



Results Presentation, Q2 2014



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

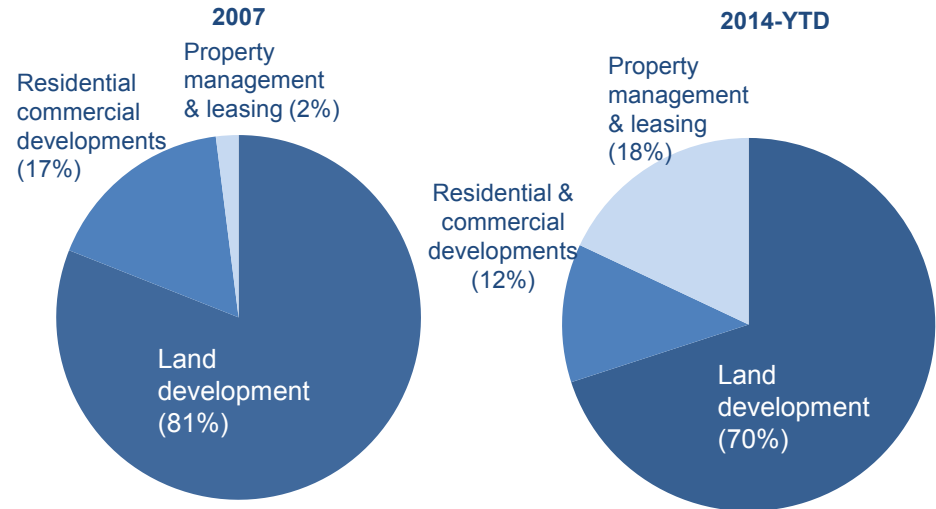
- Largest listed real estate developer in Saudi Arabia

As at 30 Jun 2014:

- **Market Capitalization:** SR 13.5 bn (US\$ 3.6 bn)
- **Total number of employees:** 316
- **Revenue:** FY2013 SR 2.9 bn (US\$ 772 mn)
2014YTD SR 1.7mn (US\$ 453 mn)
- **EBITDA:** LTM SR 1.2 bn (US\$ 320 mn)
- **Book value of assets : SR 26.4 bn(US\$ 7bn)**
 - Land Bank: SR 13.9 bn (US\$ 3.7 bn)
 - Leasing: SR 3.6 bn (US\$ 950 mn)
 - Residential: SR 2.3 bn (US\$ 613 mn)
 - Other assets: SR 6.6 bn (US\$ 1.8 bn)

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 populated 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

Sq Mtrs of Developed Land
Delivered

723,000

Sq Mtrs of Rental
Properties, under
Management

+70,000

People Living in
Residential Units Delivered by DAAR

Total Units Delivered

15,000

To the Saudi Real Estate Market

SR 13 bn

Successful Sukuk Issuances,
Reflecting Good Access to the
Financial Markets

Moderately leveraged

18.5%

Net Debt to Assets
As at 30 Jun 2014

Cash Balance

SR 3.0 bn

As at 30 Jun 2014

Total Book Value of Assets

SR 26.4 bn

As at 30 Jun 2014



Q2 2014 Business & Results Highlights



Financial Highlights

H1 2014, Results, Financing and Balance Sheet

Results

- Revenue increased 12% to SR 1,698.3 mn (H1 2013 : SR 1,516.7 mn); Net Profit improved 8% to SR 369.2 mn (H1 2013 : SR 341.3mn).
- Gross Margin landed above average to 41 % (H1 2013 : 38.5%), EBITDA Margin improved to 38.3% (H1 2013 : 33.9%) due to the mix of sold lands during the periods, Net Margin was 21.7% (H1 2013 : 22.5 %) due to higher financing expense. DAAR continues to deliver high margins from its quality real estate portfolio.
- Property management and leasing revenue increased to SR 62.2 mn (H1 2013 : SR 52.5 mn), up 18%, and was 3.7% of total revenue. In line with DAAR's strategy for enhancing visibility and cash generation.
- Good progress in the Property management and leasing segment during Q2 2014 with lease agreements signed for 608 apartments (98 to Ritz Carlton Hotel and 510 to ministry of foreign affairs "MOFA) in Al Qasr community, and Al Masif villas compound being completely leased out.
- Land development revenue was SR 1,628.1 mn (H1 2013 : SR 1,463.7 mn), up 11%, and was 95.9% of total revenue. 1.9 m sqm of developed land was sold from Eastern province, Riyadh and Jeddah (420K sqm from Shams Al Arous).
- Residential and commercial projects revenue was SR 8 mn, 0.5% of total revenue. Contribution to revenue remains low due to unavailability of inventory driven by the development cycle of our current development projects as projects being in the infrastructure or land parcelling stages.

Financing and Balance Sheet

- DAAR's issued successfully third tranche of US\$400m Sukuk in May with 5 years maturity and coupon profit rate of 6.5%. Issuance was positively received by regional and international investors and was oversubscribed by 2.3 times.
- Loan book increased by SR 2,361 mn with SR861 mn new Islamic Murabaha facilities raised, of which SR637 mn raised in Q2 2014, and SR273 mn repaid, of which SR 128 repaid during Q2 2014. Repayment completion of DAAR's SR 750m Local Islamic Sukuk with remaining SR100 mn repaid in Q2 2014.
- Net debt stands at SR 4.9 bn. Net debt/asset ratio is 18.5%.
- DAAR invested SR 1,160 mn in land developments (SR 962 mn invested in Q2 2014 3 land plots in Jeddah). SR 885 mn was invested in lease asset in Q1 2014.
- Liquidity position remains very strong. Cash balance closed at its highest level ever at SR 3 bn by H1 2014 end
- Maturities are well spread and cash management is prudent

Business Highlights

Q2 2014, Market Backdrop – Key Highlights

Residential

- Steady growth in Saudi housing segment continues to be driven by strong demand from a rising population, young demographic profile, urbanization, higher disposable incomes and better financing options.
- House prices⁽¹⁾ continued to increase at a healthy rate between 3% to 5% in all major cities during Q1 2014. Rental rates also showed an increasing trend.

