

Investor Presentation Q1 2015





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I. Investment Summary



Investment Summary

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

II. Macroeconomic & Sector Overview

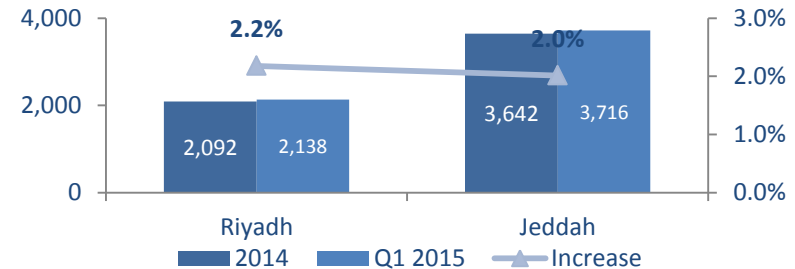
Market Outlook

The Long-term outlook of the Saudi Real Estate sector remains positive

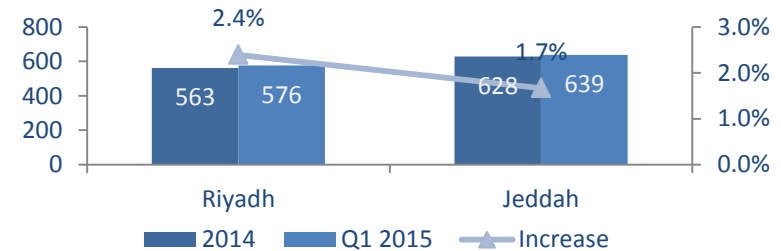
Saudi Real Estate Market

- (1) According to research reports, the long-term outlook of the RE sector remains positive.
- 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 despite recent changes in Oil price and the war on Yemen. Saudi Arabia with ample fiscal flexibility will continue to invest in the economy going forward.
- (2) Residential selling prices have been continuously increasing while the commercial office segment is expected to be under pressure. Sale prices of residential units increased between 1% to 3% in all major cities During Q1, 2015. Rental rates also showed an increasing trend which ranged between 1% to 3%. Some degree of leveling out of price growth was witnessed in Q1.
- Investor demand for Saudi real estate from GCC countries is increasing driven by the huge demand in the Saudi real estate.

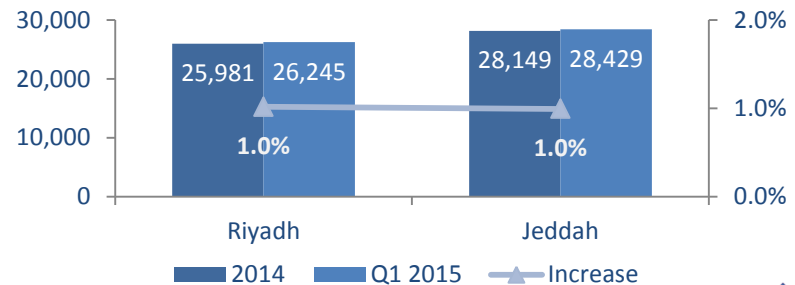
Residential Land Prices – SAR/sqm



Apartment for Sale SAR '000



Two Bedroom Apartment- Rentals (SAR/pa)

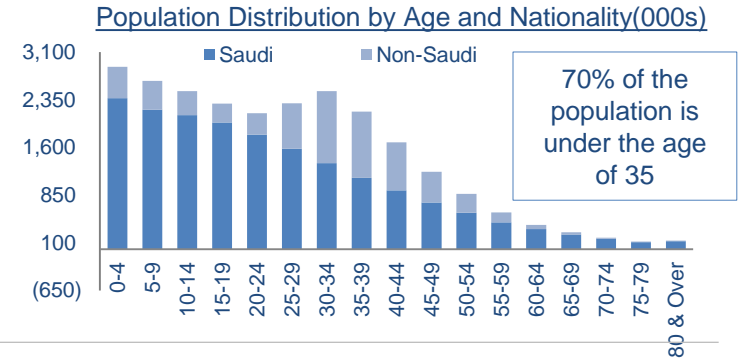


Macroeconomic & Real Estate Sector Overview

The Saudi Real Estate Sector: Underpinned by a fast growing economy, vast wealth and attractive demographic fundamentals

