

DAR
AL ARKAN
دار الأركان

Investor Presentation Q4, 2017

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Key Investment Highlights

Diverse land bank with rigorous approach to acquisition

DAAR has a diverse land bank in Tier 1 cities of KSA. The land bank is valued at SAR 11.9 bn.

It is a key revenue driver for DAAR and the Management has a rigorous approach towards acquiring lands with high margin & return potential.

Diversification & International expansion

Key purpose of the strategy is to drive growth in income producing assets and delivering revenue from development projects, both locally & Internationally.

DAAR recently announced the launch of its first international project in collaboration with Roberto Cavalli. DAAR has an expansion plan that will be the main revenue driver over coming years.

Strong financial position

DAAR maintains a healthy balance sheet with SAR 3.2 bn cash, mainly driven by a strong 2017 performance in monetizing land bank despite challenging market conditions.

DAAR had revenues in excess of SAR 4.7 bn., which represents an increase of 153% over 2016.

Proven ability to execute large scale projects

DAAR has 12.2 mn sqm under development which includes master-planned communities such as Shams Ar-Riyadh, Shams Al Arous & Juman in KSA and I Love Florence in Dubai.

Dar Al Arkan has also developed one of the largest shopping malls in Riyadh. Al Qasr Mall, provides 78,956 sqm of retail space and has brand names that cater to all market segments.

Experienced Management with good corporate governance

DAAR has a Board with wealth of experience in Real Estate and a new Management that has extensive experience in executing large scale luxurious projects in KSA and internationally.

Government support to develop local Real Estate Sector

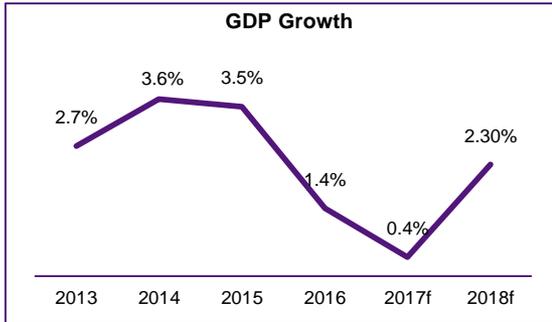
Real Estate sector remains a priority for the Saudi government, driven but multiple initiatives launched by MOH, support of SAMA by increasing LTV for housing and via PIF by initiating trophy mega real estate projects across Kingdom.

1. Macro & Micro Economic Overview

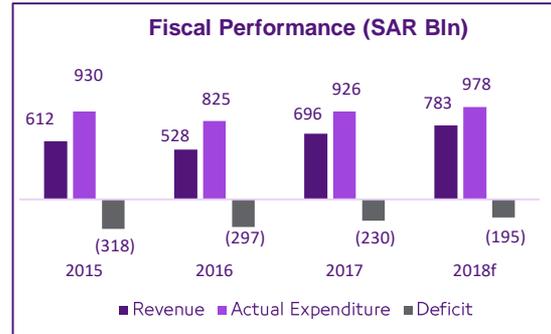
1.1 Macroeconomic Overview

National Transformation Plan NTP (2020) aims to rebalance and diversify the economy through private sector inclusion. Stabilizing oil prices and NTP to spur the economic growth in 2018 and beyond

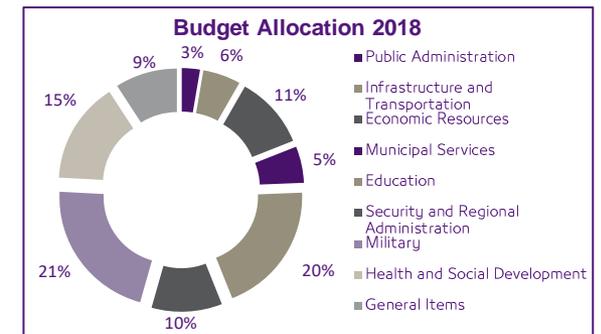
Oil Price Recovery and Economic Reforms to Drive Economy



Continues Declining Deficit Projected in 2018



Over 5% Rise in Budget Expenditure Expected for 2018



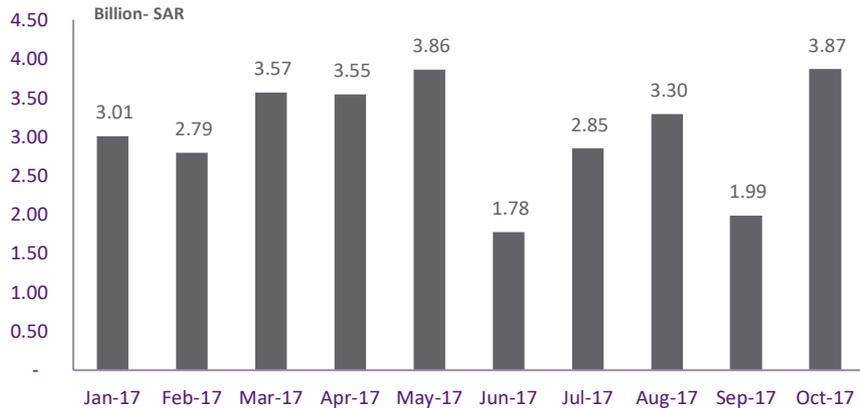
- Brent oil prices increased by 35% QoQ in Q4 2017, to an average of \$70/barrel.
- OPEC and non-OPEC countries involved in a global deal to reduce oil output expect the market to return to balance in the third or fourth quarter of the year.
- Economic growth is expected to pick up in medium to long term on the back of economic reforms.

- MoF issued five domestic Sukuks under the Saudi Arabian Government SAR-denominated Sukuk Program with a total amount of SAR 11.7 bn
- 5% VAT from 1 January 2018 will further increase the cost of buying goods and services.
 - First homebuyers purchasing a unit worth up to SAR 850K will be exempt.
 - Residential rents will be exempt.
- Saudi King ordered a monthly payment of SAR 1K to state employees in compensation for rising cost of living.
- PIF announced a number of ambitious projects in 2017 aimed at enhancing the Kingdom's tourism and entertainment sector, and expanding its visitor base beyond religious pilgrims and business travellers.
- Govt established Saudi Real Estate Refinance Company in October 2017.