Mortgage Law Update

- By end of Q2 2014, the number of banks and companies which were granted licenses by SAMA for conducting finance activities in accordance with the finance laws and their implementing regulations is 12 banks and 8 companies, and 10 companies were granted initial approvals. SAMA has received 48 licences request so far.
- In May 2014, Minister of housing launched additional loan scheme and signs agreements with 12 bank and 3 financing companies to provide these loans as top up loans to REDF applicants. Top up loans will enable applicants to buy a ready units with market price exceeds REDF loan amount, or buy a land to build on it using REDF loan.
- Deputy minister of Justice for Execution (Enforcement) and Reservation states that about 47k mortgage transactions (totalling SAR 17 bn) was executed during the last six month.
- According to SAMA, real estate financing grew at CAGR of 26% vs. 13% for car & equipment and others during the previous 5 years. According to Colliers, real estate financing is expected to increase by 60% in the next five years, supported by the full approval and implementation of the Mortgage Law.

Policy Update (Ministry of Housing “MoH”)

- Over one million applications submitted so far for the four products offered by MoH (housing unit, loan, land and land & loan). This in addition to 2.3 million application in the awaiting list with REDF.
- The MoH announced that it plans to involve the private sector developers on 10 of its current housing projects. MoH is working on developing 214k units on 165 projects across KSA.
- The MoH invited Real Estate Developers to its Riyadh housing project tender. The project aims to develop 5k housing unit on the ministry’s land located the north of Riyadh.
- The MoH intends to partner with RE developers to develop housing projects, even on the lands owned by RE Developers

1. Century 21 Saudi's Research & Advisory

Financial Results

Income Statement Highlights

SR in millions	Q2 2014 vs. Q2 2013	H1 2014 vs. H1 2013
Revenues	13.7% growth from SR 680.9 mn to SR 774.2 mn	12% growth from SR 1,516.7 mn to SR 1,698.3 mn
Gross Profit	41.4% growth from SR 208.1 mn to SR 294.2 mn	19.4% growth from SR 583.7 mn to SR 697 mn
Operating profit	29.2% growth from SR 173.7 mn to SR 224.4 mn	14.8% growth from SR 491.9 mn to SR 564.5 mn
Net Income	17.0% growth from SR 103.7 mn to SR 121.3 mn	8.2% growth from SR 341.3 mn to SR 369.2 mn

Commentary Q2 2014 Vs. Q2 2013.

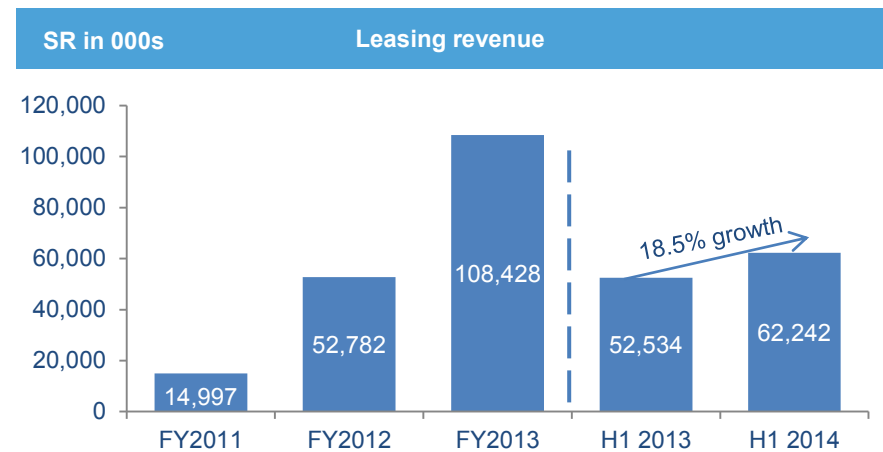
- The top line growth in Q2 2014 versus Q2 2013 is mainly due to higher sales revenue of properties. In Q2 2014, DAAR sold 3 land parcels, one in the eastern province and two in Jeddah including one plot from Shams Al Arous project, which totaled 611,000 sqm versus 1.4 mn sqm of land sold in Q2 2013.
- Strong Gross Profit growth is due to higher sales of properties at higher gross margins thanks to the product mix, development status and geographical location of the properties sold
- The higher gross margins and higher non-operating income received from deposits was partially offset by the increase in payroll, consultancy fees and higher finance charges.
- Net Income rose to SR 121mn, up 17 % Q2 2014 versus Q2 2013