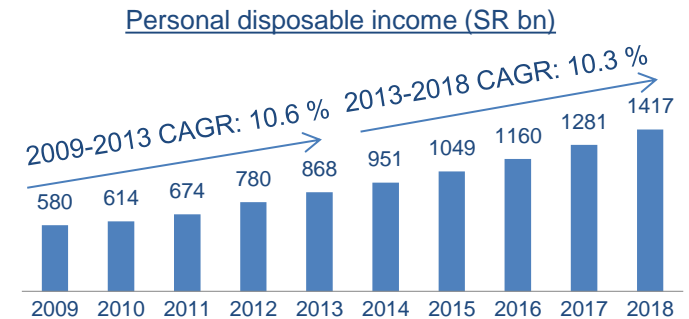
Attractive Demographics

- 70% of the population under the age of 35 and 32% is under the age of 15.
- Population CAGR of 2.7% between 2004 and 2014 with estimated population of 37.6m by 2025.
- Average household size is expected to continue to decline due to the changing family structure in the Kingdom.
- Strong housing demand of approximately 200,000 new homes per annum.



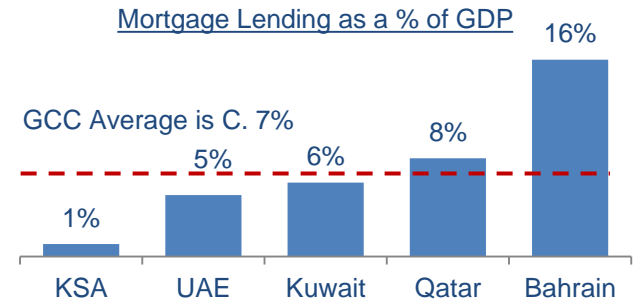
Growing Economy and Disposable Income

- The country will enjoy a strong GDP growth in the long. However, in the short term GDP will have a short fall of 2.3% due to the low oil prices
- The government's intention is to stimulate the economy and the investment spending will remain elevated in 2015 which will support healthy economic growth.
- Inflation in the Kingdom has been stable at 2 to 3 % so far this year despite strong domestic demand.



Mortgage Law

- New mortgage law increases access and availability of home financing and is a positive catalyst for the real estate sector, specially the demand for middle income housing.
- 70% LTV is adversely impacting mortgage penetration currently. Saudi banks continue to meet with SAMA to help come up with a better solution to increase lending.
- Top up/Additional loan schemes add to the means of real estate financing and support increased lending.



Ministry of Housing (MoH) & Real Estate Development Fund (REDF)

On-going supply shortfall forecast in residential units

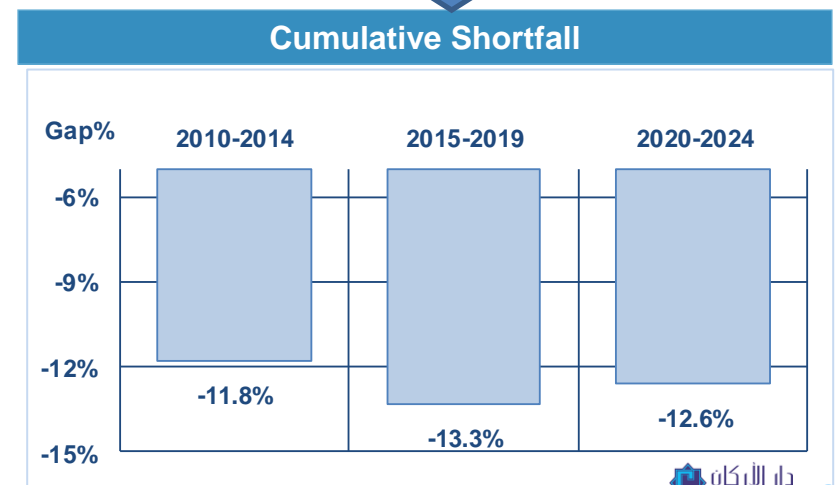
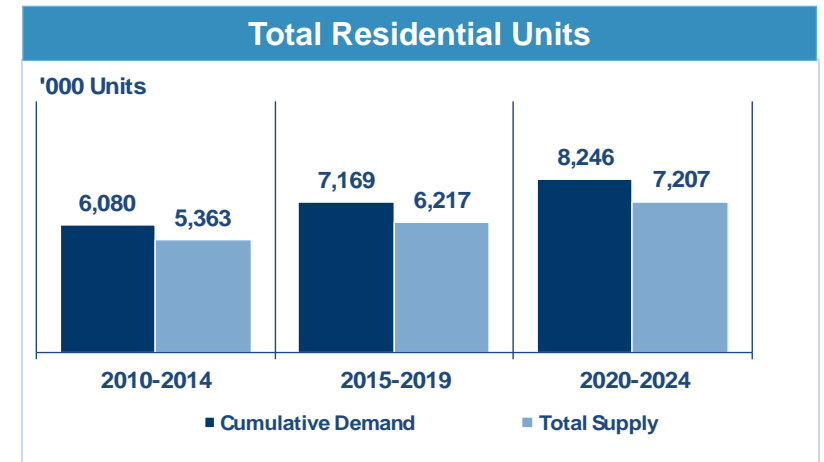
Long term housing demand continues to be high