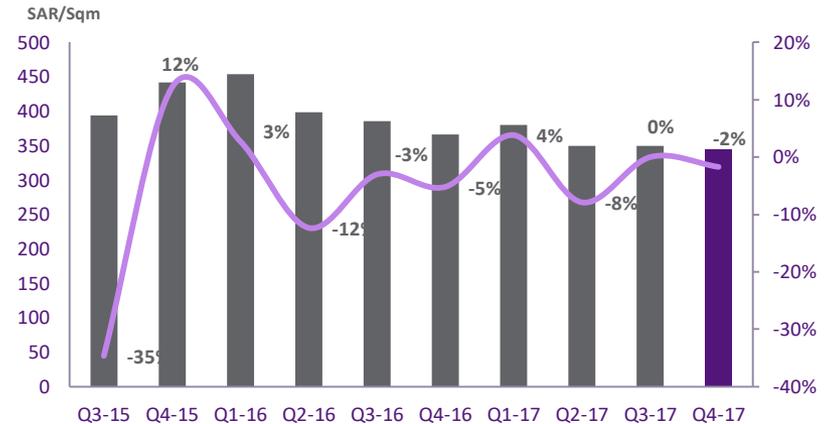
Source: MoF

1.2 KSA Real Estate Sector Overview

Riyadh Residential Land Transaction Value

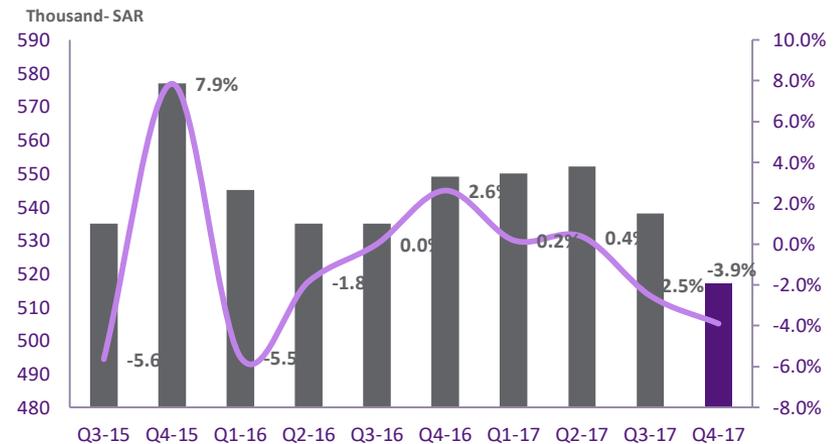


Average Residential Land Prices QoQ



- Market condition for residential properties continued to be challenging in 2017.
- Apartment rentals and sales prices were effected by expat levy imposed during the year across the board.
- Villa rental and sales prices changes were modest and saw signs stability toward year end.
- Jeddah** witnessed apartment prices and rental prices drop 8-10 % YoY while QoQ changes ended close to 3 % drop. Villa rental and sales prices declined 2 % YoY.
- Riyadh** witnessed apartment and villa rentals and sales prices drop 4 to 5 % YoY while QoQ change ended stabilizing close to zero.
- Makkah** apartment rentals remained flat YoY while sales prices dropped 3 %. Makkah is expected to improve driven by removal of Hajj quota for religious tourism during 2017

Average Units Prices QoQ



2. DAAR's Overview & Strategic Positioning

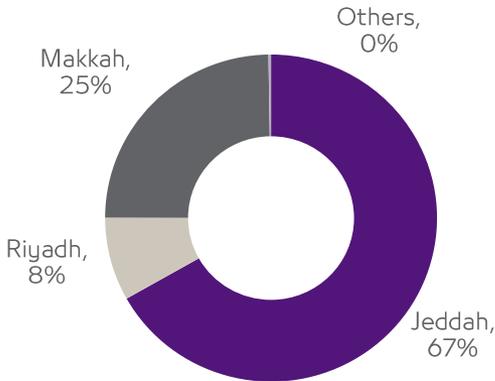
2.1 Introduction to DAAR

- Dar Al-Arkan is the largest listed real estate developer in the Kingdom of Saudi Arabia, with assets of over SAR 26 bn (US\$ 7.0 bn), continuously diversifying across the real estate sector.
- DAAR has an operating history of over 20 years and dominant market position in the industry. In 2017, DAAR had a financial turnover of SAR 4.7 bn and total assets in excess of SAR 26 bn.
- DAAR has a experienced Board with strengthen Management in place with a mandate to drive sales and revenue growth through launching local and international projects. The new Management has extensive experience in delivering projects in the GCC and Internationally.
- During 2017, DAAR launched its first regional project in Dubai, UAE, in collaboration with Roberto Cavalli.
- DAAR has 2 sales offices in the Kingdom of Saudi Arabia and in 1 Dubai- U.A.E, 1 in London-UK and 1 in Sarajevo-BIS .; to drive revenue growth

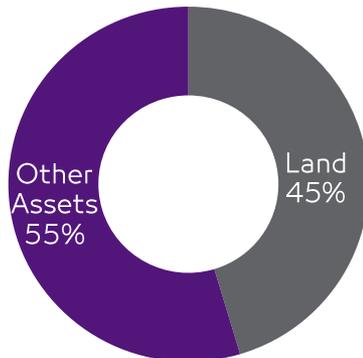
Strategic Priorities

- Strategic Land Acquisition
- Revenue Diversification
- Focus on off-plan master communities Development
- International Expansion
- Focus on High Margin Products
- Prudent Capital Management