Real Estate portfolio Highlights

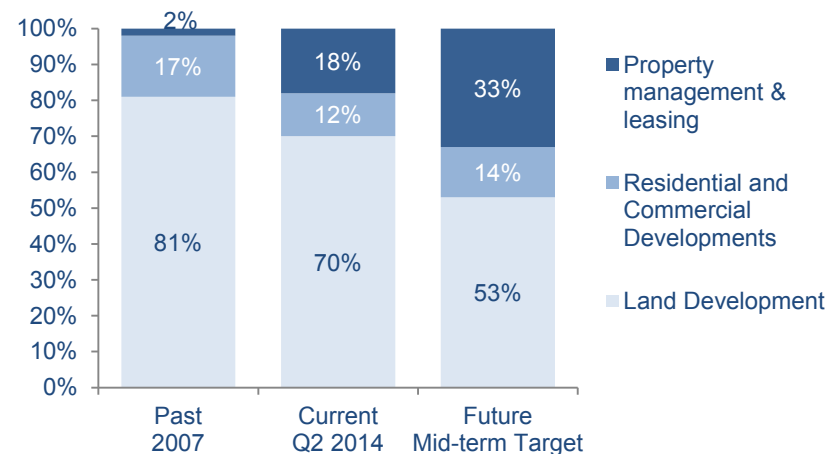
Leasing Portfolio

Growing Leasing Portfolio

Leasing property	Occupancy Q2 2014
Al Qasr Mall	87%
Al Qasr (Apartments & Shops)	43%
Al Qasr Office Building (Lease agreement with Govt. Agency is under signature.)	0%
Azizia Towers	100%
Al Qasr (Villas)	56%
Al Tilal (Villas)	36%
Al Masif (Villas)	100%



Planned evolution of increasing investments in leasing assets



Al Qasr Community Main Street

Leasing Portfolio Key Assets

Al Qasr Community

Location



- DAAR's first master planned community
- Caters for the middle-income market segment
- Great accessibility
- Situated in Al-Swaidi district, suburb of Riyadh
- Dedicated ramp to King Fahd Road
- Walkable convenient neighborhood
- 10-15 minutes drive to many Ministries and key Governmental agencies
- Leading model for modern development in KSA

Activity in Q2 2014

- Two Lease agreements for 510 apartments were signed with ministry of foreign affairs "MOFA". 1st agreement includes 204 apartments which were handed over and occupied. The other agreement for 306 apartments will be added to occupancy figures upon hand over.
- More 98 apartments were leased to Ritz Carlton Hotel for their staff accommodation, bringing total units leased out to Ritz Carlton to be 161 apartments.
- The office building lease agreement is in the signing process..
- In Al Qasr community, an environmental improvement program which was established in Q1 2014 is ongoing. The program aims to improve the quality of community living and customer care.



Al-Qasr Community by Numbers

Built-up Area (sqm)	1.2mn
Housing Capacity	13,000
Total # Residential Units	3,051
Total # Villas	254
Total # Apartments	2,797
# Villas for Leasing	102
# Apartments for Leasing	2,447*
Street Shops GLA sqm.	56k
Office Building GLA sqm.	20k
Occupancy Ratio %	43%

* Expected to be mostly leased out during 2014

Leasing Portfolio Key Assets

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 amusement zone, a food court and an 800 metre long exterior lighting façade used for advertising

Activity in Q2 2014.

- HRH Prince Turki Bin Abdullah Bin Abdulaziz, Mayor of Riyadh, inaugurated the official opening of the 10th Riyadh Festival for Shopping and Entertainment in its 10th version.
- The mall organized many exciting shows and entertainment activities which attracted visitors during the festival period (May 29 – June 27).
- Reconfiguring of recreational and entertainment features on the 3rd floor is ongoing with lease arrangements expected to finish in Q4 2014.
- Negotiations with new tenants are On-going.



Riyadh Festival for Shopping and Entertainment Opening Ceremony



Al-Qasr Mall by Numbers

Built-up Area (sqm)	230k
GLA (sqm)	78k
# Leasable Units*	440
# Floors	4
Parking Capacity	1,800 cars
Leasing Ratio	87%

Blue Chip Tenant Mix

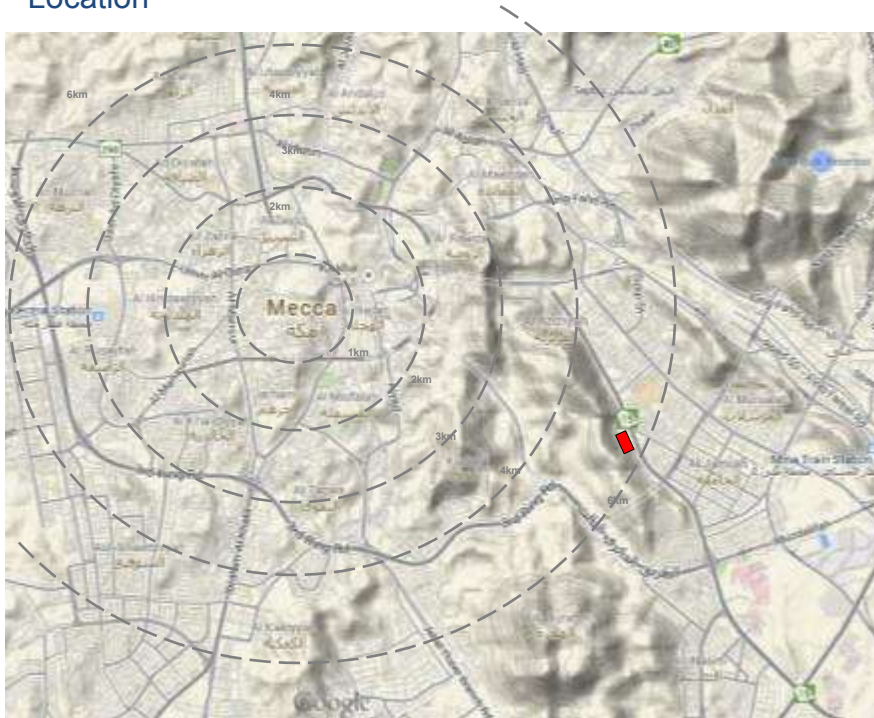


* includes shops, kiosks, ATM, advertising boards, and storage areas

Leasing Portfolio Key Assets

Azizia Towers

Location



Al Azizia Towers has a unique location on Prince Sultan Street in the Al Azizia district of Mecca, only 5.5 km from the Holy Mosque and 3 km from Mashaer Mina.