- Majority of homes are self built and financed from savings, personal loans or REDF loans. This creates growing demand for developed land.
- Due to severe shortage in housing, government has developed housing aid program to support low income Saudis.
- Despite this and other measures, there is likely to remain a shortage of affordable housing in Saudi Arabia for some time to come.

Ministry of Housing update

- Minister of Housing was replaced during Q1 2015 .
- MoH met with developers to help arrive at solutions to expedite meeting the housing demands which keeps on increasing rapidly as over 2 million individuals are on waiting list currently.
- MoH has launched the “ISKAN2” project which will deliver 14,500 units and “ISKAN3” is in the planning phase for 11,000 units.
- MoH has separated REDF to an independent financial body. This will enable MoH to focus on housings solutions and strategy while REDF focuses on financing solutions.
- REDF has approved 6.3 billion SR RE loans up to April 2015.

DAAR is well positioned to continue to supply developed land parcels to satisfy this growing demand.



Land Tax

Market perception of Land Tax

By mid March 2015, the Council of Ministers approved in principle the levying of tax in relation to vacant land “white lands” within cities and towns in Saudi Arabia.

- White lands are mainly located in the urban boundaries of the cities and tax may not be applied to lands under development
- There is no clear indication yet on how the policy structure will shape out
- There is no criteria on who is taxable and who isn't either, as these may not apply to developers and holder of lands for commercial projects.
- Most of these white lands within the cities are owned by HNI
- As per market expectations, the policy will most likely take few years or more for becoming final.
- These taxes may apply to lands within the cities which have been lying undeveloped for many years.
- This initiative is positive to RE developers as “white lands” within the cities will surely need to be developed.
- This initiative could help MoH to meet the demands for housing, which should positively impact Developers.



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III. Company Overview



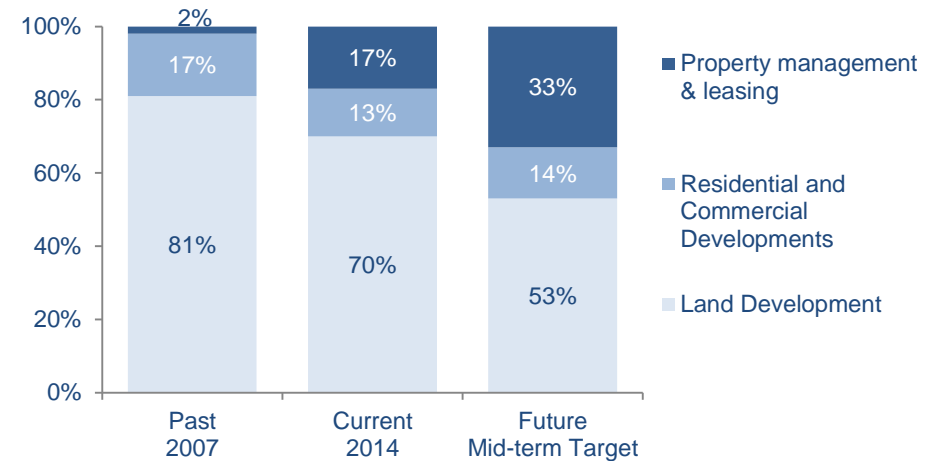
Company overview



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

- Largest listed real estate developer in Saudi Arabia
- As at 31 March 2015:**
- **Market Capitalization:** SAR 9.3 bn (US\$ 2.5 bn)
- **Total number of employees:** 308
- **Revenue:** Q1 2015 SAR 722mn (US\$ 193mn)
- **EBITDA:** Q1 2015 SAR 290 mn (US\$ 77mn)
- **Book value of assets : SAR 25.3 bn (US\$ 6.7bn)**
 - Land Bank: SAR 14.6 bn (US\$ 3.9 bn)
 - Leasing: SAR 3.6 bn (US\$ 951 mn)
 - Residential and commercial development projects: SAR 2.6 bn (US\$ 699 mn)
 - Other assets: SAR 4.5 bn (US\$ 1.2 bn)
- Headquarters:** Riyadh, Saudi Arabia