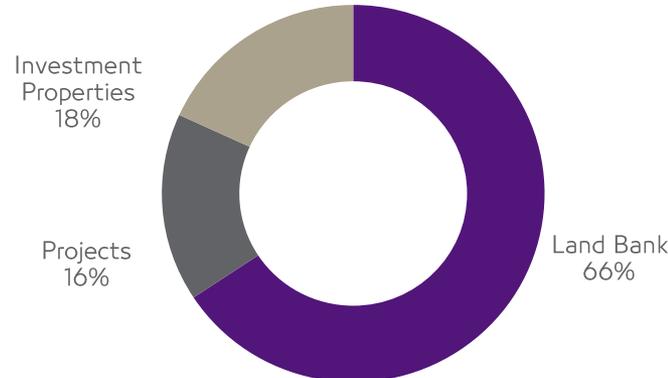
Geographic Split of Land Assets



Asset Value Breakdown

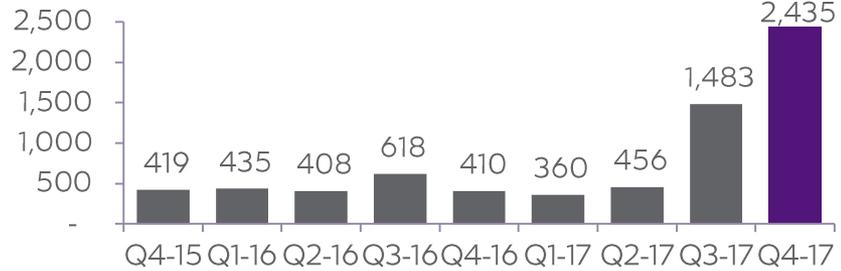


Existing Portfolio Break up

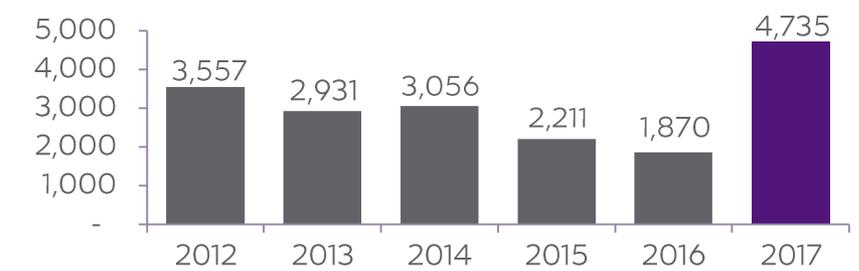


2.2 Financial Performance – Q4, 2017 Profitability

Historical Quarterly Revenue (SAR mn)



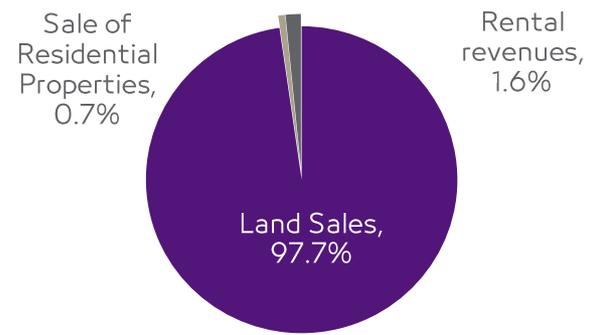
Historical Yearly Revenue (SAR mn)



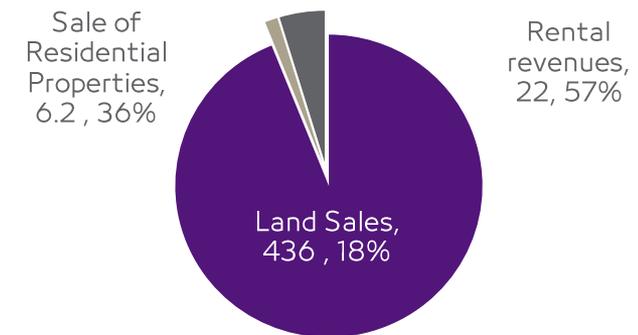
- Revenue in 2017 was SAR 4.7 bn is the highest recorded in the last 5 years even though market conditions in KSA are still a challenge.
- Revenue increase by 153% YoY basis. (2016, SAR 1.9 bn)
- Q4, 2017 revenue increased by almost 6 times to SAR 2.4 bn (2016, Q4 SAR 410 mn) due to higher volume of land sold.

Q4, 2017 Revenue Snapshots

Revenue mix



Gross profit & margins (SAR mn)

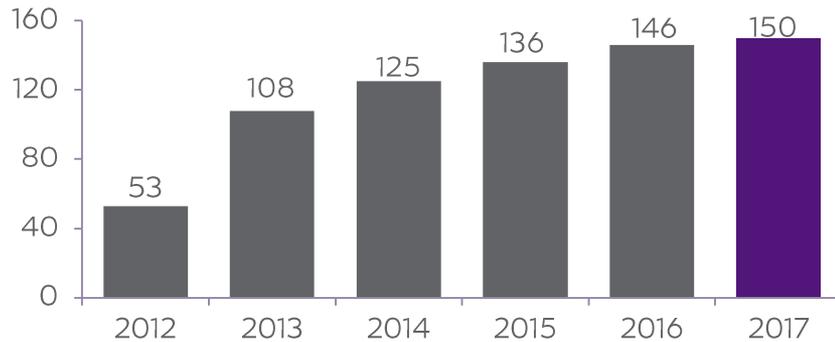


Land sale revenue SAR 2,379 mn, up 6.4 times compared to Q4, 2016 (SAR 373 mn)

Source: Reviewed Financial Statements as of 31 December, 2017

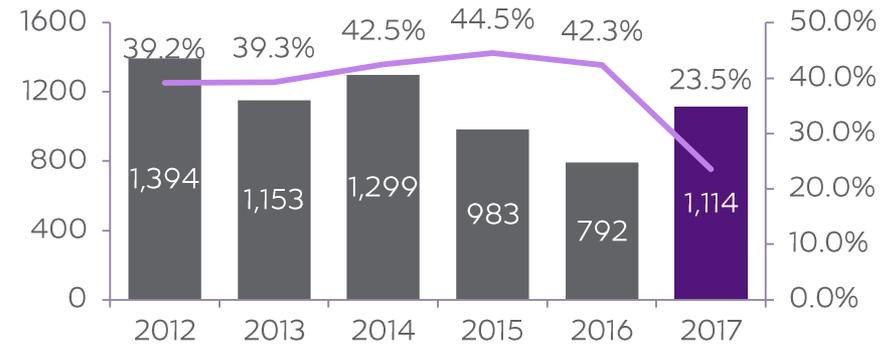
2.2 Financial Performance – 2017 Profitability

Recurring Revenue (SAR mn)



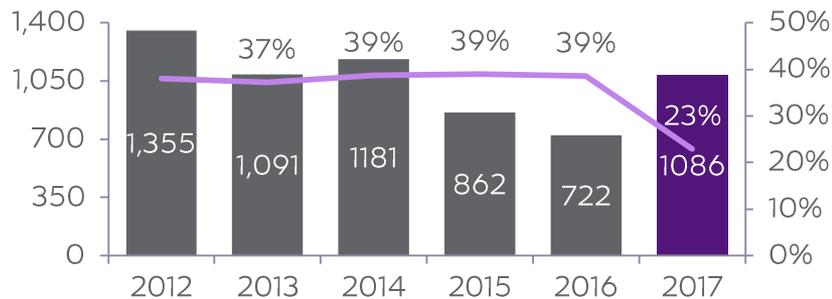
- **Recurring revenues (Leasing)** Steady increase over last 5 years. YoY increase 3%