Al Azizia Towers are leased to one institutional tenant



Al Azizia Towers by Numbers

Built-up Area (sqm)	80K
Residential Space GLA (sqm)	38.6K
Commercial Space GLA (sqm)	2.1K
# Apartments	276
# Shops	6
#Parking Space	117
Leasing Ratio	100%

Residential & Commercial Developments

Shams Ar-Riyadh

Location



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 5mn of which 2.6 mn sqm was sold to SABIC and others in 2012 & 2013
- The project is to cater for the middle-income market segment, and notable features include high land altitude, wide roads, pedestrian sidewalks and scenic landscaping.

Activity in Q2 2014

- Technical approvals on the revised master plan were completed from local municipality.
- The gated community design and the infrastructure re-design are in the tender process. Appraisals for offers received are on-going.



Shams Ar-Riyadh by Numbers*

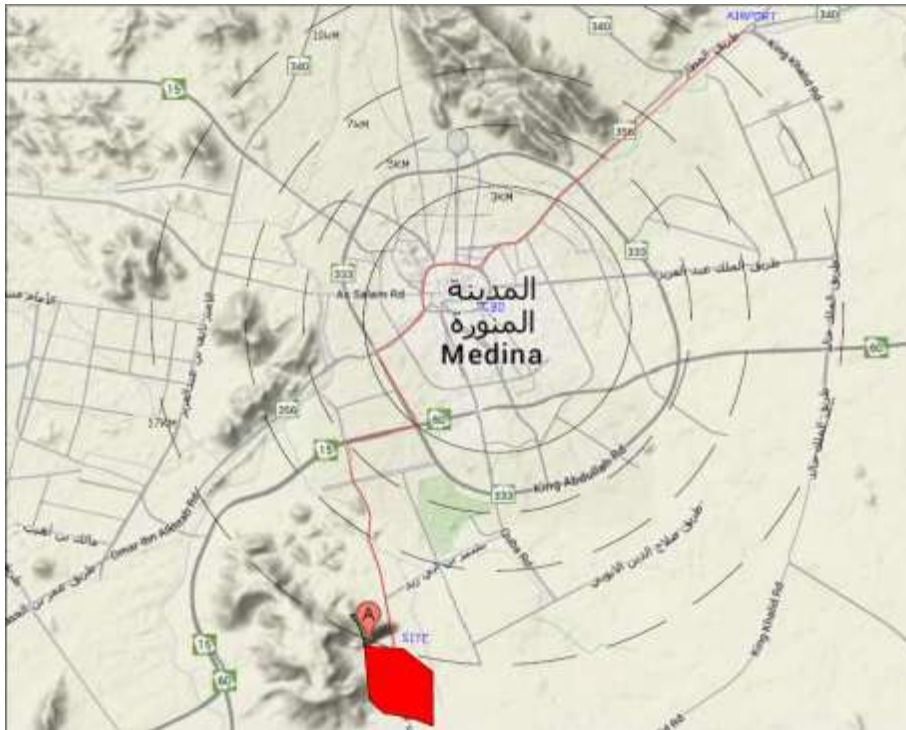
Total area (sqm)	2.4m
# Residential units to be leased	1,110
# Residential units to be sold	250
Commercial land to be sold (sqm)	489k
% Infrastructure completion**	47%
% Superstructure completion**	0%

Residential & Commercial Developments



Al Tilal

Location



- Located in southern Medinah, south of Hijra Road
- c. 10km from the Holy Prophet Mosque
- Partially within the boundary of the Haram zone
- 15-20 minutes drive to Prince Mohammad Bin Abdulaziz Intl. Airport

- The project's land development is fully completed.
- Majority of residential & commercial plots sold.

Activity in Q2 2014

- Design presented in Q4 2013 for a new commercial centre was rejected. New design is being procured to satisfy evolving demand in the area.



Al-Tilal by Numbers*

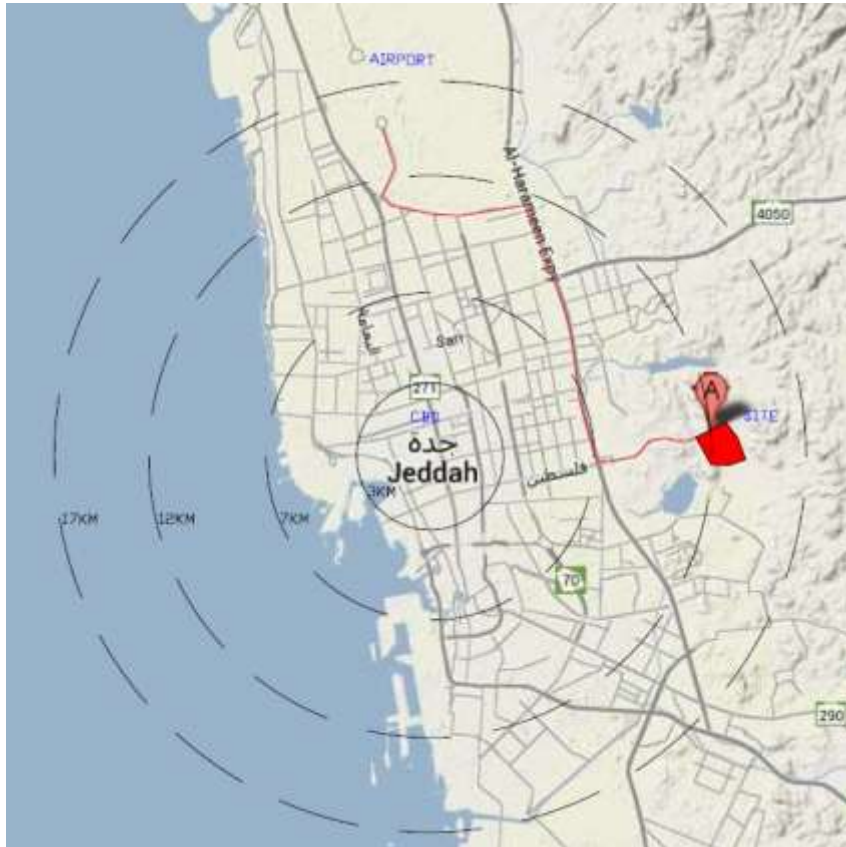
Total net area (sq m)	0.5 m
Land area to be sold (sq m)	440k
Total # Villas	499
Residential Space GLA (sqm)	87k
# Villas for Leasing	279
Commercial space to be built for leasing (sq m)	5.6k
% Infrastructure completion	100%
Leasing Ratio	36%