Increasing investments in leasing assets



Land Development



Property Management and Leasing



Residential and Commercial Development

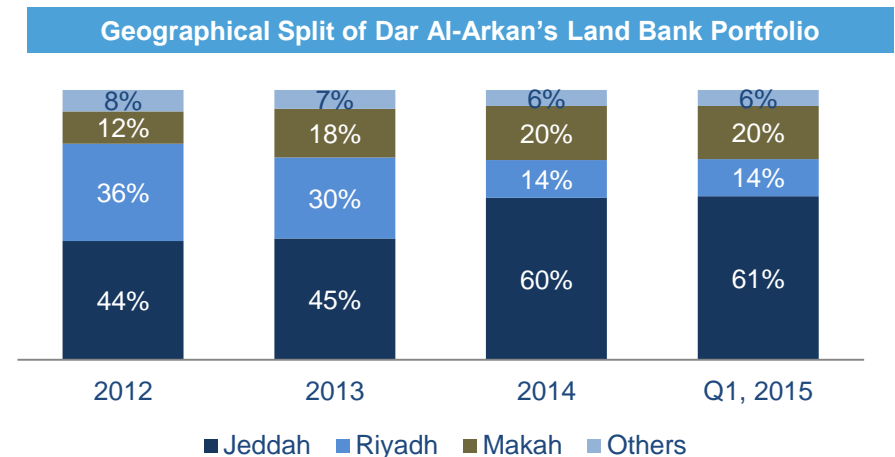
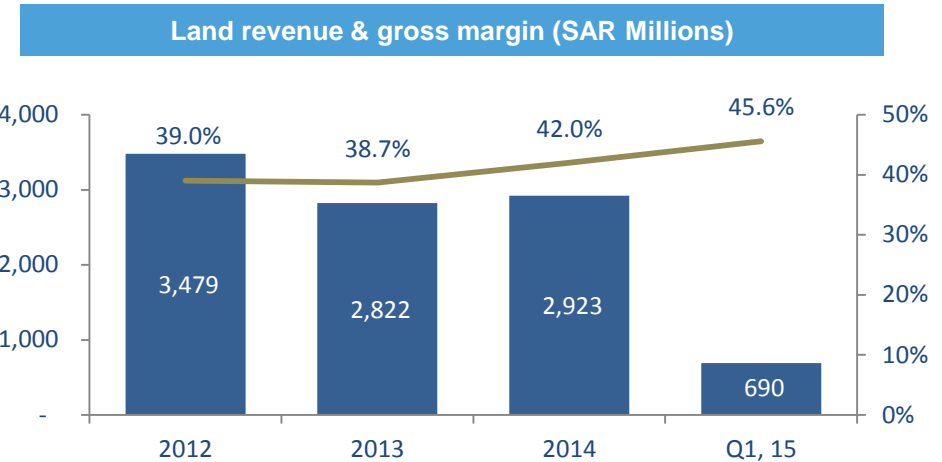
- A leading developer of residential real estate in Saudi Arabia
- Operating in the most populated and growing cities and regions
- Managing real estate developments & providing affordable homes to mid-income Saudis



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.



Leasing Portfolio Key Assets

Al Qasr Community



- 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 Q1 2015

- Active negotiations with Govt. agencies for leasing significant number of residential units is ongoing.
- Strategies to improve the quality of community living and customer care, is ongoing.
- A total number of 101 apartments will be completed and handed over for leasing in Q2, 2015



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 %	50%

* Expected to be mostly leased out by 2015 end

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.
- Al-Qasr mall is considered as a key attraction in south Riyadh for social, marketing, and advertising events organizers. Many events and entertainment activities do take place.

Activity in Q1 2015.

- Reconfiguring of recreational and entertainment features on the 3rd floor is ongoing with lease arrangements expected to finish in Q2 2015.
- A few new tenets have joined the mall during the quarter.
- A few events took place during Q1, 2015.

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

Other Lease Properties

Azizia Towers (Mecca)

40,746 (100%)

- 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.
- The towers are fully leased to King Abdullah Medical City
- The Towers contain 276 flats, 6 shops and 116 parking slots.



