth in the Rental Portfolio since 2009

Gradual earnings diversification towards land development, residential master planned communities development and rental asset

# Q3 Key Figures

REVENUES (SAR millions) *+7% Growth*



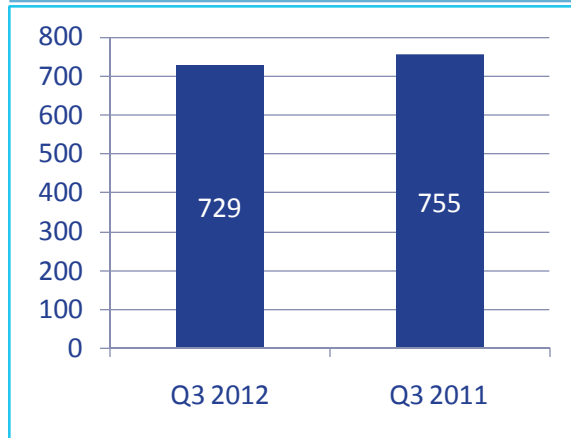
EBITDA



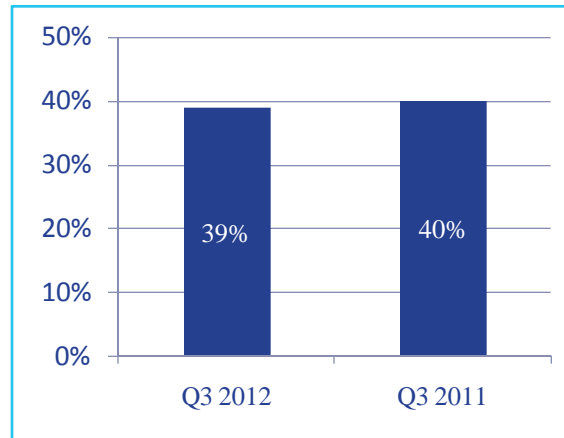
NET INCOME (SAR millions) *+6% Growth*



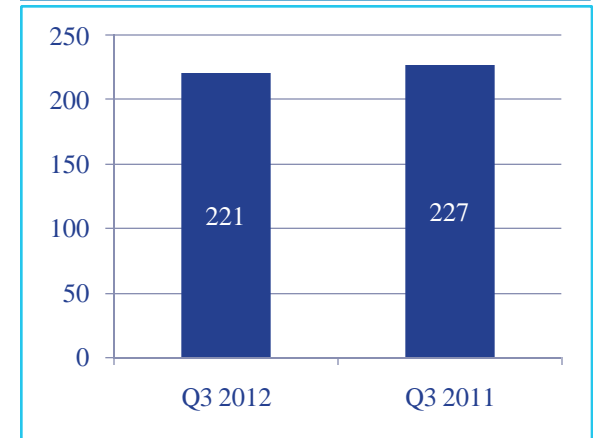
REVENUES (SAR millions) *-3% Decline*



EBITDA



NET INCOME (SAR millions) *-3% Decline*



## Key Highlights

- 7% & 6% increase in 9 month period revenue & net income is due to improved demand on the Company's products and the Company's objective to enhance liquidity position.

## Q3 2012 Operational Highlights and Market Backdrop

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- July Sukuk-II successfully repaid, reflecting prudent cash flow management and effective management of Islamic structured debt program (SAR8.4bn (US2.25bn) Sukuk issuance to date), (71% repaid and 29% outstanding)
- Growth in Real Estate investment base despite significant debt repayment demonstrates financial strength
- Profitability maintained at high gross margins
- Proceeds of SAR 945 million sale of non-core investment in associates used for cash and land investment
- Positive momentum from passage of Mortgage legislation package with good outlook for sector investment
- A major opportunity for Dar Al Arkan, driving growth and playing to its mid income positioning and large scale capabilities

# Update on key projects

## AL QASR MALL

- The Largest mall in Riyadh opened in June 2012. More than 75% of the mall's NLA has now been rented out – 50% operational since opening; 25% in fitting out stage.
- Anchors / sub-anchors include:
  - Carrefour, Red Tag, Al Othaim Company
  - Al Shaya (H&M, Peacock, Payless, Next, Vision Express, Pink Berry, Claire's, Castania Nuts, Mother Care, Boots, Dorothy-Perkins, MilanoEvans, Victoria)
  - Dar Al Bander Co./Land Mark Group (Centre Point, City Max, Iconic, Shoe Express, Carpisa, Bossini, New Look & Koton)
  - Dana for Trading Co. (Mango, ADK, Blanco, Fridays Project)
  - Anwal for Trading Co. (Cache cache, Etam & Etam Lingerie, Prafios & Marrow)

