

Investor Presentation Q4, 2016





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I. Macro-economic & Sector Overview

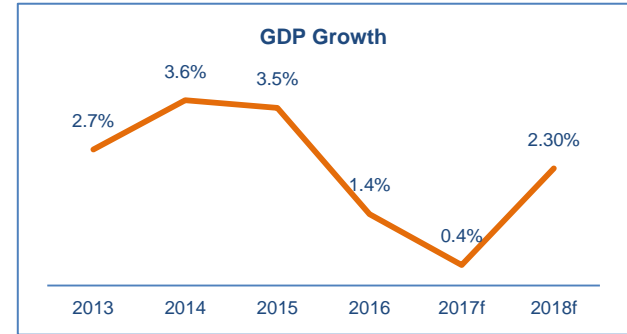


Macroeconomic Overview

KSA economy has been adversely affected by the collapse in international oil prices; however, going forward, stabilizing oil prices on the back of OPEC deal and readjustment of the economy to new price levels are expected to revive the economy during 2017.

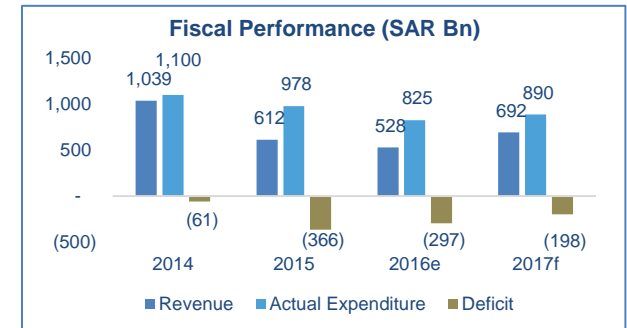
Higher Oil Prices Set to Revive Saudi Economy

- Saudi Arabia's GDP grew marginally by 0.9% YoY during 3Q 2016, on the back of lower govt. spending due to the decline in oil prices. As per the latest budget statement by the govt. economic growth is expected to slowdown to 1.4% in 2016 (down from 3.5% in 2015).
- According to the recent OPEC deal, the oil cartel finalized an agreement in Dec-16 to cut its overall production by 1.2 million barrels a day. The agreement will set OPEC's new production ceiling at 32.5 million barrels a day starting in Jan-17, down from 33.6 million barrels a day in October.
- In anticipation of production cut, oil prices have soared from USD 44.80/barrel (30th November) to USD 52.25/barrel (21st December), up 16.6%. Going forward, we expect oil prices to remain range bound due to the anticipated resurgence of shale oil production in the wake of higher oil prices.



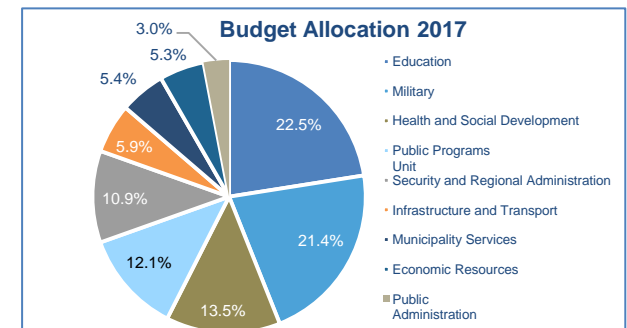
Deficit Projected to Decline by a third Next Year

- The govt. has taken various austerity measures such as spending cuts, reduction in energy subsidies and efforts towards economic diversification to curb a growing fiscal deficit. According to the budget statement, the deficit for 2016 stands at SAR 297 billion, around 9 % lower than initial forecast, and is forecasted to be SAR 198 billion in 2017.
- Borrowing from local and international markets, along with liquidation of reserves, has helped finance fiscal deficit. The total national debt stood at SAR 316.5 billion, which is 12.3% of GDP in fixed prices for 2016.
- The budget statement 2017 reiterated the Kingdom's aim to eliminate the fiscal deficit altogether by 2020. This is in line with vision 2030 and related programs.



8% Rise in Budget Expenditure Expected for 2017

- In an effort to reduce the deficit and wean the economy off oil, Saudi govt. has presented the most detailed budget in the country's history in which they have increased projected expenditure to SAR 890billion, increase of 8% YoY.
- Similar to that of last year, education and healthcare remain the focus of the govt., accounting for 36% of the total spending (up 1% YoY). Spending on military and security services constituted one of the largest single share at 21% (down 4% YoY).
- To provide better housing and transport facilities, the govt. has allocated separate SAR 25 billion for various projects, an increase of SAR 3 billion from that of last year.



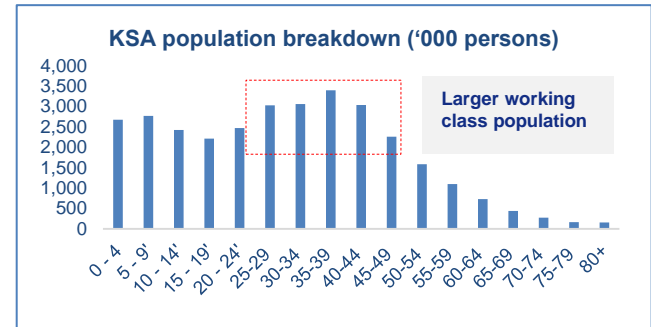


KSA Demographic & Tourism

Although currently subdued, KSA real estate market remains attractive due to a large young population, favourable demographics, reducing family sizes, growing affluence and rise in tourism

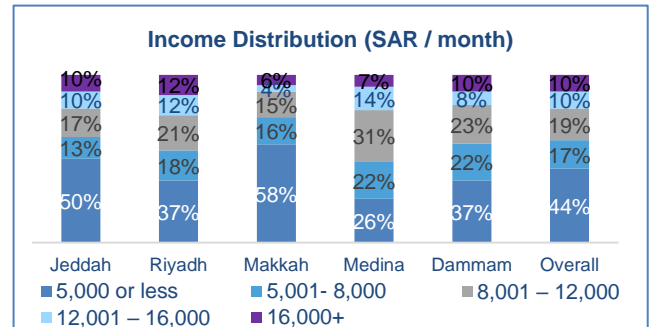
Young population, coupled with growing affluence, bodes well for the residential market demand in coming years

- Bulk of the population in the KSA resides in Riyadh, Makkah, Madinah and Eastern Provinces. According to Central Department for Statistics and Information (CDSI), these provinces accommodate 73% of the total population of KSA.
- More than half of the total population is less than 34 years of age (approximately 59%) indicating that the total population is dominated by youth.
- Growing population in urban centers, coupled with the younger population coming into the workforce, bodes well for the long-term demand for the residential sector in the country.



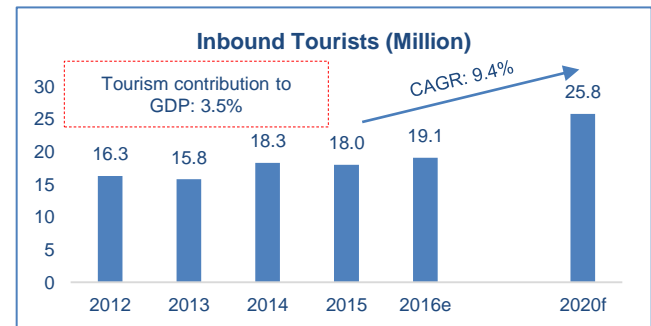
Dampening economic growth and austerity measures impacting disposable incomes and retail spending

- Income distribution in Saudi Arabia varies significantly amongst regions and only 10% of overall population earn more than SAR 16,000 per month.
- Around 44% of the population earns less than SAR 5,000 per month, which is primarily because of high level of foreign labor working at low wages.
- Throughout 2016, the retail market remained under pressure due to cautious spending by consumers. As per data by SAMA, consumer spending (observed by POS transactions) declined in Nov-16 by 3.0% YoY, partly reflecting the impact of allowance reductions to public sector employees.
- Going forward, KSA's retail market will continue to remain under pressure as austerity measures by the govt. weigh heavily on consumer spending, with households cutting back on non-essential expenses.