Gross Profit (SAR mn) & Margin (%)



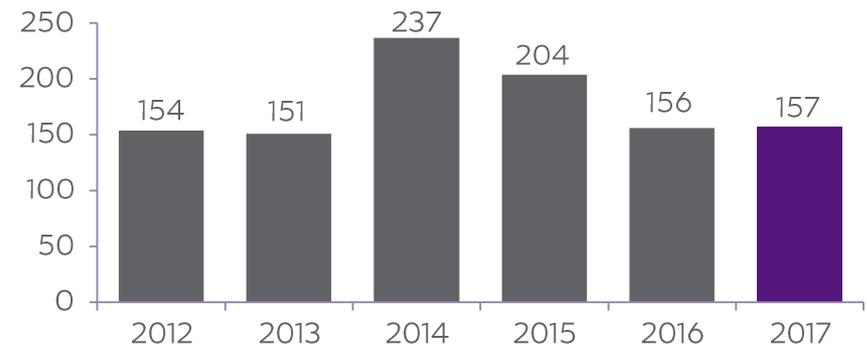
- **Gross Profit** increased by 41% to SAR 1,1bn due to higher volume of land sales. However, the gross margin percentage decreased to 23.5% (2016 : 42.3%) mainly due to product mix of land sold.

EBITDA (SAR mn) & EBITDA Margin (%)



- **EBITDA** SAR 1.1 bn up by 50% (2016 : SAR 722 mn)

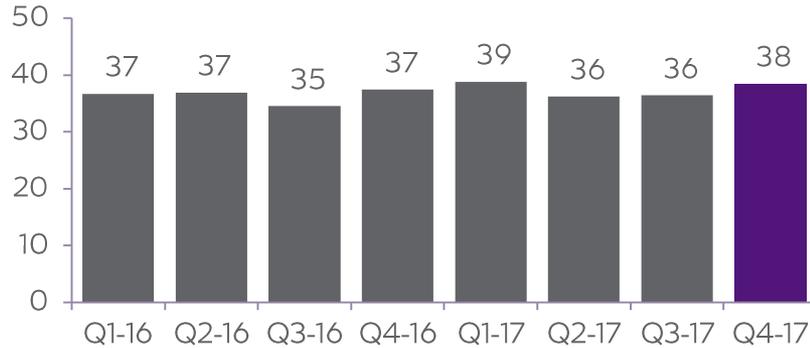
S G & A (SAR mn)



- **SG&A despite the increase in sales force** reduced due to lower professional consultancy and maintenance expenses despite increasing sales task force.

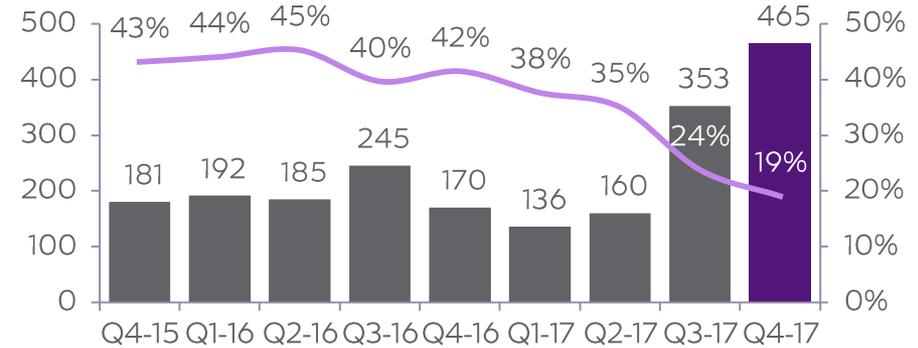
2.2 Financial Performance – Q4, 2017 Profitability

Recurring Revenue (SAR mn)



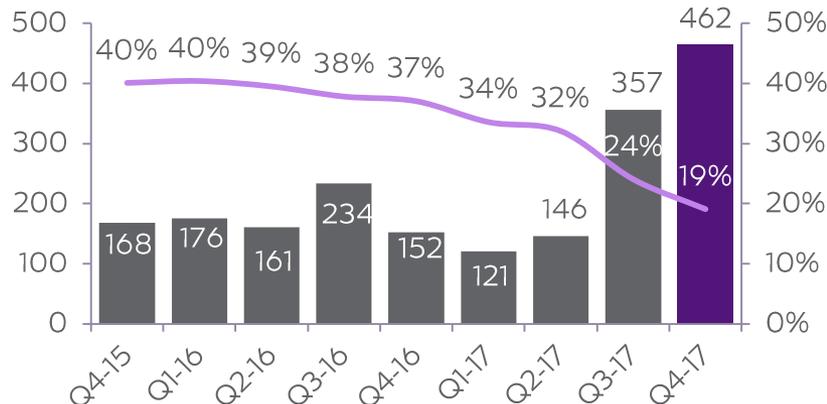
- **Recurring revenues (Leasing)** QoQ increase by 5.5%

Gross Profit (SAR mn) & Margin (%)



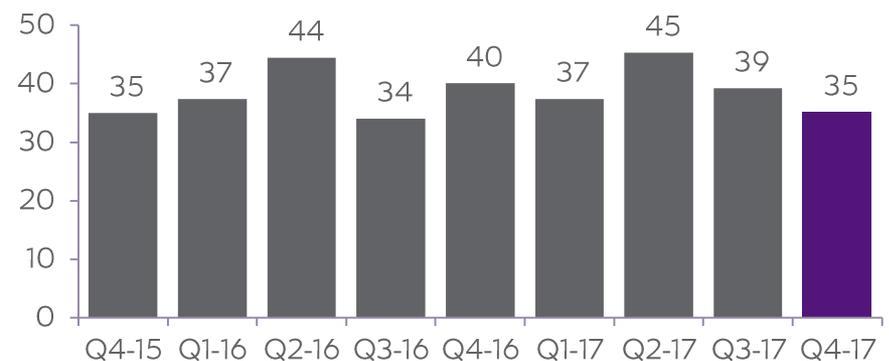
- **Gross Profit** increased by 32% to SAR 465 mn due to higher volume of land sales. However, the gross margin percentage decreased to 19% (2017 Q3 : 24%) mainly due to product mix of land sold.