Al Tilal Villas (Medina)

87,025 sqm (36%)

- Located in southern Medinah, south of Hijra Road .c. 10km from the Holy Prophet Mosque and partially within the boundary of the Haram zone
- 15-20 minutes drive to Prince Mohammad Bin Abdulaziz Intl. Airport
- The project has total 279 villas
- Leasing of existing housing to governmental agencies is on going.
- Refitting 97 villas for Ministry of Defense is ongoing.



Al Masif Villas (Riyadh)

6,838 sqm (100%)

- This project is fully leased to NESMA.
- The project contains 26 villas



Residential and Commercial Developments

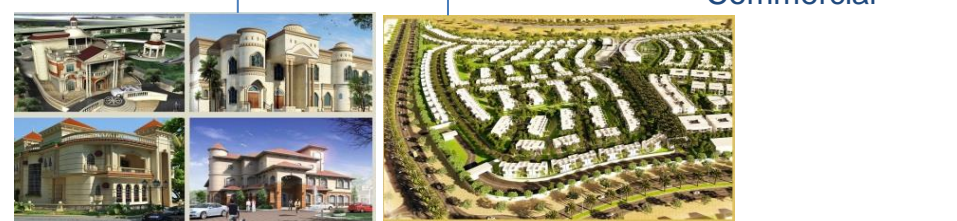
Shams ArRiyadh

Shams Ar-Riyadh is Dar Al-Arkan's second Master Planned Community and is located in Riyadh's Al-Dariyia district

- One of the largest residential development projects ever initiated in the Kingdom, comprising a total area of approximately 5mn sqm of which 2.6 mn sqm was sold to SABIC and others in 2012 & 2013. SABIC community in Shams Ar-Riyadh is currently under construction.
- The project is to cater for the middle-income market segment. Notable features include high land altitude, wide roads, pedestrian sidewalks and scenic landscaping.

Activity in Q1 2015

- Mock up villas work permit has been issued by local municipality. Construction has started.
- The gated community concept design has been completed and approved the contract will be awarded in Q2, 2015
- Tendering for infrastructure construction is ongoing.



Palaces

Villas and App. for sale

Commercial

Gated Community

Shams Ar-Riyadh by Numbers*	
Total area (sqm)	2.4m
# Residential units to be leased	1,160
# Residential units to be sold	325
Commercial land (sqm)	489k
Commercial development BUA	3.2 m
% Infrastructure completion**	50%
% Superstructure completion**	0%

Residential & Commercial Developments

Juman Project - Located between Dammam and Ras Tanura

Juman project will be an integrated community providing to its residents and visitors modern waterfront living. Due to its privileged location close to Dammam downtown, Ras Tanoura 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 international-standard institutions;
- State of the art medical city;
- Business and technology hub
- High end quality retail

Activity in Q1 2015

- Master plan concept completed and ready for discussion with authorities.
- Bathymetric survey completed and will be presented to authorities.
- Market and feasibility study is completed.



Juman Project by Numbers

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

Residential & Commercial Developments

Other Development projects

Shams Al Arous (Jeddah)

This is the company'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. Subsequently, city growth and strong demand for the area are driving a steady rise in land prices.
- Land parcels are being sold to sub developers and brokers

Shams Al-Arous by Numbers

Total net area (sq m)	938K
Residential area to be sold (sq m)	733K
# Residential units to be leased	3,304
Commercial BUA to be leased (sq m)	190k
Infrastructure completion (%)**	100%
Superstructure completion (%)**	0%

Al Tilal Land Development (Medina)

438,000 sqm

- Located in southern Medinah, south of Hijra Road .c. 10km from the Holy Prophet Mosque and 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.