Grand Opening 12-12-12



## AL QASR

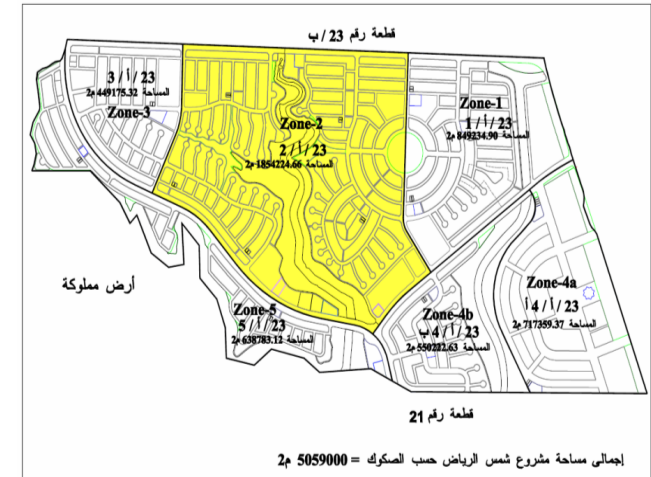
- Al Qasr Project – winner of the largest residential project in the Kingdom Award from the Ministry of Housing.
- >93% of residential units earmarked for sale have been sold.
- >60% of residential units earmarked for lease have been leased.
- >40% of street Retail shops have been rented out.



# Update on key projects

## SHAMS AR-RIYADH

- Located in NW Riyadh, an area with good investment prospects.
- The project is under re-design and re-planning after sale of 1.8m sq. m. to SABIC in Q2 2012.
- SABIC bought the parcel highlighted in yellow on the photo. The remaining area at the project is 3.2 million sq. m., of which more than 500,000 sq. m. is commercial area
- SABIC's purchase enhanced the value of our remaining land on the project.
- Tenders preparation for major roads construction under progress.



## SHAMS AL-AROUSE

- Located 12km from Jeddah Downtown. Core infrastructure including Palestine road connecting to highway & commercial district of Jeddah completed
- Land is fully developed & ready for vertical construction
- Great value appreciation for the project land



## Q3 Income Statement

Description	Q3 2012 (SAR Million)	Q3 2011 (SAR Million)
Revenue	729	755
Gross Margin	329	321
Expenses (SG&A)	(43)	(22)
EBITDA	286	298
EBITDA%	39.2%	39.5%
Finance Charges	(73)	(51)
Depreciation & Amortization & Tax Zakat Charges	(23)	(23)
Other Income	31	3
Net Income	221	227

- Quarterly performance in line with expectations for seasonal trends
- Sale of 678,000 sq. m. of land generated SAR705mn; sale of 7 apartments at Al-Qasr project generated SAR3.1m; leasing from improved Al Qasr occupancy levels generated SAR17.3m
- Higher gross margins on land sales – up to 45%, primarily attributable to geographic location.

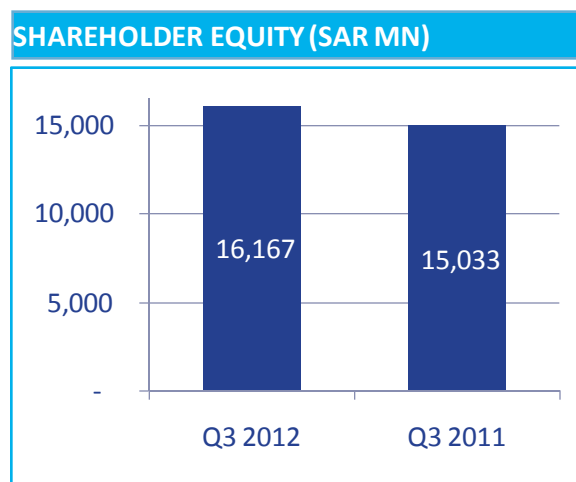
## Q3 Balance Sheet

Description	As of 30 Sep 2012 (SAR Million)	As of 30 Sep 2011 (SAR Million)
Cash	520	1,998
Account Receivables	1,227	1,542
Prepayments	523	346
Project in Progress	7,707	7,987
Developed Land	2,969	2,824
Investment in Land	5,622	5,299
Investment Properties	2,758	2,671
Investment in Associates	744	1,163
Other Assets	79	85
<b>Total Assets</b>	<b>22,149</b>	<b>23,915</b>
Payables & Accruals	1,247	1,051
Murabahas	2,298	1,379
Sukuk	2,437	6,187
Shareholders Equity	16,167	15,033
Non Controlling Interest	-	265
<b>Total Liabilities and Shareholders' Equity</b>	<b>22,149</b>	<b>23,915</b>