Tourism industry to remain under pressure following rise in visa fees

- In an effort to raise govt. revenues, Saudi Arabia increased visa fees from all visa types during Oct-16. The visa fee rose to SAR 2,000 for a single entry, while the multiple-entry visa fee increased to SAR 3,000 for the six-month visa, SAR 5,000 for one-year visa and SAR 8,000 for two-year visa.
- Saudi govt. also introduced massive rise in visa fees for all pilgrims (largest source of tourism). However, first-time Hajj and Umrah performers are not subject to increased fees.
- While the fee hike is aimed at increasing non-oil revenue, it has received a lot of criticism and the Saudi govt. is considering readjustment.
- According to figures from MAS, the number of international trips made to KSA is estimated to increase from 18 million in 2015 to 25.8 million in 2020, growing at CAGR of 9.4%.





KSA Real Estate Development

In its efforts to diversify away from an oil based economy, the Kingdom is making efforts to increase investment in the real estate sector. These include implementation of the White land tax, establishment of real estate fund rules, and formation of housing refinance company

White Land Tax to be Formally Collected Starting 2017

- According to the ministry of housing, 'white land tax' on lands will be in Riyadh, Jeddah and Dammam regions. This will be imposed from December 2016.* and will be imposed later in other populated cities such as Makkah and Madinah
- Second phase of the white land tax is being postponed.
- On January 2017, MoH announced that they've received a number of white land tax exemption requests and its being reviewed by "Sanctions and Objections Committee". The response mechanism will be within a month if approved. Otherwise, exemption is rejected if nothing was received within maximum 60 days. The exemption approval will be valid until any dispute or hold either by the Government or any other entity is resolved.

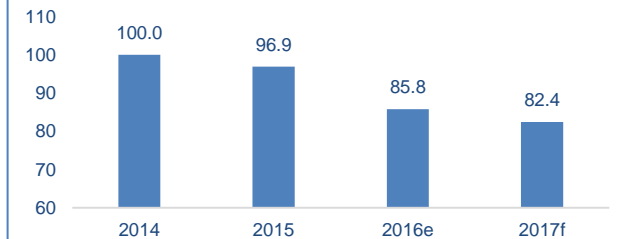
White Land Tax of 2.5% of the value of land each year, to be implemented on undeveloped land.

The tax will provide various benefits to the real estate sector by restoring the equilibrium between demand and supply

Construction Sector Continues to Face Pressure Due to Liquidity Crunch and Lower Demand

- Construction industry experienced financial problems during 4Q 2016 due to delay in payments by Saudi govt. Saudi govt. made SAR 40 billion payments to construction companies in Nov-16, which represents ~25% of the total money owed to contractors.
- The Saudi Ministry of Economy and Planning has appointed PwC to advice on USD 20billion worth of government projects that could stop in order to reduce the budget deficit. Project includes housing, health, education and transportation.
- Construction costs are also declining in response to lower demand, adding pressure to the industry. The rate of decline is forecasted to ease next year (decline of 3.9% in 2017 compared to 11.5% in 2016), and possibly reverse in 2018.

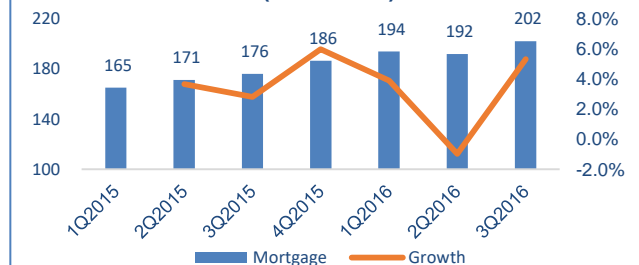
Construction Costs - Benchmarking



Efforts to Ramp up Investment in Kingdom's Housing Market

- CMA approved rules for exchange-listed real estate funds to ramp up investment in the housing market. The creation of listed real estate investment trusts (REITs) will open up the property market to smaller investors and support govt.'s efforts to resolve a housing shortage.
- In Jan-17**, SAMA increased loan-to-value cap for banks home financing to 85%, up from 70% previously. The ease on mortgage rules will increase purchasing power for home buyers, thus bringing increased demand for homes in 2017.
- Further, all local banks have also been advised by SAMA to reschedule the property loans of citizens whose incomes had been reduced by government austerity measures.
- A separate company, named Saudi Refinance Company, is to be formed to refinance up to SAR 50 billion for the housing sector over the next 5 years.

Real Estate Lending Portfolio (SAR billion)





KSA Real Estate Development (Contd.)

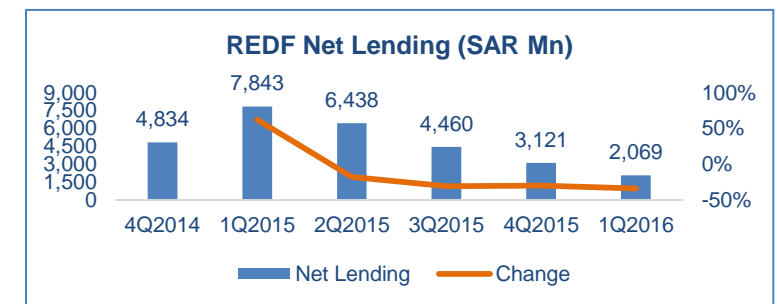
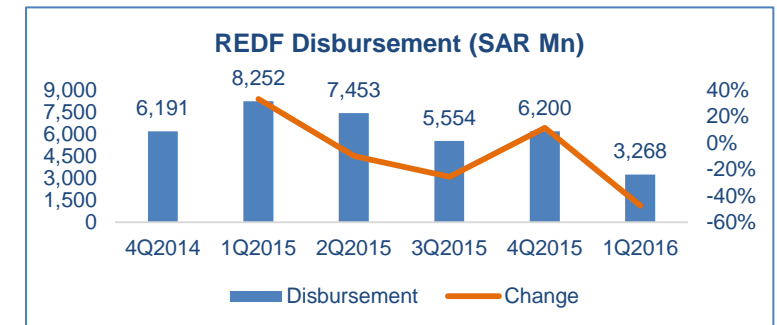
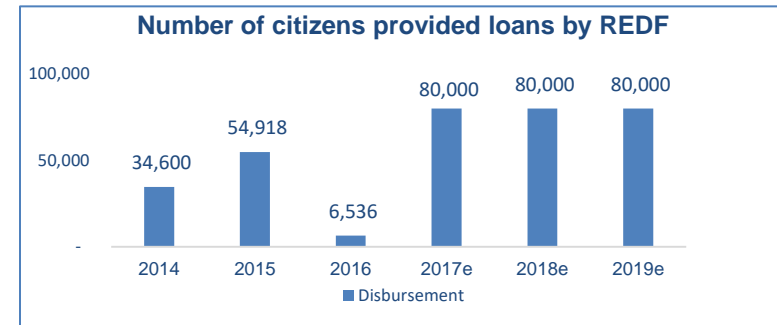
The Ministry of Housing is keen on enhancing the performance of the real estate sector in the Kingdom and, in coordination with various authorities, is taking various measures, projects and initiatives that support supply and reinforce demand

Ministry of Housing (MoH)

- On January 2017, MoH launched its first phase of 'My House' program that includes 120,000 housing units of various built-up areas in all regions of the Kingdom and will be given to citizens depending on income level and the number of family members.
- Distribution of housing units, which will begin next month, will be completed within three years.
- A total of 75,000 residential plots of land in several cities ready for construction will also be handed over to citizens.
- 'My House' program will be done through a partnership between REDF, banks, and financing institution. The volume of investment in the 280,000 residential and financing products has reached SAR119.5 billion. These will inject about SAR 562 billion into Kingdom's economy.

Real Estate Development Fund (REDF)

- REDF disbursement decreased during 2016 given of lower government spending .
- On January 2017, REDF signed agreements , in line with My House program, to provide funding support to the beneficiaries with 10 local banks and financial institutions.
- Fund beneficiaries will be selected based on income and the number of family members. The lower income and the greater number of family members will have the priority.