*Based on current development plan

Residential & Commercial Developments

Shams Al-Arous

Location



Shams Al-Arous is Dar Al-Arkan's third Master Planned Community and is located approximately 12km east of downtown Jeddah.

- 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 are driving a steady rise in land prices.

Activity in Q2 2014

- 141K sqm of developed land was sold.
- Zone Parcellization is in progress

Shams Al-Arous by Numbers*

Total net area (sq m)	1.0m
Residential area to be sold (sq m)	842K
# Residential units to be leased	3,304
Commercial space to be leased (sq m)	190k
Infrastructure completion (%)**	100%
Superstructure completion (%)**	0%



Residential & Commercial Developments

Eastern Province Project - Located between Dammam and Ras Tanura

Location



- An island located between Dammam and Ras Tanura
- Sea front land will be graded and reclaimed from the shallow sea waters

Eastern Province Project by Numbers*

Total Area (sq m)	8.2 m
DAAR's Holdings on the Project's SPV	18%
DAAR's role	Master developer

The Eastern Province project will be an integrated community providing to its residents and visitors with modern waterfront living. Due to its privileged location close to Dammam downtown, Ras Tanura and other major population centers and thanks to its sheer size, the project will be positioned as the main destination to live, work and visit in the Eastern Province. In addition to various typologies of residential areas, the master plan under development includes other uses such as:

- Hospitality projects catering for High quality segments;
- Higher education area with an international-standard institutions;
- State of the art medical city;
- Business and technology hub; and
- High end quality retail

Activity in Q2 2014

- Pre concept MP design is completed
- Field work for surveying and bathymetric is on-going.
- RFP of full scope design services issued.

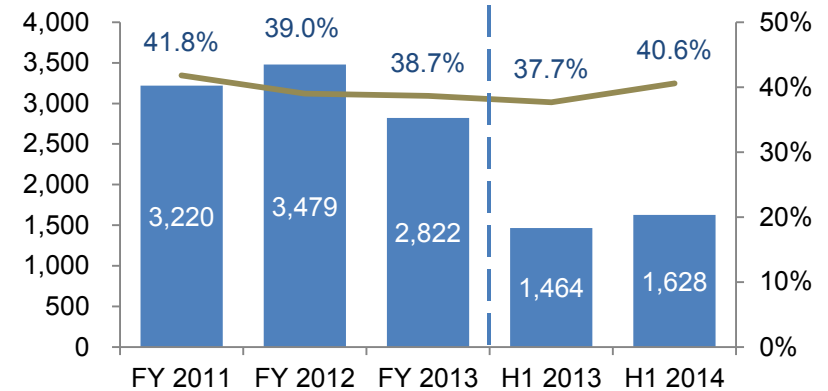


Land Development

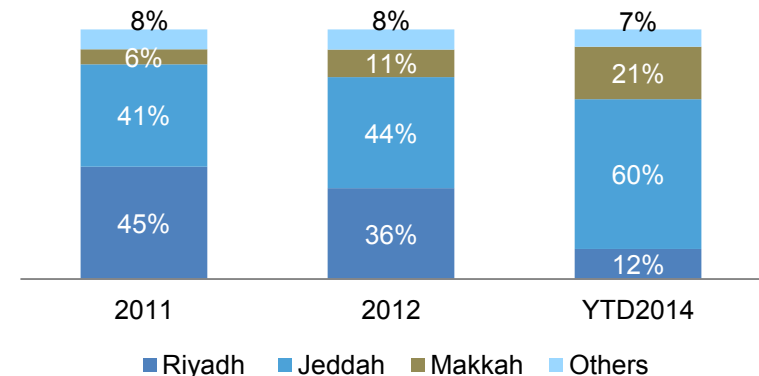
Substantial and Geographically Diverse Land Bank

- Land plots are purchased based on thorough analysis :
 - Target large cities with supply / demand gap
 - Follow expansion trends from the city centre to the newer suburban areas
 - Follow historical prices and capitalize on potential for appreciation
 - Account for accessibility, particularly connections to the downtown and proximity to main roads and basic infrastructure
- The land bank is subject to continuous strategic assessment for retention or disposal. Some land has the potential for significant value enhancement and is therefore retained in the portfolio, while land deemed right for disposal offers a compelling opportunity for crystallizing a near term capital gain.