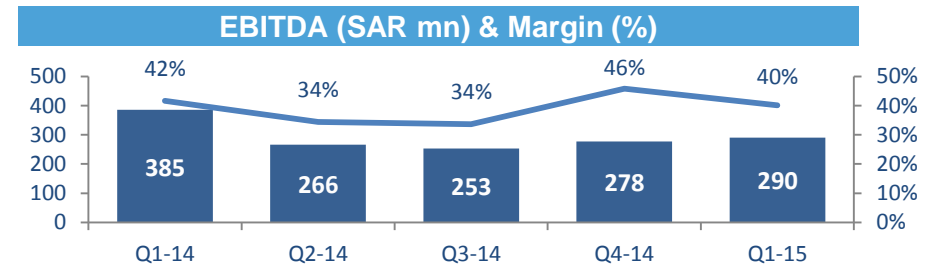
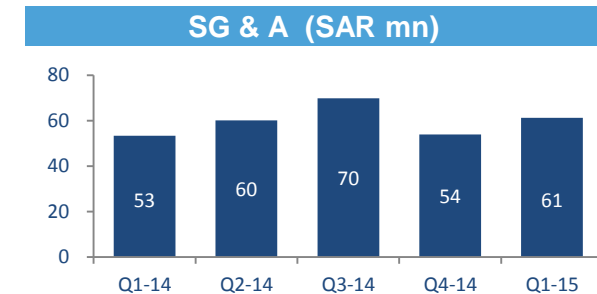
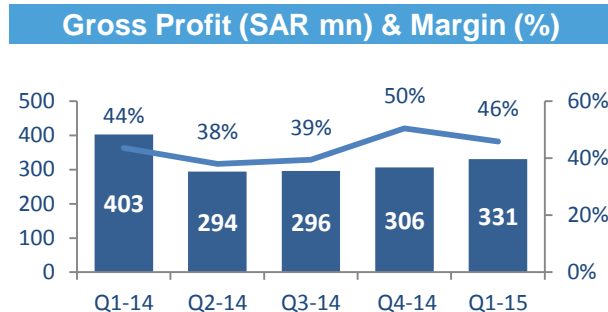
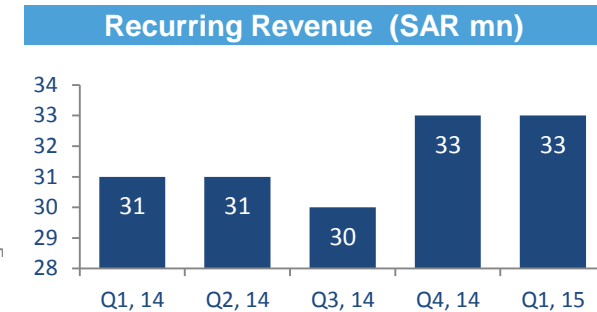
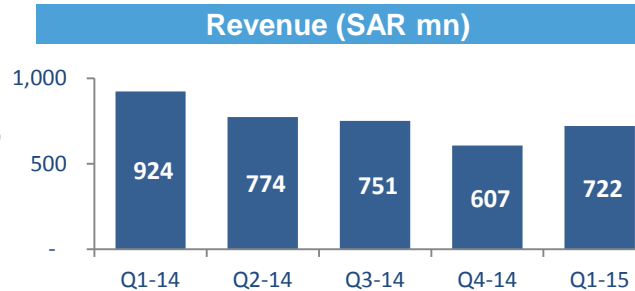
IV. Financial Performance