Source: News Sources
<http://saudigazette.com.sa/saudi-arabia/pacts-signed-10000-housing-units-eastern-province/>
<http://english.aawsat.com/2016/10/article55359878/saudi-minister-housing-confirms-sharqiya-housing-projects-nearing-completion>
<https://www.weetas.com/gccnews/saudi-moh-construct-22-thousand-housing-units/>

<https://www.weetas.com/gccnews/saudi-5000-housing-units-dammam/>
<http://www.thenational.ae/business/property/saudi-housing-ministry-plans-centre-to-resolve-housing-disputes>
<http://english.aawsat.com/2016/11/article55361889/saudi-housing-minister-justice-real-estate-valuation-essential-success-funding-programs>



KSA Real Estate Overview

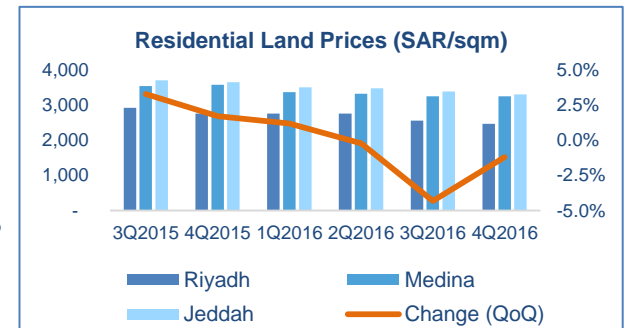
KSA Real Estate Market is facing challenging times amid slow down in economy; however continued efforts by the gov. to diversify the economy will result in positive impact over the medium term. 4Q 2016 witnessed slowdown in the rate of decline in several real estate indicators, hinting at stabilizing of the market in coming periods.

Real Estate Overview

- KSA real estate market remained under downward pressure during 4Q 2016. However, long term prospects seem positive backed by strong fundamentals including, favorable demographics and increased affluence. 4Q 2016 witnessed slowdown in the rate of decline in most real estate indicators, hinting at stabilizing of the market in coming periods.
- To ramp up investment in real estate sector, the gov. has taken various measures such as rules for exchange-listed real estate funds, creating a separate refinancing company and easing property loans; however cancellation of projects and delayed payments by gov. have exerted downward pressure on the sector and therefore investors have taken a cautious stance.

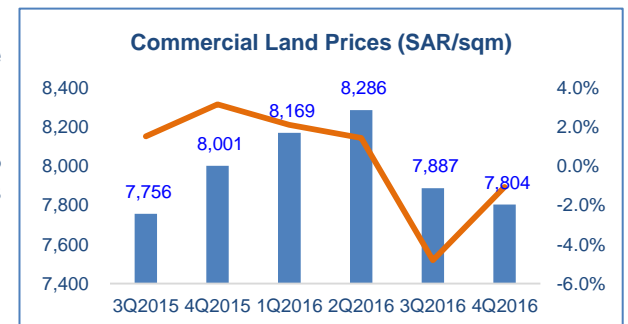
Residential Land Prices Continue their Downward Trajectory

- Residential land prices have continued to decline owing to slow down of economy, lower consumer spending and cautious investor stance.
- While land prices across Makkah and Madinah region have remained largely unchanged, land prices in Riyadh and Jeddah have declined by 3.7% and 2.5%, respectively.
- According to the market survey, the price/sqm across KSA (excluding Makkah) has declined by 1.2% QoQ in 4Q 2016, compared to a 4.3% decline in 3Q 2016. We anticipate further downward pressure on land prices in the medium term due to the introduction of White land tax which is to be implemented in major cities starting early next year.



Commercial Land Prices Witnessed Decline but at a Lower Rate

- Commercial land prices have also witnessed a decline of 1.1% QoQ, owing to weak market sentiments. This decline is smaller than the decline witnessed in 3Q 2016 of 4.8%
- Riyadh, Jeddah and DMA (Dammam Metropolitan Area also including Al Khobar & Dhahran) prices were down by 2.1%, 4.6% and 0.81% QoQ, respectively; while Makkah and Madinah region prices remained stable.



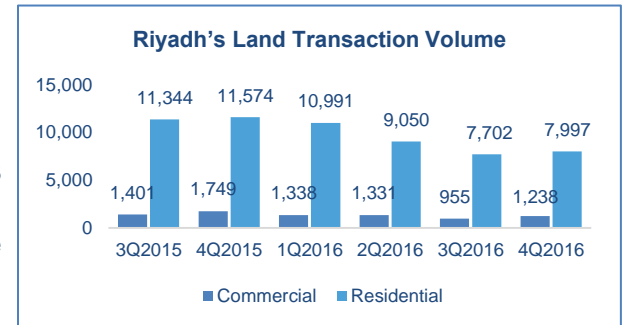


KSA Real Estate Overview – Riyadh Land Transactions

Land transactions across both residential and commercial segments witnessed a reversal in trend as both volumes and total investment increased QoQ during 4Q 2016. Both volume and total investment indicators improved from steep declines in 3Q 2016.

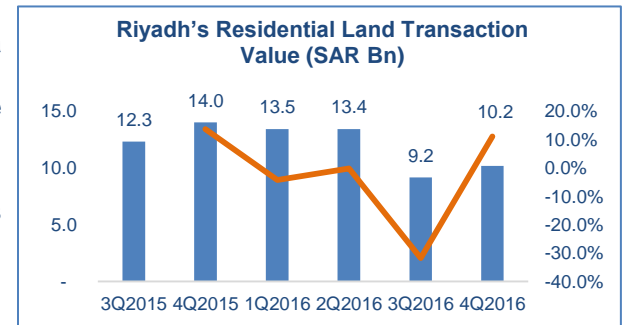
Land Transaction Volume Witnessed a rise during 4Q 2016

- Despite economic uncertainty, land transactions across both residential and commercial segments in Riyadh registered an increase QoQ.
- On quarterly basis, residential and commercial land transactions in Riyadh witnessed an increase of 3.8% and 29.6% to 7,997 and 1,238 transactions, respectively.
- Transaction volumes are expected to increase further once more clarity is observed over the implementation of the 'White Land Tax' and the extent of the government's austerity measures are clarified.



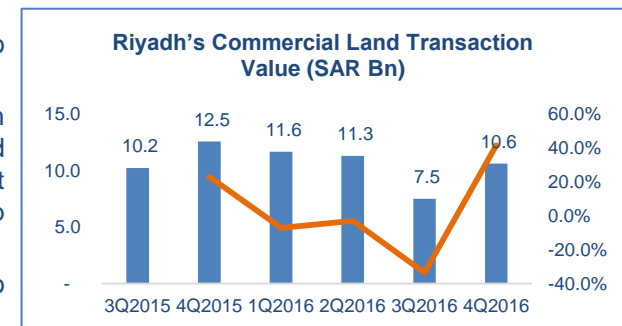
Residential Land Transaction Value Increase Modestly

- While residential land transaction value declined by 27.4% YoY, a reversal in trend was observed during 4Q 2016 where transaction value increased to SAR 10.2 billion, from SAR 9.2 billion during the previous quarter, up 10.7% QoQ.
- Total transaction value still remains significantly below its long term average. We expect a rebound in transaction values as uncertainties around tax implementation ease off.



Commercial Land Transaction Value Normalized During the Quarter

- Similar to the residential sector, the commercial market also witnessed a rise in transaction values during the quarter.
- Riyadh's commercial market witnessed a sharp rise in transaction value, increasing 41.6% QoQ; however transaction values remained down for the full year, declining by 15.3% YoY. The significant increase in QoQ transaction value represents a recovery from steep declines in 3Q 2016.
- Average ticket size for 4Q 2016 was SAR 8.58 million, compared to SAR 7.85 million in 3Q 2016.