Land revenue & gross margin (SAR Millions)



Geographical Split of Dar Al-Arkan's Land Bank Portfolio

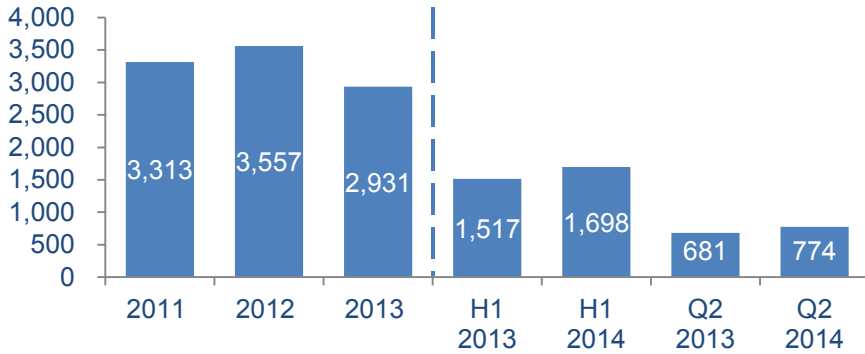


Financial Performance

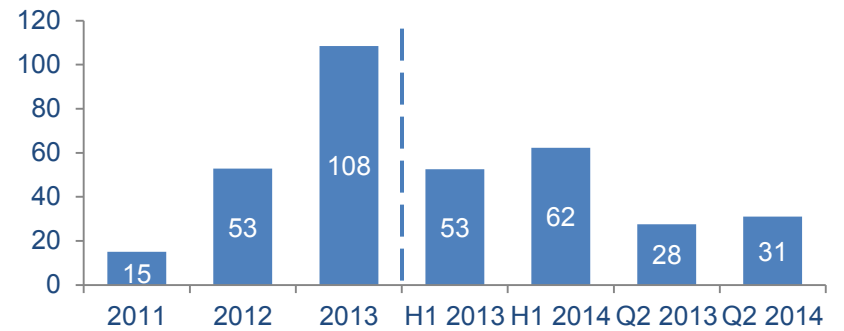


Historical Performance

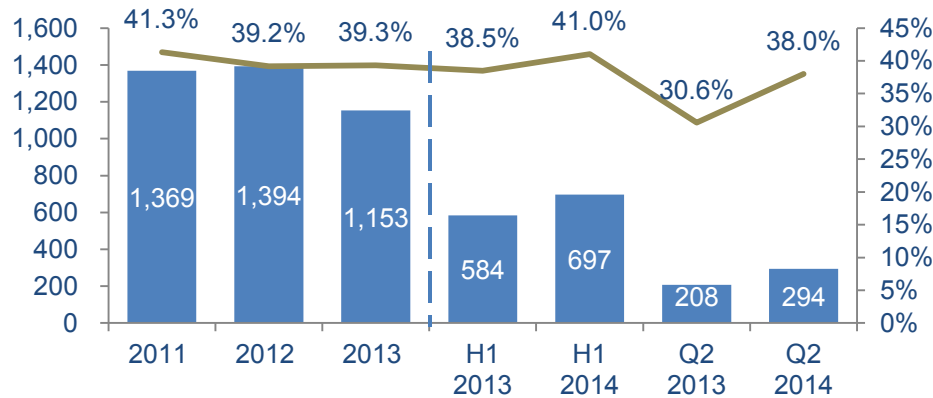
Revenue (SR mn)



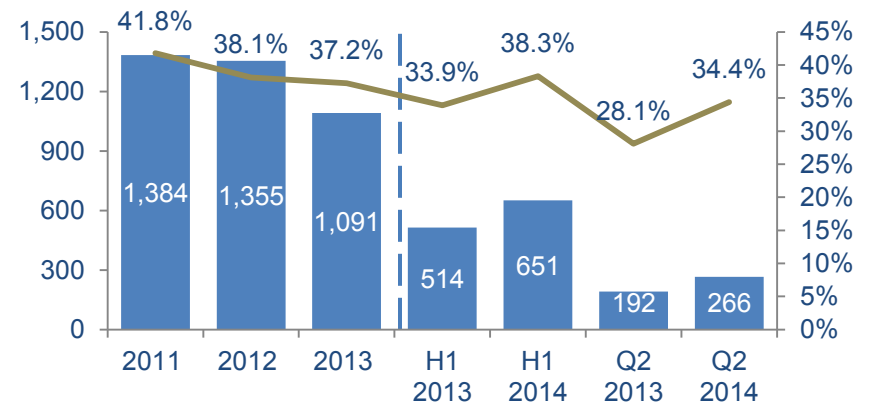
Recurring Revenue (SR mn)



Gross Profit (SR mn) & Margin (%)



EBITDA (SR mn) & Margin (%)