EBITDA (SAR mn) & EBITDA Margin (%)



- **EBITDA** SAR 462 mn up by 29% (2017 Q3 : SAR 357 mn)

S G & A (SAR mn)

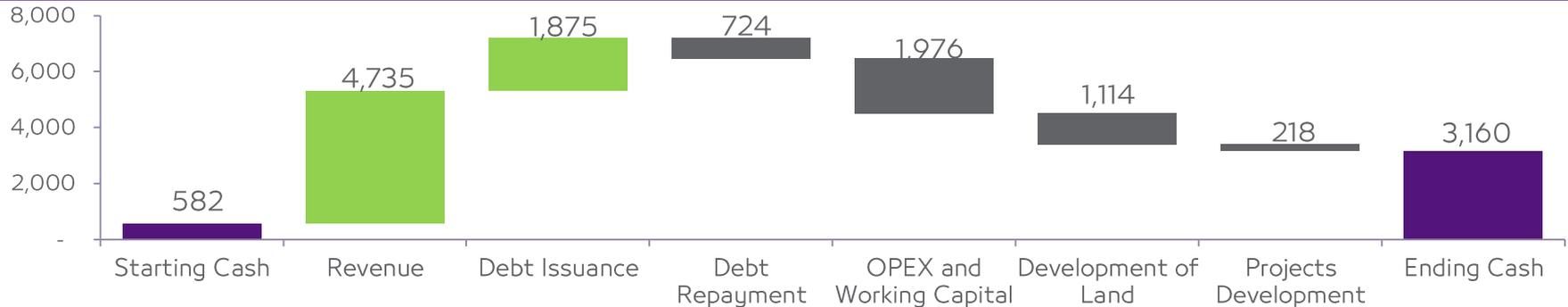


- **SG&A** reduced due to lower professional consultancy and maintenance expenses despite increasing sales task force.

2.2 Financial Performance – 2017 Cash Flow

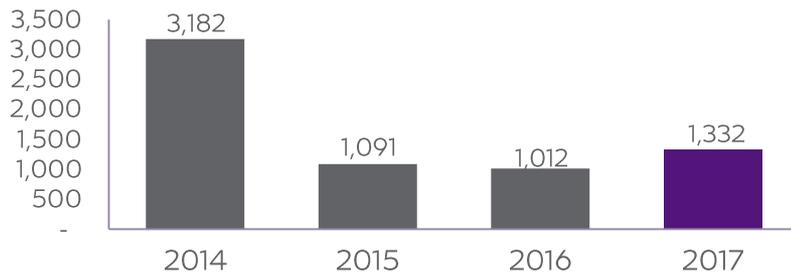
DAAR continues to generate cash from operations, reduce net debt and restrict investments to land development

Cash Flow - 2017 (SAR mn)



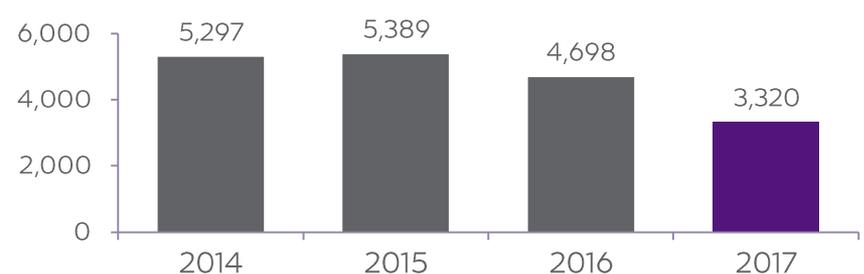
- **Liquidity Position:** Cash balance increased to SAR 3.2 Bn (up 2.6 bn) mainly due to increase in revenue & Sukuk Issuance in Q2.
- **Debt Position:** Repayment of Murabahas SAR 333 mn as per due dates & early repurchase (20%) of Sukuk due 2018 of SAR 343 mn.
- **Working Capital:** Accounts receivables increased by SR 1.5 bn to 3.3 bn due to higher revenue.
- **DAAR invested** SAR 1.1 bn in development of existing lands. Project development expenses were SAR 167 mn for I love Florence, Dubai and SAR 51 mn primarily for infrastructure development in Shams Ar Riyadh project.

Investments (SAR mn)



DAAR invested SAR 1.3 bn in projects and infrastructure development of existing lands in 2017.

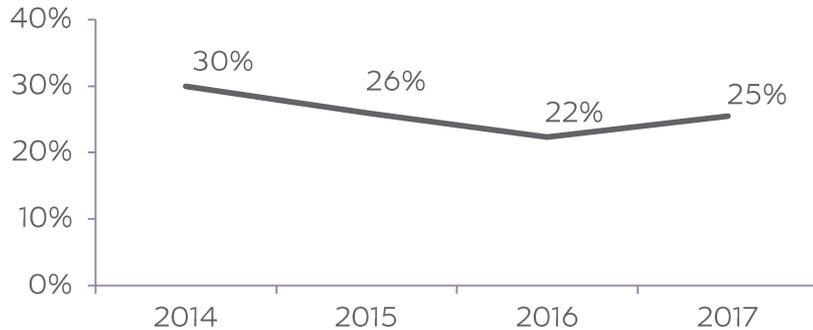
Net Debt (SAR mn)



Net debt has been reduced by 37% since 2014.