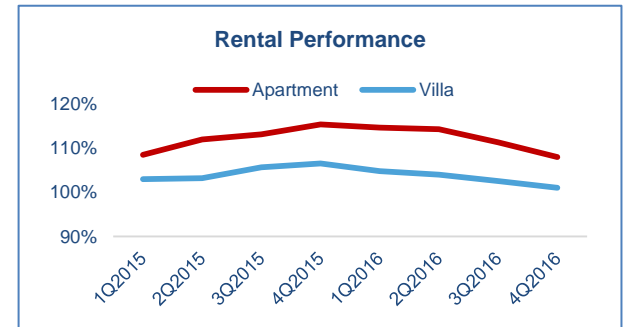


KSA Real Estate Overview – Residential & Office Market

KSA residential and office market remain suppressed due to weak market sentiments, slow economic growth and subdued demand. The rate of decline in prices and rents for the residential market remained flat, while the office rents continue to decline at a faster rate.

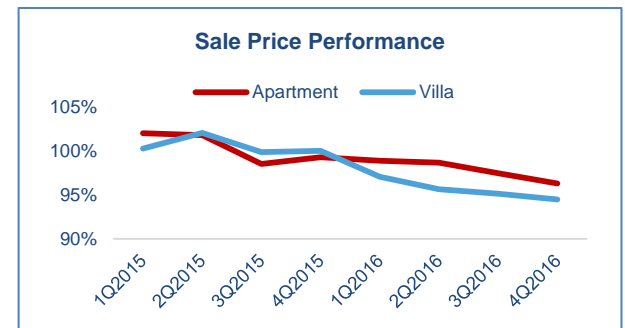
Villa and Apartment Rental Performance Remain Suppressed

- In the residential market, apartment and villa rental rates remain suppressed as rental rates declined by 3.0% QoQ and 1.4% QoQ respectively.
- In Riyadh, apartment and villa rental rates were down by 3.1% QoQ and 0.7% QoQ respectively. Similarly, Jeddah rental market also remained under pressure; apartment and villa rents declined by 2.8% and 2.5% respectively.



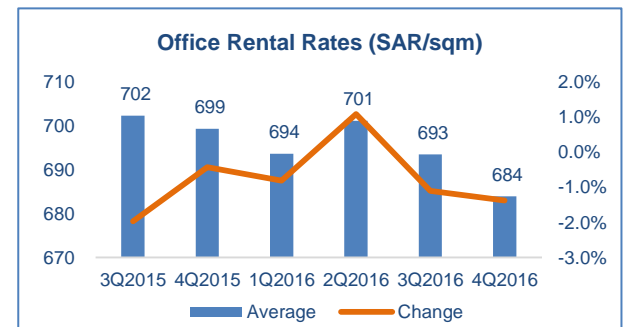
Declines in Residential Sale Prices Continued in 4Q 2016

- Weak demand from apartments and villas buyers has resulted in decline in prices across major cities. During the period, apartment and villa sale prices continued their downward trend, declining by 1.2% and 0.7%, respectively.
- Riyadh apartment prices were down 1.2% QoQ and villa prices were down 0.34%. On the other hand, Jeddah apartment prices were down 1.0% and villa prices were down 1.1%.
- On account of weak market sentiments, cautious approach by investors & buyers and cut in govt. spending & salary levels, further downward pressure on sales price is expected in the short term.



Office Lease Rates Continue to Slide Downwards

- Office rental rates continue to remain suppressed due to lower demand from public sector as govt. increases austerity measures.
- During 4Q 2016, office lease rates across major cities declined by 2.2% YoY and by 1.4% QoQ. While the lease rates remained flat in Riyadh and Makkah, a decline of 4.2%, 0.5% and 1.4% QoQ was witnessed in Jeddah, Madinah and DMA regions, respectively.
- We expect that the downsizing of workforce, and contraction of firms will push office rental rates further downwards in the year ahead.



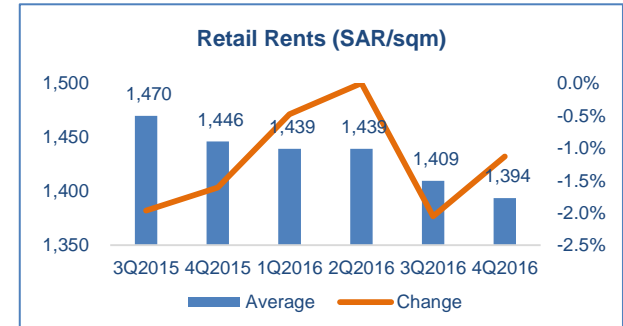


KSA Real Estate Overview – Retail & Hospitality

Hospitality segment witnessed sharp decline in all indicators, due to higher supply and the recent implementation of higher visa fees by the govt. limiting visitor growth. Similarly, retail segment also remained under pressure owing to lower consumer confidence.

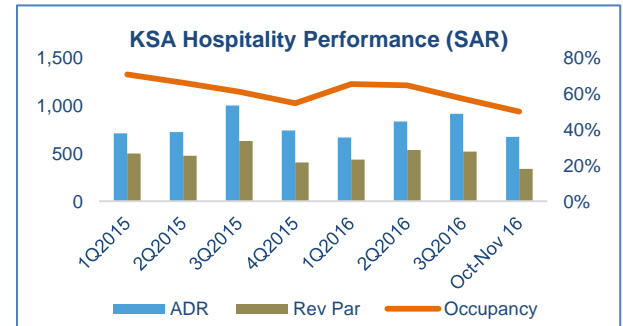
Lower Consumer Confidence Affects Retail Segment

- During 4Q 2016, average retail rental rates declined from SAR 1,409/sqm to SAR 1,394/sqm, down 1.1% QoQ. This was particularly due to lower consumer confidence on account of economic uncertainty.
- Going forward, lease rates are expected to remain under pressure due to the implementation of municipal fees on retail & restaurants, and further restructuring in govt. salaries.
- In addition, completions of retail projects, such as Al Khaleej and Al Hamra malls in Riyadh, will increase supply and lower occupancy rates, emphasizing the increasing competition in the market.



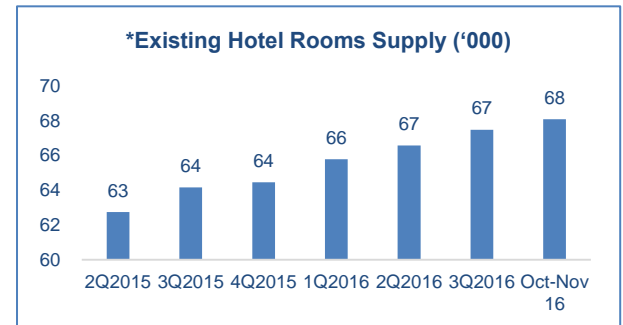
Seasonal Decline in Hospitality Performance Following the End of Hajj Season

- Performance of hospitality sector in October and November deteriorated significantly due to decline in religious tourist following the end of Hajj season. Occupancy levels were down by 4.7% YoY to 49.9%.
- ADR declined 9.0% YoY to SAR 672.9 and RevPAR declined 16.7% YoY.
- Following the end of Hajj season, Umrah season started on 01 Nov 2016 (01 Safar), and the Ministry of Hajj & Umrah has issued 370,000 visas during the first 18 days (30,000 higher YoY).
- We expect the hefty visa fees to deter repeat Umrah pilgrims negatively impacting occupancies and ADRs. The hospitality sector of KSA is likely to remain under pressure, due to increasing supply coupled with lower demand due to increase in visa fees.



KSA Hotel Construction Pipeline is the Largest in the Region

- According to STR Global, Saudi Arabia leads the hotel construction pipeline in the MENA Region with 37,864 rooms in 83 hotels. If projects are completed on time, additional supply is likely to put downward pressure on occupancy rates and ADRs.
- During October and November 2016, construction work on 5 more hotels started in KSA which would result in an increase of 1,319 rooms in the Kingdom. During 4Q 2016, 2,300 rooms were scheduled to enter the market in Riyadh, while 700 rooms were scheduled in Jeddah; however some of this supply will be subject to further delays.
- Future hotel performance will be closely linked to the evolution of the economy, delivery of hotel pipeline and completion of Haram expansion and other major infrastructure projects.