Financial Performance

Income Statements

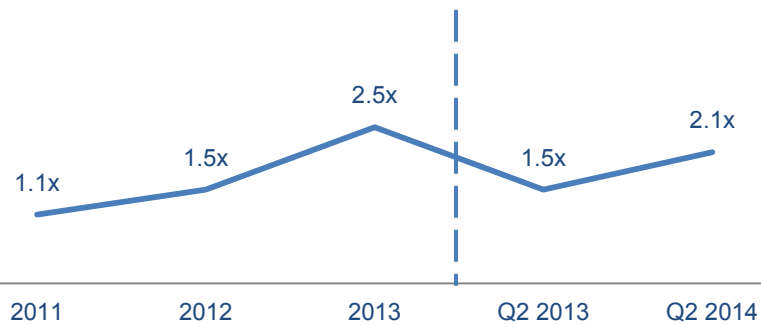
SR in 000s	FY 2011	FY 2012	FY 2013	H1 2013	H1 2014	Q2 2013	Q2 2014
Revenue	3,312,510	3,557,072	2,931,168	1,516,682	1,698,299	680,861	774,210
Cost of sales	-1,943,497	-2,163,366	-1,778,097	-933,031	-1,001,290	-472,791	-479,970
Gross profit	1,369,013	1,393,706	1,153,071	583,651	697,009	208,070	294,240
Operating expenses	-91,793	-154,601	-151,027	-78,185	-113,598	-26,881	-60,180
Operating profit	1,277,220	1,239,105	1,002,044	505,466	583,411	181,189	234,060
Income from Associates	400	850	3,250	3,250	8,500	2,750	3,000
Depreciation & amortization	-8,510	-21,197	-31,665	-13,520	-18,910	-7,452	-9,655
EBIT	1,269,110	1,218,758	973,629	495,196	573,001	176,487	227,405
Other income	99,299	92,776	39,320	-16,270	30,191	-4,776	15,683
Finance cost	-231,100	-297,567	-313,959	-129,020	-224,268	-65,716	-119,299
PBT	1,137,309	1,013,967	698,990	349,906	378,924	105,995	123,789
Zakat	-49,374	-25,430	-17,528	-8,600	-9,728	-2,300	-2,450
Net Income	1,087,935	988,537	681,462	341,306	369,196	103,695	121,339
Revenue growth	-20.00%	7.40%	-17.60%	-22.30%	12.00%	-37.20%	13.70%
EBITDA	1,383,645	1,354,758	1,091,102	513,881	651,143	191,586	266,115

KPIs

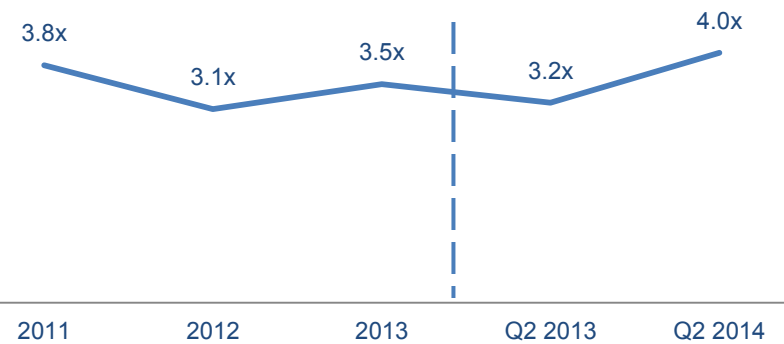
GM%	41.33%	39.18%	39.34%	38.48%	41.04%	30.56%	38.00%
Operating profit%	38.56%	34.83%	34.19%	33.33%	34.35%	26.61%	30.20%
EBITDA%	41.77%	38.09%	37.22%	33.88%	38.30%	28.14%	34.40%
PBT %	34.33%	28.51%	36.14%	23.07%	22.31%	15.57%	16.00%
Net income %	32.84%	27.79%	26.77%	22.50%	21.74%	15.23%	15.70%