Financial Performance

Q1, 2015 Profitability

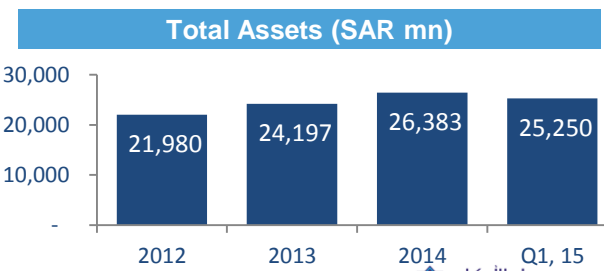
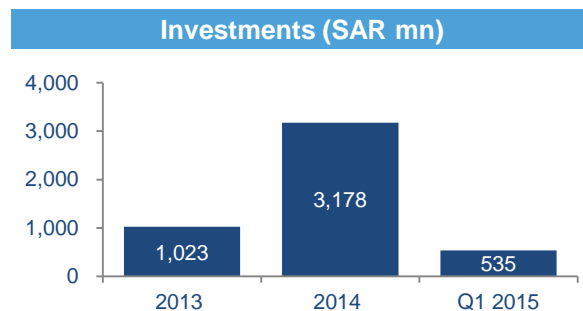
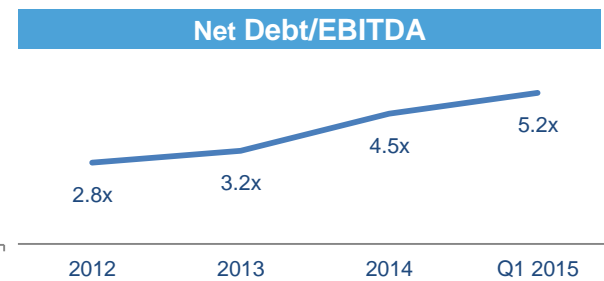
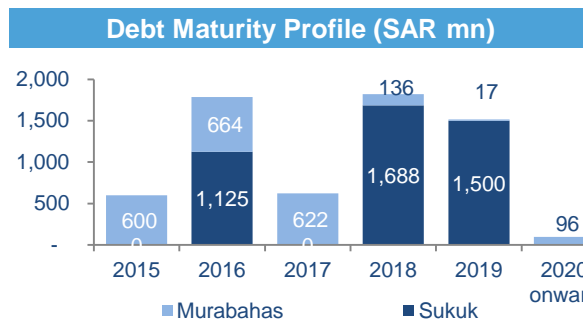
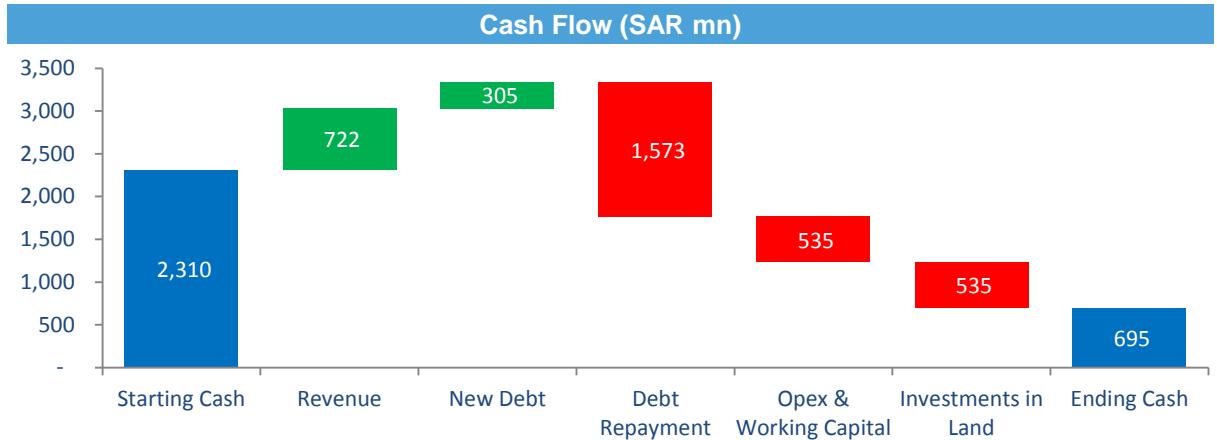
- **Revenue** decreased 22% to SAR 722 mn (2014, Q1 SAR 924 mn).
- Land sales revenue was SAR 689 mn (2014, Q1 : SAR 893 mn), down 23%.
- Property management and leasing revenue increased to SAR 33 mn (2014 Q1 : SAR 31 mn), up 6%, and was 5% of total revenue.
- **Gross Margin** improved to 46 % (2014 Q1 : 44%).
- **SG&A** was at SAR 61 mn (2014 Q1 : SAR 53 mn) driven by higher headcount related expenses and higher professional consulting services.
- **EBITDA** was SAR 290 mn down 25% (2014 Q1 : SAR 385 mn).
- **Finance expenses** were SAR 110 mn (2014 Q1 : SAR 105 mn) driven by increased lending and less capitalization of interest.
- **Other income** SAR 1 mn was lower than SAR 15 mn in Q1 2014 due to lower average cash in deposit schemes.
- **Net profit** amounted to SAR 147 mn down 41% (2014 Q1 : SAR 248 mn).



Financial Performance ... cont'd

Q1, 2015 Balance Sheet and Funding

- **Liquidity Position:** Cash balance closed at SAR 695 mn (2014: SAR 2,310 mn) after the Sukuk repayment of SAR 1,523 mn in Feb 2015.
- **New debt** issued in Q1, 2015 was SAR 305 mn.
- **Net debt** stands at SAR 5,655 mn (2014 SAR 5,296 mn). Net debt/EBITDA stands at 5.2x.
- **DAAR** has successfully arranged new funding against Al Qasr leased properties from local bank for tenor of 7 years
- **Maturities** are well spread and cash management is prudent.
- **DAAR invested** SAR 535 mn in land developments in Q1 2015 (FY2014: SAR 3,178 mn), capitalizing on the opportunity to acquire good quality land at favourable prices, with no major debt repayments becoming due in the near future.
- DAAR maintains Ba3 credit rating from Moody's driven by the strength in the operating and business environment, having significant value in assets, growing recurring income portfolio and demonstrating a more conservative financial policy by prefunding upcoming debt maturities. S&P lowered DAAR's outlook to negative in early 2015 while retaining its rating of B+