II. Company Overview & Financial Performance



Company overview



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

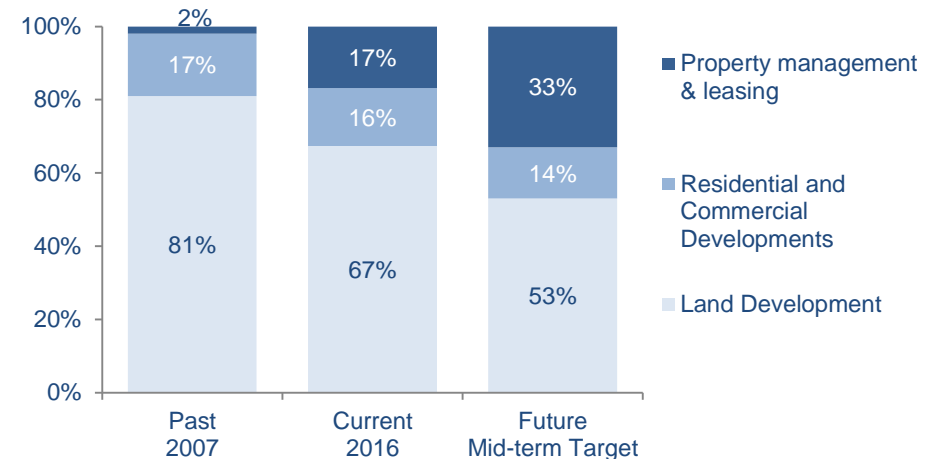
- Largest listed real estate developer in Saudi Arabia

As of 31 Dec 2016:

- **Market Capitalization:** SAR 6.7 bn (US\$ 1.8 bn)
- **Total number of employees:** 345
- **Revenue:** 2016 SAR 1,870 mn (US\$ 500 mn)
- **EBITDA:** 2016 SAR 722 mn (US\$ 193 mn)
- **Book value of assets : SAR 24.5 bn (US\$ 6.5 bn)**
 - Land Bank: SAR 13.8 bn (US\$ 3.7 bn)
 - Leasing: SAR 3.4 bn (US\$ 913 mn)
 - Residential and commercial development projects: SAR 3.2 bn (US\$ 863 mn)
 - Other assets: SAR 4.0 bn (US\$ 1.1 bn)

Headquarters: Riyadh, Saudi Arabia

Increasing investments in leasing assets



Diversification strategy.

DAAR remains committed to its strategy of diversifying revenue streams within its business and reducing the weighting of land sales. This will enhance value creation from owned land, increase earnings visibility, create smoother earnings delivery and reduce the Company's financial risk profile.

The strategy will be executed by:

- Increasing occupancy in current asset base to reach full occupancy in 2018
- Deliver gated community and residential units for leasing from ongoing development projects to contribute to revenue from 2019 onwards
- Acquire performing lease assets from market to portfolio in the future (post 2017)
- Deliver off plan residential units from ongoing developments to contribute to revenue from 2018 onwards based on completion.

Our business comprises three segments



Land Development



Property Management and Leasing



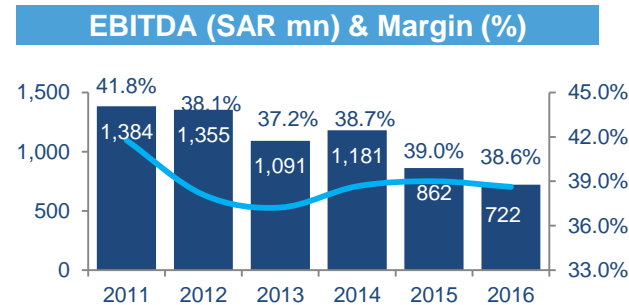
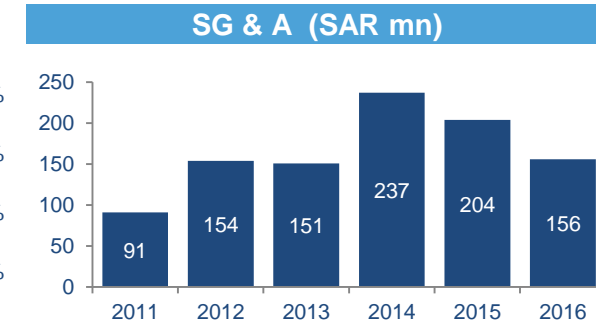
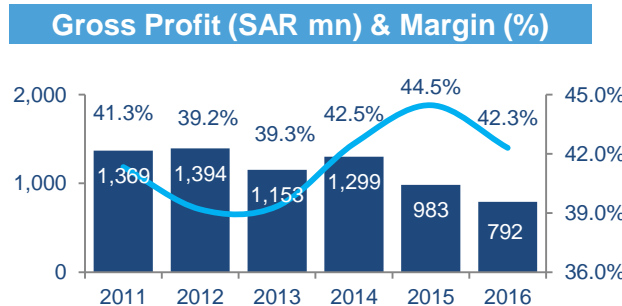
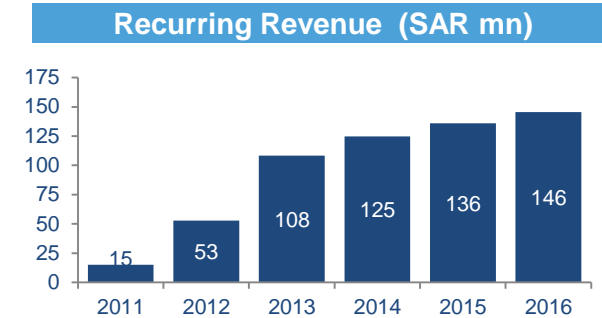
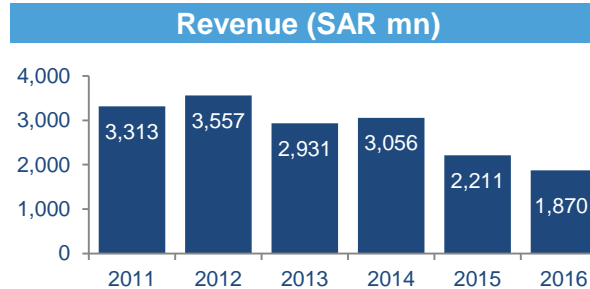
Residential and Commercial Development



Financial Performance

Full Year 2016 Profitability

- **Revenue** decreased 15% to SAR 1,870 mn (2015: SAR 2,211 mn).
- Land sales revenue was SAR 1,725 mn (2015: SAR 2,075 mn), down 17%.
- Property management and leasing revenue increased to SAR 146 mn (2015: SAR 136 mn), up 7%, and was 8% of total revenue as compared to 6% in 2015.
- **Gross Margin** dropped by 220 bps to 42.3% (2016: 44.5%) but is in line with the long term average.
- **SG&A** was at SAR 156 mn (2015 : SAR 204 mn), a drop of 24% mainly due to lower professional & consulting services.
- **EBITDA** was SAR 722 mn down 16% (2015: SAR 862 mn) due to lower revenue.
- **Finance expenses** were SAR 354 mn down 8% (2015: SAR 385 mn) due to lower average debt, inspite of rise in LIBOR & SIBOR.
- **Net profit** amounted to SAR 251 mn down 30% (2015: SAR 359 mn).