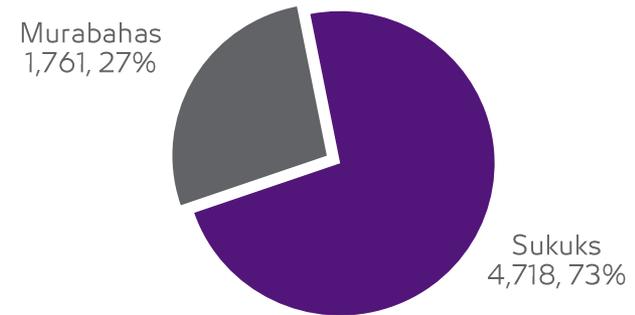
2.2 Financial Performance – 2017 Funding

Gross Debt / Capitalization



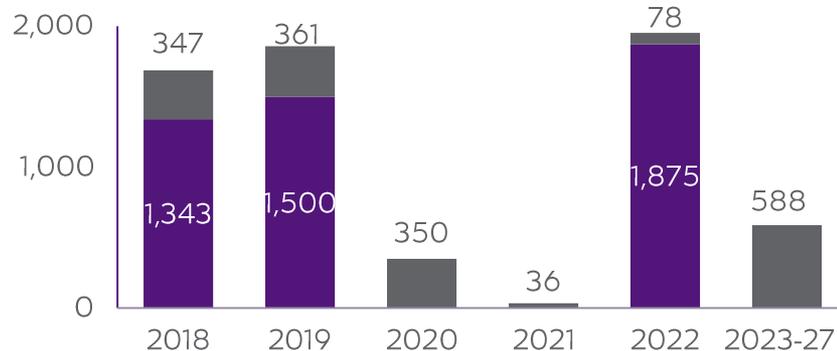
- **Gross debt** to capitalization reduced by 200 basis points QoQ.

Debt Profile (SAR mn)



- Murabaha contribution to total debt remained at the same level of previous quarter

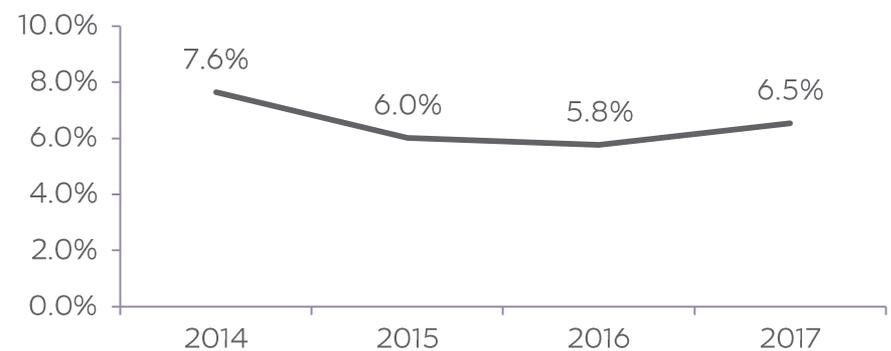
Debt Maturity Profile (SAR mn)



- Maturities are well spread and cash management is prudent. Maturity profile extends to 2027.
- Cash balance of SAR 3.2 bn covers 90% of upcoming liabilities over next 2 years without considering the cash generation possible over this period..

Source: Reviewed Financial Statements as of 31 December 2017

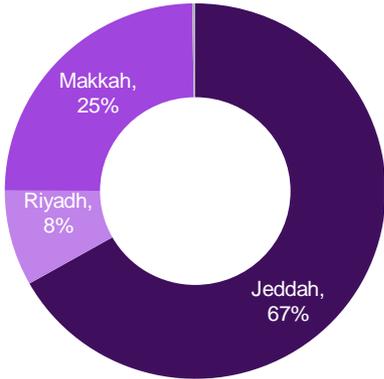
Effective Cost of Funding



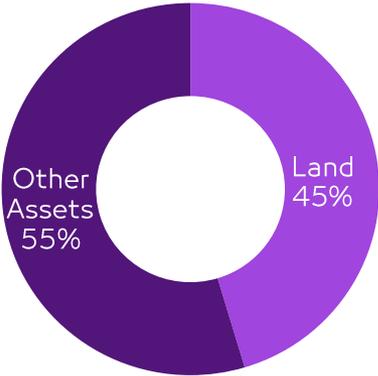
- Effective cost of funding for the year at 6.5%. Increased by 70 basis points as compared to 2016.
- Average debt cost excludes quarterly interest income of earned by deploying excess cash in short term liquid investments. (For 2017 interest income earned SAR 37 mn as against nil in 2016).

2.3 Land Development

Geographic Split of Dar Al-Arkan's Land Bank

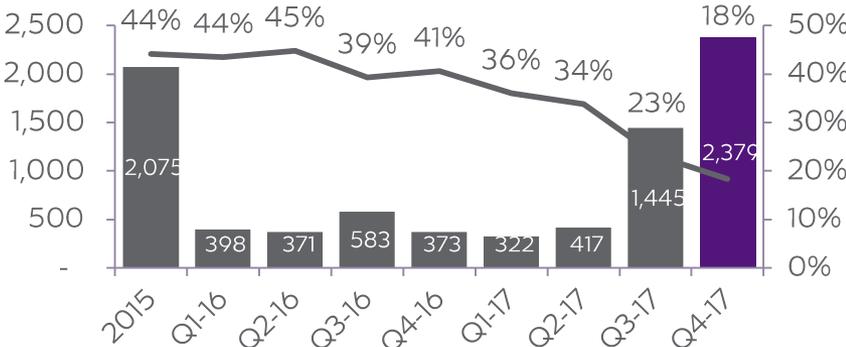


Land Bank (as a % of total Asset)



Book Value of Land Bank: SAR 11.9 bn

Land Revenue & Gross Margin (SAR Millions)



Land Development Strategy

- DAAR has a diversified land portfolio across the Kingdom of Saudi Arabia
- DAAR has been a net seller of lands since 2015 in KSA and continues to seek new land development opportunities internationally
- DAAR has an active land acquisition and development strategy. DAAR retains lands that have a significant value enhancement potential, while opportunistically selling lands at the right premium
- Driven by strong sales team DAAR will increase retail sales of land plots going forward allowing a significantly higher margin generation over bulk land sales
- DAAR has introduced Roberto Cavalli luxury brand in Dubai and considering to expand Cavalli branding to KSA developments to enhance land value proposition

Source: Reviewed Financial Statements as of 31 December 2017

2.4 Branding, Development of Sales and Marketing Capabilities

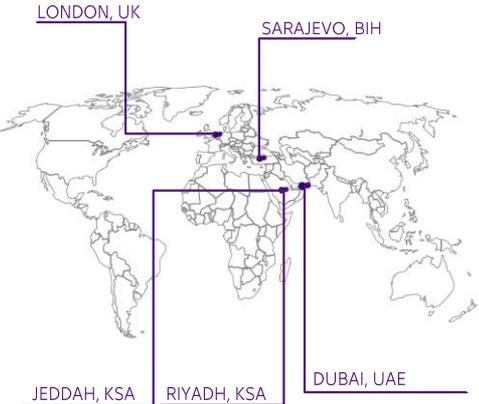
Solid sales & marketing caliber to support DAAR drive to launch more projects locally and internationally