Historical Performance

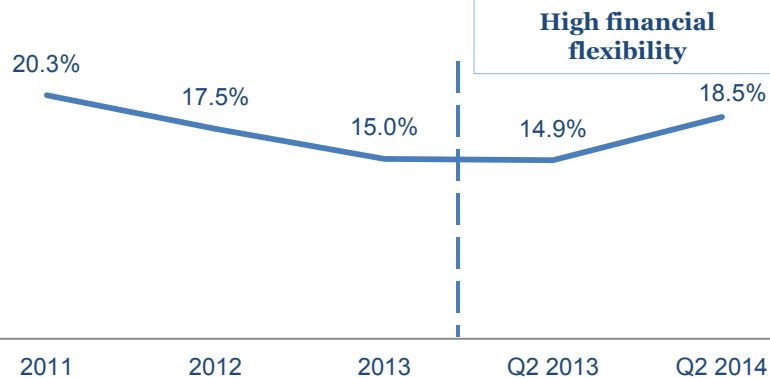
Current Ratio



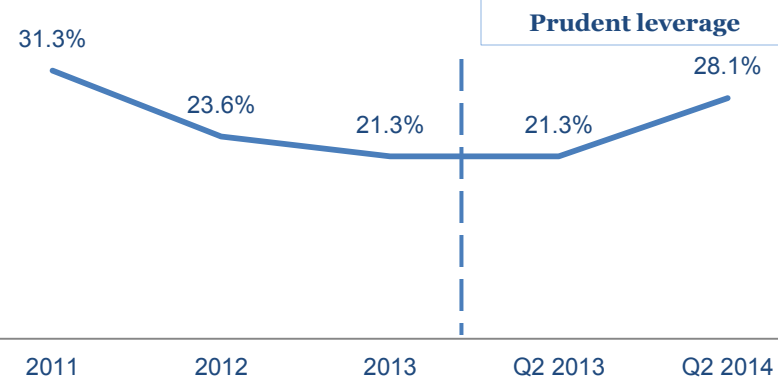
Net Debt/EBITDA



Net Debt/Total Assets

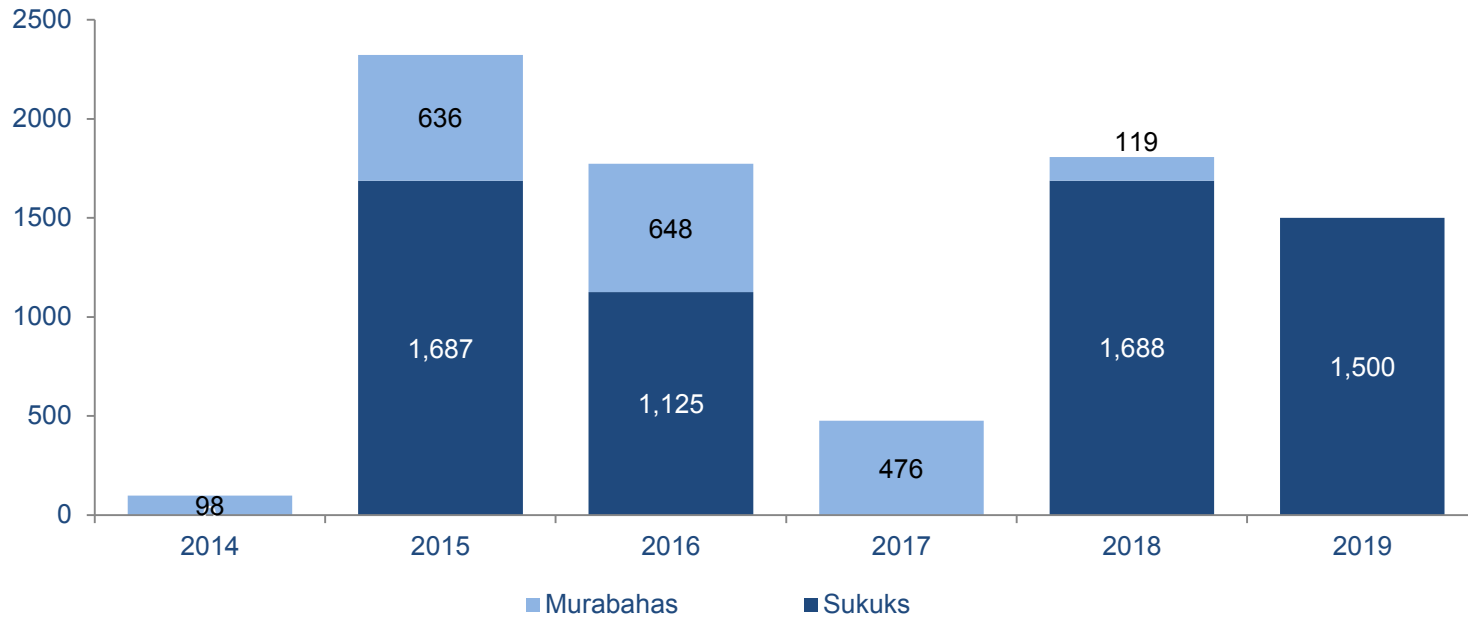


Net Debt/Equity



Debt Maturity Profile

SAR mn



- **Prudent cash management and maturities are well spread.**
- **International Sukuks:**
 - USD denominated \$450 m (SR 1.7bn) Sukuk maturing in 2015
 - USD denominated \$450 m (SR 1.7bn) Sukuk maturing in 2018
 - USD denominated \$300 m (SR 1.1bn) Sukuk maturing in 2016
 - USD denominated \$400 m (SR 1.5bn) Sukuk maturing in 2019
- **Murabaha & Ijara:** As at 30 Jun 2014, Dar Al Arkan had SR 2 bn (\$527 m) of local and regional facilities

Financial Performance... cont'd)

Balance Sheet

SR in 000s	FY 2011	FY 2012	FY 2013	Q2 2013	Q2 2014
Cash	2,505,774	535,771	2,279,132	2,186,078	2,976,885
Accounts Receivables	1,227,708	1,492,749	1,364,297	1,428,282	1,897,336
Pre-paid Expenses	506,761	632,781	484,201	249,279	903,397
Residential and commercial development-ST	64,469	46,702	44,529	46,339	-
Develop Land -ST	2,106,603	844,332	927,110	896,735	927,537
Others	143	143	143	143	193
Total Current Assets	6,411,458	3,552,478	5,099,412	4,806,856	6,705,348
Investment in Land	5,082,926	5,605,630	4,864,302	5,009,839	5,081,130
Residential and commercial development-LT	3,868,580	3,214,085	2,718,238	2,968,052	2,270,563
Land development projects -LT	3,978,354	3,924,500	6,062,219	5,287,395	5,937,189
Develop Land -LT	759,757	2,124,441	1,936,614	2,162,628	1,992,536
Investment Properties	2,753,353	2,737,060	2,694,638	2,719,008	3,594,050
Investment in Associates	1,162,760	744,157	747,407	747,407	755,907
Other Assets	83,571	77,938	74,502	76,199	72,852
Total Non-Current Assets	17,689,301	18,427,811	19,097,920	18,970,528	19,704,227
Total Assets	24,100,759	21,980,289	24,197,332	23,777,384	26,409,575
Payables & Accruals	1,106,902	1,267,876	1,283,586	1,376,440	1,180,289
Murabahas & Sukuks-ST	4,634,380	1,095,120	744,308	1,738,118	1,989,341
Total Current Liabilities	5,741,282	2,362,996	2,027,894	3,114,558	3,169,630
Murabahas & Sukuks-LT	2,757,756	3,289,359	5,159,269	3,992,815	5,860,427
Others	14,158	16,575	17,348	17,346	17,501
Total Non-Current Liabilities	2,771,914	3,305,934	5,176,617	4,010,161	5,877,928
Total Equity	15,587,563	16,311,359	16,992,821	16,652,665	17,362,017
Total Liabilities & SE	24,100,759	21,980,289	24,197,332	23,777,384	26,409,575

Business Assets Breakup:

Land development	11,927,640	12,498,903	13,790,245	13,356,597	13,938,392
Property management and leasing	2,753,353	2,737,060	2,694,638	2,719,008	3,594,050
Residential and commercial developments	3,933,049	3,260,787	2,762,767	3,014,391	2,270,563

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 favourable trends in land price appreciation

3

Continued focus on premium margins

4

Proven ability to develop large-scale projects such as Master Planned Communities

5

A 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

Access to the international and domestic capital markets

9

Progress with revenue diversification and increasing visibility