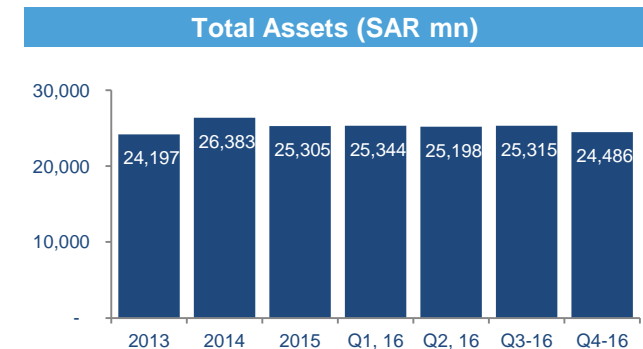
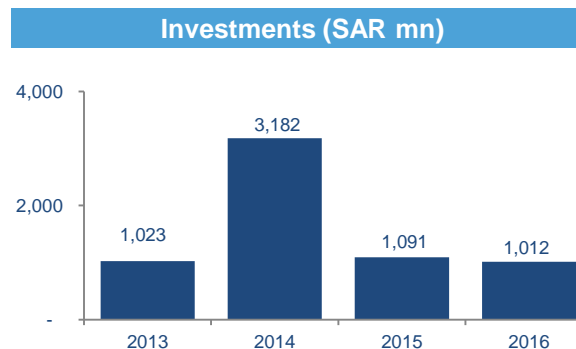
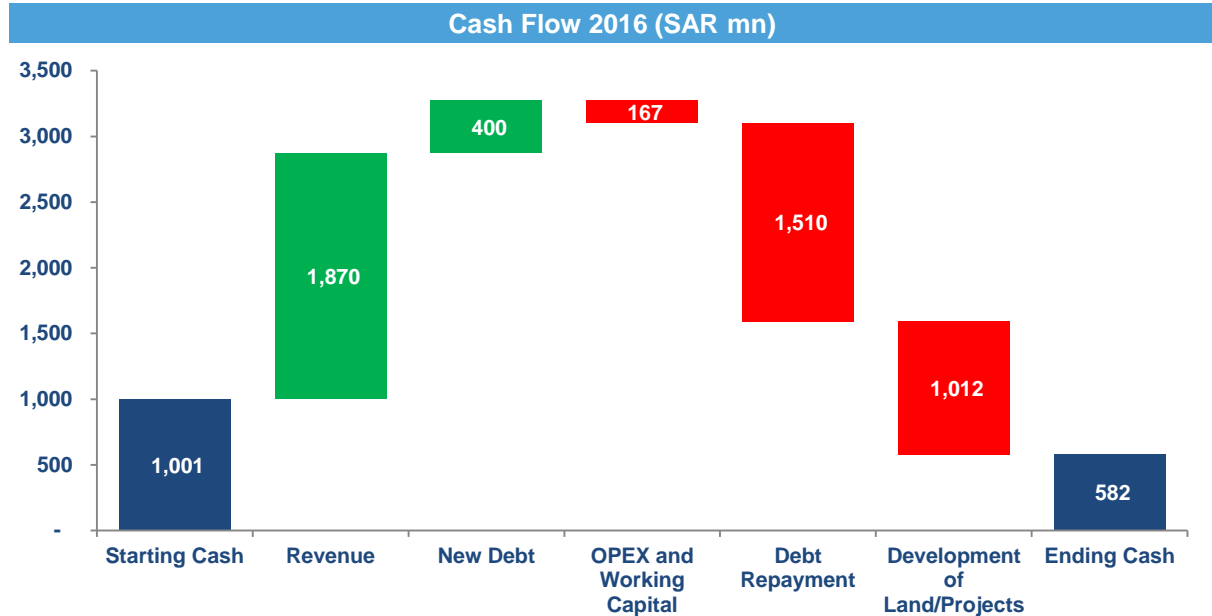
Source: Reviewed Financial Statements as of 31 Dec 2016



Financial Performance ... cont'd

Full Year 2016 Balance Sheet

- **Liquidity Position:** Cash balance decreased to SAR 582 mn in spite of SR 1.5 bn debt repayments (including Sukuk VI of 1.1 bn).
- **Working Capital:** Improved by SAR 335 mn YoY driven by Receivables decrease of 109 mn (from SAR 1.95 bn to SAR 1.84 bn) and decrease in prepaid and advances by SR 231mn.
- **Debt repaid:** Repayment of Sukuk VI SAR 1,125 mn and Murabahas SAR 385 mn as per due dates. New debt of SAR 400 mn taken in the 4th quarter.
- **DAAR invested** SAR 1,012 mn primarily in development of existing land and purchase of land in 2016. (DAAR has been a net seller of land of c 2.3 mn sqm in 2016).



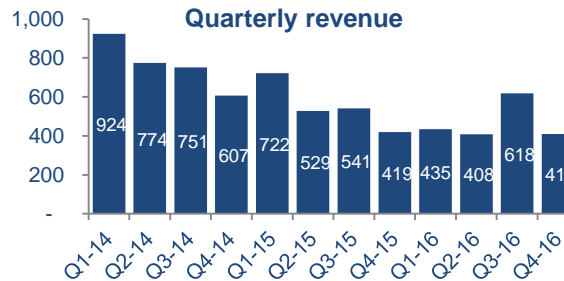


Financial Performance ... cont'd

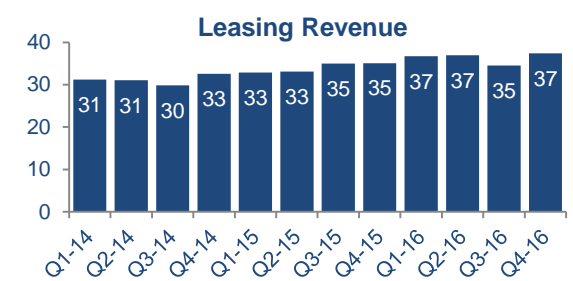
Q4, 2016 Profitability

- **Revenue** marginally lower QoQ by 2% to SAR 410 mn (2015, Q4 SAR 419 mn).
- Land sales revenue SAR 373 mn (2015, Q4: SAR 384 mn), lower by 3%.
- Property management and leasing revenue increased to SAR 37.5 mn (2015 Q4 : SAR 35.0 mn), up by 7%.
- **Gross Margin** decreased to 41.5% (2015 Q4 : 43.1%) mainly due to lower average land prices and mix of location.
- **SG&A** was at SAR 40 mn (2015 Q4 : SAR 35 mn) mainly due to higher manpower during the year.
- **EBITDA** SAR 152 mn decreased 10% (2015 Q4 : SAR 168 mn) due to lower gross margin.
- **Finance expenses** were SAR 85 mn, down 6% (2015 Q4 : SAR 90 mn) due to lower average total debt.
- **Net profit** SAR 37 mn, decreased 24% (2015 Q4 : SAR 49 mn) due to lower gross margin.

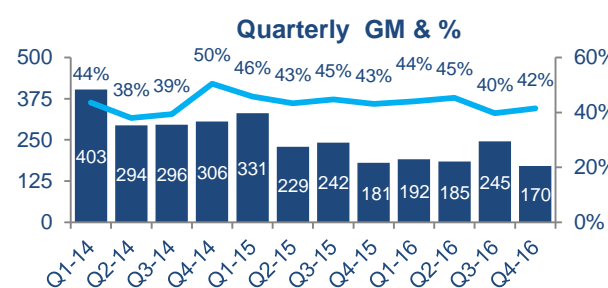
Revenue (SAR mn)



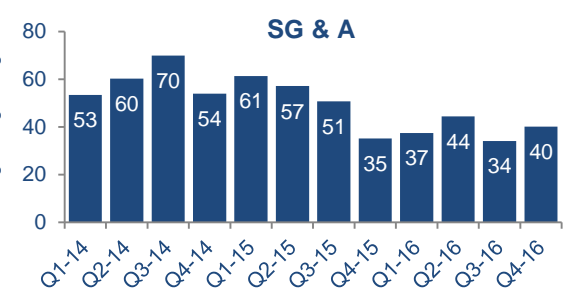
Recurring Revenue (SAR mn)