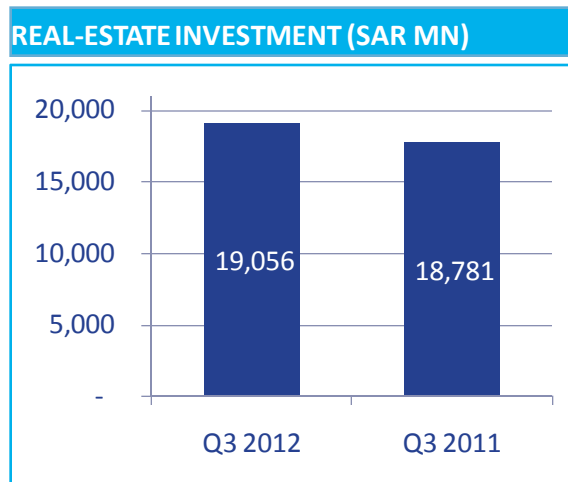


## Q3 Balance Sheet Highlights

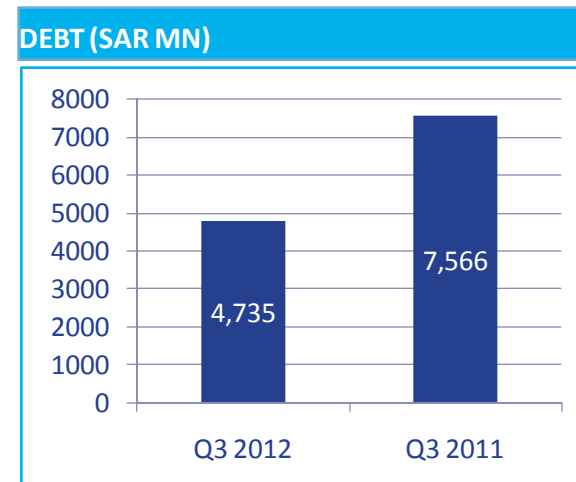
**+8%** Growth



**+1%** Growth



**37%** Reduction



**Net Debt/Asset = 20%**

**Net Debt/Investment = 22%**

**The annualized weighted average cost of debt = 6.31%**

**Growth in Real Estate Investment Portfolio despite significant debt repayment during Q3**

# Looking ahead - Saudi Arabia - a Favourable Market Backdrop

<b>Good economic prospects in Saudi Arabia</b>	<ul style="list-style-type: none"><li>▪ Largest economy in MENA region; significant oil reserves and sovereign wealth.</li><li>▪ Low debt profile (total debt 58% of GDP), high investment (23% of GDP), rising infrastructure spending</li><li>▪ GDP growth 2012e c.4.6%. Steadily rising GDP per capita, low inflation and stable currency create significant consumer purchasing power</li></ul>
<b>New mortgage laws introduced</b>	<ul style="list-style-type: none"><li>▪ A quantum leap in the legislative environment for the Saudi Real Estate sector</li><li>▪ Expected to attract new capital and investment to the sector</li></ul>
<b>High demand driven by demographics</b>	<ul style="list-style-type: none"><li>▪ Strong indigenous demand for housing<ul style="list-style-type: none"><li>▪ 28 million population, 70% nationals, 78% under 30, growing at 2% annually</li></ul></li><li>▪ Absolute housing demand set to benefit from declining average household sizes, increasing urbanization and expected rise in mortgage funding</li></ul>
<b>Strong support from sovereign investment</b>	<ul style="list-style-type: none"><li>▪ Saudi Government committed to increasing availability of affordable housing and job creation<ul style="list-style-type: none"><li>▪ SAR 300bn housing package</li></ul></li><li>▪ Increased government spending on infrastructure projects, homebuilding and real estate funding programs expected to continue</li></ul>

**Excellent growth outlook for Saudi real estate underpinned by introduction of Mortgage Law**

# Dar Al Arkan – the Saudi Real Estate Growth Opportunity

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- **A dominant player against a favourable demographic backdrop**
  - Market leading presence in the middle income real estate domain
  - Differentiated by size and know how
  
- **Financial strength**
  - Prudent cash management
  - Islamic Sukuk program facilitating access to multiple global capital markets
  - Successful diversification of financing sources and ability to fund growth
  - Solid cash position post Sukuk repayment supported replenishment of investment portfolio
  
- **Well positioned going forward**
  - High quality land portfolio
  - New Mortgage Laws introduced (“quantum leap” for the Saudi real estate sector )
  - Attractive opportunities for growth

**Strong Platform to Generate Superior Total Returns**