Revamped Web site by introducing completely new platform

DAR
AL ARKAN
دار الأركان

DAAR introduced a new logo to enhance brand identity



A total of 5 Sales offices around the world

I LOVE FLORENCE TOWER

DAAR has launched branded luxury tower in Dubai



Signed co-operation agreement with Roberto Cavalli to design Dubai tower



Sales fairs held in UAE, Manama, Riyadh, Medina and Jeddah



A total of 200 Sales team in 4 sales offices in Saudi and 1 in Dubai



DAAR introduced social media tools for marketing and sales

2.5 Residential - Sales

Parisiana South



- Located in Riyadh city and easily accessed through King Fahad Road and major highways.
 - Refurbished apartments with luscious landscape.
 - Water feature installation surrounded by cafes, restaurants and shops.
 - Built a private gym for men and women.
 - Retail shops (Parisiana Boulevard) are available for sale.

Parisiana Living



- Located in Riyadh city and easily accessed through King Fahad Road, Parisiana Living is a central investment location with access to all destinations; government departments, schools, big hospitals, and major shopping centers.
 - Renovation of villas and the surroundings is underway.
 - Supply & Installation of Access Gates.

Naeem Eljiwar



- Located within the boundary of the Prophet's Mosque featuring vast ambiances and first-class services that offer comfort and luxury life to the residents.
 - Villas of multiple design featuring variety of styles, interior designs and exclusive vanguard gardens.
 - Renovation of villas and the surroundings is underway.

Al Maseef Complex



- The complex is located in Al Maseef neighborhood, north of Riyadh. Close proximity to the Service Road that connects to the Northern Ring Road.
 - Gated community that respects the privacy of its residents.
 - Villas are spacious and the windows of the front hall present a view of the garden outdoors.
 - A common swimming pool

3. Residential & Commercial Development

3.1 Residential & Commercial Development UAE Project – I Love Florence

Project Overview :

- The I Love Florence Tower is in the business bay area in Dubai with a value of SAR 817 million (USD 218 million).
- The tower reaches 34 stories and fully designed by Roberto Cavalli's heritage and love for Florence.
- The tower contains one, two, three and four bedroom apartments.
- This project is located in the Business Bay area & accessible to some of Dubai's key areas and destinations such as Downtown Dubai, The Dubai Mall, Marasi and Dubai International Airport

Latest Updates:

- **Off Plan Sales** - Launch of sales of the tower started in Q4 in Dubai followed by January launch in KSA.
- **Construction** - Drilling and foundation works was awarded to GFG Group. It will also lay the foundation of the project and carry out the excavation work for the whole site.



Saleable (GFA)	42,000 sqm
Number of units	400
Number of stories	34
Project value	SAR 817 mn

3.2 Residential & Commercial Development –Riyadh Projects

Key Facts

Location

Situated in the Al-Ammariyah district (King Khalid Road), part of the growing northwest corridor of Riyadh, Shams ArRiyadh is close to the heart of the city, yet surrounded by natural beauty. The project is just 19 km from King Khalid International Airport, 9 km from King Abdullah Financial Center, 12 km from King Saud University and 16 km from Princess Nora Bint Abdulrahman University.



Off-Plan
Lands sales,
planned to
start 2018

Total Land area

3.2 million sqm



Off-Plan
Luxury
branded villas
sales, planned
to start 2018

Phase 1

Residential land sale

629,000 sqm



Retail strip
development,
planned to
start 2018

Luxury Branded Villas for sale

325 nos (on off plan basis based on market conditions)

Retail Strip

88,000 sqm with GLA of 44,000 sqm



Mixed use
commercial
development,
planned to
start 2020
depending on
market
condition

Phase 2

Residential land for sale

1.3 m sqm

Commercial land for sale

550,000 sqm with BUA of 3 million sqm

3.3 Residential & Commercial Development – Jeddah Projects

Key Facts

Location

- The site is situated 12 kms from CBD directly off the 6 lane Palestine Road which connects Arous with the Jeddah city center (CBD).
- The site can be accessed via this road from CBD, Central Jeddah, the North and southern parts of the city and the airport.
- The neighborhood of Retail Strip Jeddah development consists of Shams Al Arous residential area

Land Plots for Sale

807,000 sqm

Retail Strip Development

The Retail Strip will provide unique retail attraction and anchor Shams al Arous project

Lot Size

55,000 sqm

BUA

31,000 sqm

GLA (shops)

31,000 sqm

Permitting

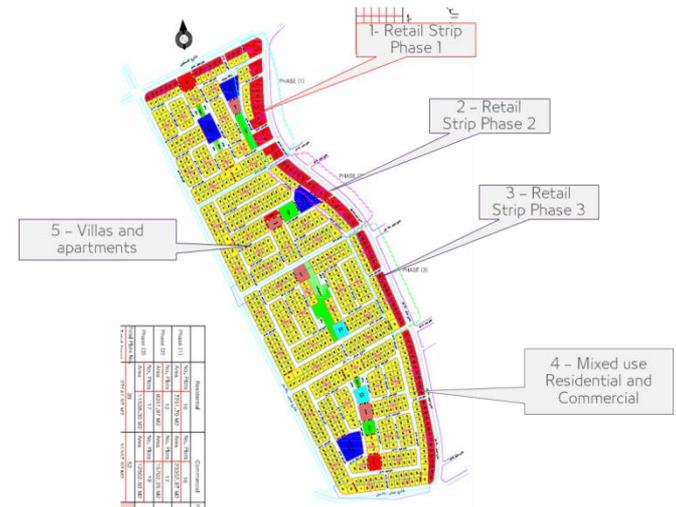
Master plan approval in process

Designer

VX Dubai



Planned to start 2018,
concept design ready,
under municipal approval



3.4 Residential & Commercial Development – Eastern Province Projects

Key Facts

Location	The project is located in the Eastern Province overlooking Tarout Bay. Once completed, the island will be an integrated community providing to its residents and visitors modern waterfront living. The project intends to be the new hub for this fast growing area, becoming a waterfront luxury residential, leisure and MICE destination with hospitality projects catering for the upper middle to the upper-upper luxury segments. Juman will also include other commercial components.
Land Area	8,2 m sqm mixed use land
DAAR role	Master developer with 18 % holding in JV and a lucrative development margin from the revenue over the entire development .
Hospitality	Waterfront resorts
Apartments	Unique waterfront apartments
Villas	Luxury branded villas with private beach
Commercial	Entertainment, office, healthcare and education
Retail	Mega mall and street retail
Time line	Phase I very shallow reclamation development to start 2020 for a Resort and complementary residential components



4. Property Management & Leasing

4.1 Property Management & Leasing- Al Qasr Mall

The Al Qasr Mall, amongst the largest malls in Riyadh, is well located just off King Fahd road with direct access on to the 6 lane Al Suwaidi Road. This allows the local population to have easy access to the mall.