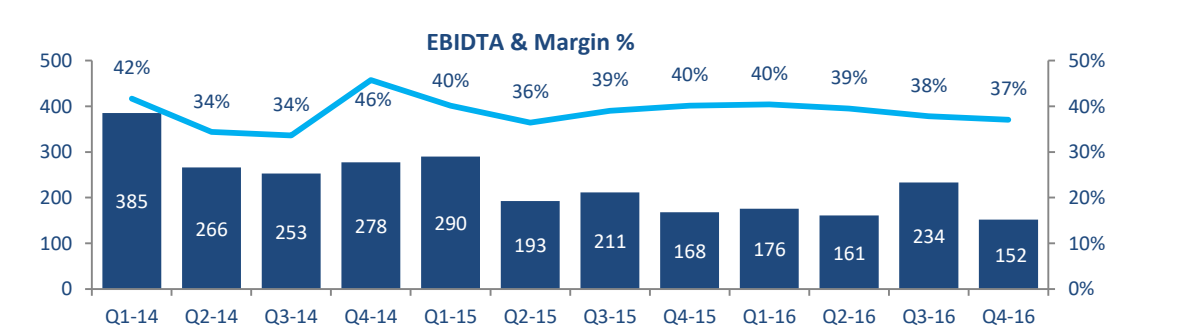
Gross Profit (SAR mn) & Margin (%)



SG & A (SAR mn)



EBITDA (SAR mn) & Margin (%)



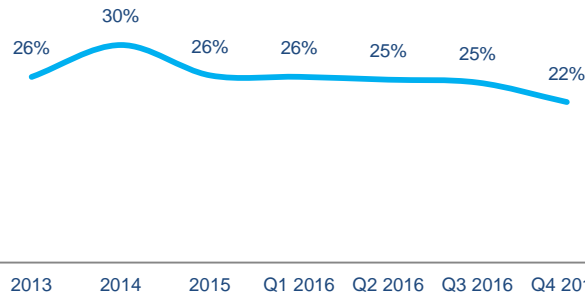


Financial Performance ... cont'd

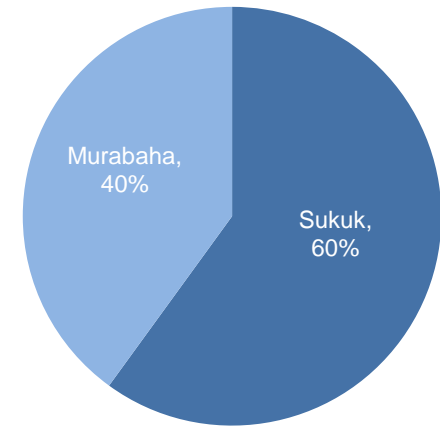
Q4, 2016 Funding

- **Net debt** stands at SAR 4,633 mn (Q3, 2016 SAR 4,483 mn) gross debt / capitalization stands lower at 22.3%
- Sukuk VI of SR 1,125 mn was repaid on maturity in Nov 2016.
- New debt of SAR 400 mn taken in the 4th quarter.
- **Maturities** are well spread and cash management is prudent.
- Maturity profile extends to 2027.
- **Effective cost of funding** for the quarter stands at 6.0%, marginally up by 20 bps driven by impact of increasing Sibor & Libor rates on 40% of the debts.

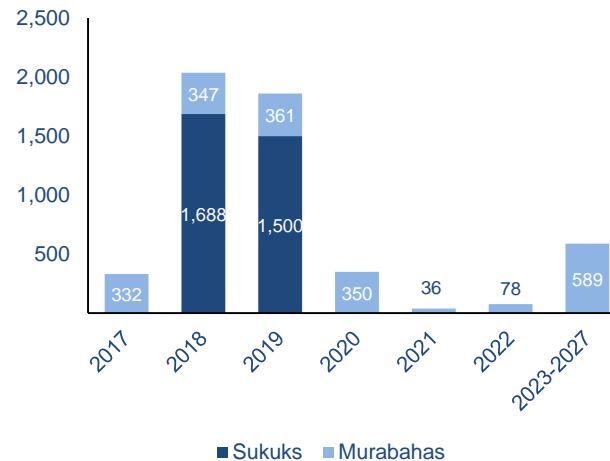
Gross Debt/Capitalization



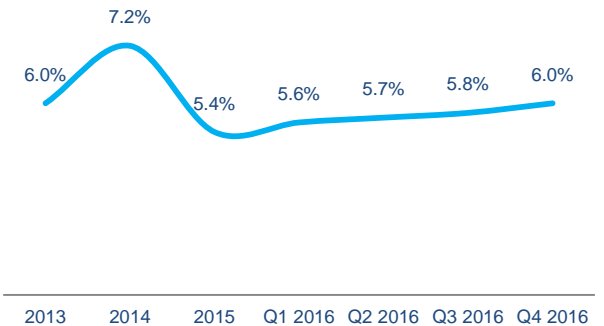
Q4, 2016 Debt Profile (SAR mn)



Debt Maturity Profile (SAR mn)



Effective Cost of Funding



	2015 end	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Gross debt	6,390	6,329	6,209	6,133	5,281

III. Company Activities

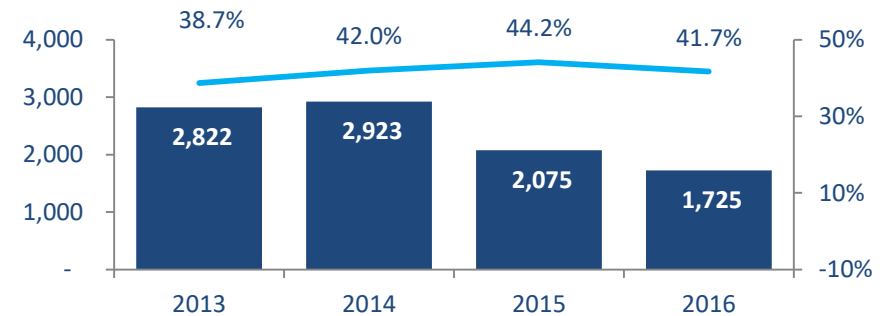


Land Development

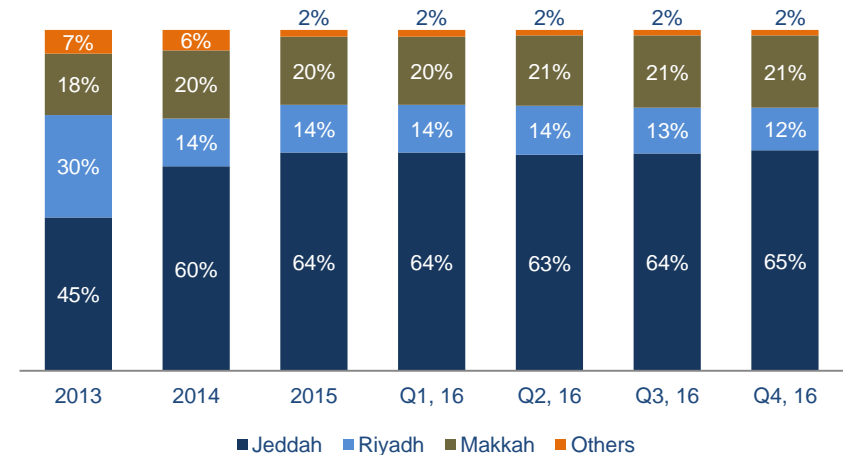
Substantial and Geographically Diverse Land Bank

- 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
 - Focus on accessibility, particularly connections to downtown, 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.
- Continuing from 2015 into 2016, DAAR has been a net seller of land and this will continue until the economic situation starts improving.

Land revenue & gross margin (SAR Millions)



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





Properties

Al Qasr Community

Al Qasr Mall

Others



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 %	45%

Activity in Q4 2016

- 150 apartments lease agreement signed with Al Habib for 5 years. Lease commences in Jan 2017.
- Occupancy has improved to 45% from 41% due to above.
- Negotiations ongoing with institutional tenants for leasing of c. 400 residential units including Dallah Hospital 150 apartments.