Financial Performance... cont'd

Income Statements

SR in 000s	FY 2012	FY2013	FY 2014	Q1, 2014	Q1, 2015
Revenue	3,557,073	2,931,168	3,056,060	924,089	722,357
Cost of revenue	(2,163,367)	(1,778,097)	(1,756,805)	(521,320)	(391,434)
Gross profit	1,393,706	1,153,071	1,299,255	402,769	330,923
%	39.2%	39.3%	42.5%	43.6%	45.8%
Operating expenses	(153,898)	(151,027)	(237,453)	(53,418)	(61,344)
Operating profit	1,239,808	1,002,044	1,061,802	349,351	269,579
%	34.9%	34.2%	34.7%	37.8%	37.3%
Income from Associates	850	3,250	16,000	5,500	3,500
Depreciation & amortization	(55,381)	(31,665)	(41,888)	(9,255)	(11,536)
EBIT	1,185,277	973,629	1,035,914	345,596	261,543
%	33.3%	33.2%	33.9%	37.4%	36.2%
Other income	92,776	39,320	46,895	14,508	504
Finance cost	(264,086)	(313,959)	(493,294)	(104,969)	(110,960)
PBT	1,013,967	698,990	589,515	255,135	151,087
%	28.5%	23.8%	19.3%	27.6%	20.9%
Zakat	(25,430)	(17,528)	(14,820)	(7,278)	(3,796)
Net Income	988,537	681,462	574,695	247,857	147,291
%	27.8%	23.2%	18.8%	26.8%	20.4%
Revenue growth	7.4%	-17.6%	4.3%	-4.0%	19.1%
EBITDA	1,354,758	1,091,102	1,181,498	385,028	289,885
%	38.1%	37.2%	38.7%	41.7%	40.1%

KPIs

GM%	39.2%	39.3%	42.5%	43.6%	45.8%
Operating Profit %	34.9%	34.2%	34.7%	37.8%	37.3%
EBITDA %	38.1%	37.2%	38.7%	41.7%	40.1%
PBT%	28.5%	23.8%	19.3%	27.6%	20.9%
Net Income%	27.8%	23.2%	18.8%	26.8%	20.4%

Financial Performance... cont'd

Balance Sheet

SR in 000s	FY 2012	FY2013	FY 2014	Q1, 2014	Q1, 2015
Cash	535,771	2,279,132	2,310,196	2,060,260	694,897
Accounts Receivables	1,492,749	1,364,297	1,747,778	1,693,417	1,971,523
Pre-paid Expenses	632,781	484,201	816,697	550,037	930,216
Project in Progress-ST	46,702	44,529	-	44,418	-
Developed Land -ST	844,332	927,110	794,145	924,937	584,133
Others	143	143	143	193	-
Total Current Assets	3,552,478	5,099,412	5,668,959	5,273,262	4,180,769
Investment in Land	5,605,630	4,864,302	5,445,630	4,430,179	5,522,252
Project in Progress-LT	7,138,585	8,780,457	8,916,056	8,449,899	9,194,942
Developed Land -LT	2,124,441	1,936,614	1,949,764	1,903,036	1,963,764
Investment Properties	2,737,060	2,694,638	3,567,451	3,567,393	3,551,149
Investment is Associates	744,157	747,407	763,407	752,907	766,907
Other Assets	77,938	74,502	71,279	73,545	70,573
Total Non-Current Assets	18,427,811	19,097,920	20,713,587	19,176,959	21,069,587
Total Assets	21,980,289	24,197,332	26,382,546	24,450,221	25,250,356
Payables & Accruals	1,267,876	1,283,586	1,189,858	1,216,822	1,166,759
Murabahas & Sukuks-ST	1,095,120	744,308	2,148,064	2,052,479	759,984
Total Current Liabilities	2,362,996	2,027,894	3,337,922	3,269,301	1,926,743
Murabahas & Sukuks-LT	3,289,359	5,159,269	5,458,564	3,922,417	5,589,729
Others	16,575	17,348	18,544	17,825	19,077
Total Non-Current Liabilities	3,305,934	5,176,617	5,477,108	3,940,242	5,608,806
Total Equity	16,311,359	16,992,821	17,567,516	17,240,678	17,714,807
Total Liabilities & Equity	21,980,289	24,197,332	26,382,546	24,450,221	25,250,356
Land development	15,712,988	16,508,483	17,105,595	15,708,051	17,265,091
Property management & leasing	2,737,060	2,694,638	3,567,451	3,567,393	3,551,149