Al-Qasr Mall by Numbers

Built-up Area (sqm)	230k
GLA (sqm)	76k
# Leasable Units	429
# Floors	4
Parking Capacity	1,800 cars
Leasing Ratio	88%

Activity in Q4 2016

- 4 shops, 1 fast food outlet, 1 Kiosk and 1 storage area have been leased out.
- Two Bazars done during the quarter thus increasing footfall by 11% compared to Q3 2016.



Azizia Tower (Mecca)

- Leasable area 40,746 sqm
- Leased 100% to KAMC

Al Tilal Villas (Medina)

- Leasable area 87,025 sqm
- Out of 279 villas, 31% leased

Al Masif Compound (Riyadh)

- 26 villas. 100% leased to NESMA



Residential and Commercial Development

Shams Ar Riyadh



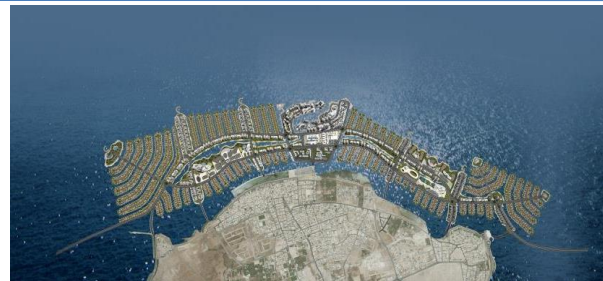
Shams Ar-Riyadh - is Dar Al-Arkan's one of a kind Master Plan Community Project and is located in Riyadh's Al-Dariya district.

Activities in Q4, 2016

- Master Plan has been reviewed and refined by the appointed International Consultant, Albert Speer & Partner and is currently under discussion with ADA.
- Approvals and work permit for Roads-Stage1 including infrastructure work obtained. Construction has commenced. Completion expected by end of Q1 2017.

Shams Ar-Riyadh by Numbers	
Total area (sqm)	3.2 m
No of Residential units to be leased	1,160
No of Residential units to be sold	325
Commercial land development (sqm)	0.5 m
Commercial development BUA	3.2 m
% Infrastructure completion	47%
% Superstructure completion	0%

Juman



Juman - is located in Dammam and will be an integrated Master Plan Community Project, will provide its residents and visitors modern waterfront living.

- Activities Q4 2016

- Discussions continue with various authorities including MoMRA and Dammam Amana to better introduce the project and obtain their feedback and guidance.
- The Master Plan continues to be refined at pre-concept level.

Juman Project by Numbers	
Total Area (sqm)	8.2 m
DAAR's Holdings on the Project's SPV	18%
DAAR's role	Master developer

Shams Al Arous and Al Tital



Shams Al Arous - is the Company's third Master Planned Community and is located in Jeddah.

All the land has infrastructure in place.

- **Al Tital Land Development (Medina)** is 438k sqm. It is fully developed and 50%+ of residential and commercial plots have been sold.

- Activities Q4 2016

The land continues to be available for sale as plots.

Shams Al-Arous by Numbers	
Total net area (sq m)	938K
Residential area to be sold (sqm)	733K
No. of Residential units to be leased	3,304
Commercial BUA to be leased (sqm)	190k
Infrastructure completion (%)	100%
Superstructure completion (%)	0%

IV. Investment Summary



Investment Summary

1

A substantial and geographically diverse land bank with rigorous approach to acquisition and current focus on cash preservation

2

Longstanding land price appreciation with some recent weakening from macro uncertainty

3

Progress with revenue diversification through leasing and off plan sales

4

Potential development in Saudi real estate sector dragged by the government initiatives to change and improve the sector

5

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

6

Continued focus on premium margins

7

A conservative financial profile with a strong balance sheet, healthy income generation and prudent cash management

8

Experienced, recently strengthened management team and good corporate governance

9

Access to international and domestic capital markets

V. Appendix



Financial Performance

i) Income Statements

SR in 000s	FY 2013	FY 2014	Q4, 2015	Q4, 2016	FY 2015	FY 2016
Revenue	2,931,168	3,056,060	419,354	410,494	2,211,349	1,870,229
Cost of revenue	(1,778,097)	(1,756,805)	(238,567)	(240,038)	(1,228,117)	(1,078,287)
Gross profit	1,153,071	1,299,255	180,787	170,456	983,232	791,942
%	39.3%	42.5%	43.1%	41.5%	44.5%	42.3%
Operating expenses	(151,027)	(237,453)	(35,091)	(40,115)	(204,238)	(156,005)
Operating profit	1,002,044	1,061,802	145,696	130,342	778,994	635,938
%	34.2%	34.7%	34.7%	31.8%	35.2%	34.0%
Income from Associates	3,250	16,000	3,200	3,192	12,800	12,878
Depreciation & amortization	(31,665)	(41,888)	(9,245)	(8,758)	(39,586)	(36,470)
EBIT	973,629	1,035,914	139,651	124,777	752,208	612,346
%	33.2%	33.9%	33%	30%	34.0%	32.7%
Other income	39,320	46,895	(134)	36	1,075	(32)
Finance cost	(313,959)	(493,294)	(89,695)	(85,081)	(384,801)	(353,537)
PBT	698,990	589,515	49,822	39,731	368,482	258,777
%	23.8%	19.3%	11.9%	9.7%	16.7%	13.8%
Zakat	(17,528)	(14,820)	(1,163)	(2,443)	(9,325)	(7,943)
Net Income	681,462	574,695	48,659	37,288	359,157	250,834
%	23.2%	18.8%	11.6%	9.1%	16.2%	13.4%
EBITDA	1,091,102	1,181,498	168,337	152,093	862,094	722,261
%	37.2%	38.7%	40.1%	37.1%	39.0%	38.6%

KPIs						
GM%	39.3%	42.5%	43.1%	41.5%	44.5%	42.3%
Operating Profit %	34.2%	34.7%	34.7%	31.8%	35.2%	34.0%
EBITDA %	37.2%	38.7%	40.1%	37.1%	39.0%	38.6%
PBT%	23.8%	19.3%	11.9%	9.7%	16.7%	13.8%
Net Income%	23.2%	18.8%	11.6%	9.1%	16.2%	13.4%



Financial Performance

ii) Balance Sheet

SR in 000s	FY 2013	FY 2014	FY 2015	FY, 2016
Cash	2,279,132	2,310,196	1,001,061	582,088
Accounts Receivables	1,364,297	1,747,778	1,948,687	1,839,470
Pre-paid Expenses	484,201	816,697	974,809	743,508
Project in Progress-ST	44,529	-	-	0
Developed Land -ST	927,110	794,145	437,185	317,325
Others	143	143	-	0
Total Current Assets	5,099,412	5,668,959	4,361,742	3,482,391
Investment in Land	4,864,302	5,445,630	5,982,401	6,261,462
Project in Progress-LT	8,780,457	8,916,056	8,651,076	8,878,157
Developed Land -LT	1,936,614	1,949,764	1,963,764	1,581,442
Investment Properties	2,694,638	3,567,451	3,501,637	3,424,777
Investment in Associates	747,407	763,407	776,207	790,585
Other Assets	74,502	71,279	68,416	66,959
Total Non-Current Assets	19,097,920	20,713,587	20,943,501	21,003,383
Total Assets	24,197,332	26,382,546	25,305,243	24,485,774
Payables & Accruals	1,283,586	1,189,858	1,065,035	1,067,215
Murabahas & Sukuks-ST	744,308	2,148,064	1,531,945	324,995
Total Current Liabilities	2,027,894	3,337,922	2,596,980	1,392,210
Murabahas & Sukuks-LT	5,159,269	5,458,564	4,760,617	4,890,375
Others	17,348	18,544	20,973	25,682
Total Non-Current Liabilities	5,176,617	5,477,108	4,781,590	4,916,057
Total Equity	16,992,821	17,567,516	17,926,673	18,177,507
Total Liabilities & Equity	24,197,332	26,382,546	25,305,243	24,485,774
	-	-	-	-
Land development	16,508,483	17,105,595	17,034,426	17,038,387
Property management & leasing	2,694,638	3,567,451	3,501,637	3,424,777



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