Al Qasr Mall, amongst the largest malls in Riyadh

- Total 499 units - 291 Shops, 3 Anchors, 4 sub anchors, 1 hypermarket, 1 entertainment center, 30 fast food outlets, 2 restaurants, 30 storage areas, 3 coffee shops, 37 kiosk, 10 ATM & 87 RMU and two parking floors
- Al Qasr mall enjoys exclusivity in southern Riyadh without any competition in half a million catchment area.

Entertainment complex with Cinema

- Signed a MoU for c. 5,500 sqm to be leased for 14 theater multiplex cinemas. Complex to be operational in 2018 and will enhance the returns on the 3rd level by driving occupancy and rates.
- Supporting F&B for the cinema customers

“Fun City” for kids

- There is a planned 7,000 sqm of amusement facilities for kids between 1-12 years of age.

Ground floor expansion

- 10,242 sqm. of prime leasable space planned to capture full footfall in Al Qasr mall. Approvals in process with municipality.



Key Highlights

Land Area	61,949 m ²
Built up Area	220,202m ²
Gross Leasable Area	78,958 m ²
No. of floors	3 Leasable Floors plus two parking
Parking	1,579 Parking Spaces
Occupancy	79 %

4.2 Property Management & Leasing- Residential

Al-Qasr Apartments and villas, Riyadh

GLA (sqm)	419,000
Apartments	2,350
Villas	66
Commercial space (sqm)	75,963
Occupancy Ratio %	52%

Activity in Q4 2017: Continue to focus on targeting and approaching large retailers.



Azizia Towers, Makkah

GLA (sqm)	41,720
# Leasable Units	305
# Leasable Floors	12
Occupancy Ratio	94 %

Activity in Q4 2017 : Property fully leased to King Abdullah Medical City (Government)



Al Tital villas, Medina

GLA (sqm)	87,000
# Leasable villas	279
Occupancy Ratio	20 %

Activity in Q4 2017 : Property leased to individuals and in process to be fully converted for sale



5. DAAR Properties IPO

5.1 DAAR Properties IPO

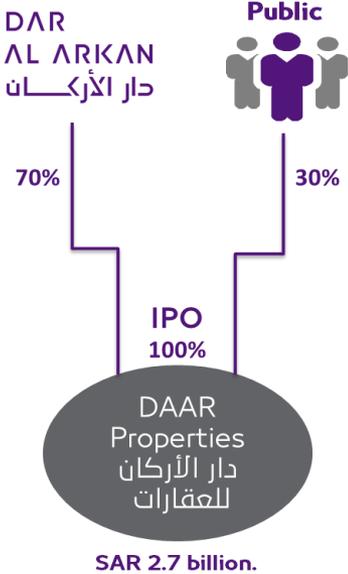
Transaction Rationale

- Increasing the properties net asset value by separating the development sector from the recurring income portfolio.
- The objective of floating 30% from DAAR Properties Co. is to provide investors with an opportunity to participate in a recurring income with regular dividends which is low risk as well as to enjoy the future up side returns from the proposed and existing commercial developments under the entity.

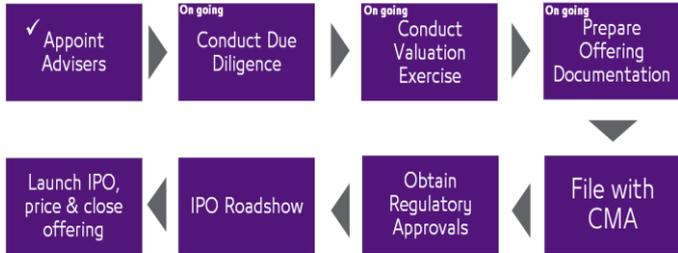
Key Highlights

- DAAR Properties Co. is Dar Al-Arkan Real Estate Development Company properties development arm.
- DAAR Properties Co. Holds recurring income portfolio along with retail development projects based in North of Riyadh and Jeddah.
- Transaction progress is in early stages and is still under the evaluation process.

DAAR Properties IPO structure



IPO Process Overview



6. Appendix

6.1 Appendix I – Income Statement

SR in 000s	FY 2015	FY 2016	Q4, 2016	Q4, 2017	FY 2017
Revenue	2,211,349	1,870,229	410,494	2,435,123	4,734,687
Cost of revenue	(1,228,117)	(1,078,286)	(240,037)	(1,969,752)	(3,620,675)
Gross profit	983,232	791,943	170,457	465,371	1,114,012
%	44.5%	42.3%	41.5%	19.1%	23.5%
Operating expenses	(204,238)	(156,005)	(40,115)	(35,137)	(157,106)
Operating profit	778,994	635,938	130,342	430,234	956,906
%	35.2%	34.0%	31.8%	17.7%	20.2%
Income from Associates	12,800	12,878	3,192	5,066	20,604
Depreciation & amortization	(39,586)	(36,471)	(8,758)	(10,289)	(37,733)
EBIT	752,208	612,345	124,777	425,011	939,777
%	34.0%	32.7%	30.4%	17.5%	19.8%
Other income	1,075	(32)	36	11,017	36,722
Finance cost	(384,801)	(353,536)	(85,081)	(106,909)	(408,688)
PBT	368,482	258,777	39,731	331,794	570,486
%	16.7%	13.8%	9.7%	13.6%	12.0%
Zakat	(9,325)	(7,943)	(2,443)	(8,443)	(14,443)
Net Income	359,157	250,834	37,288	323,351	556,043
%	16.2%	13.4%	9.1%	13.3%	11.7%
EBITDA	862,094	722,261	152,093	462,051	1,086,112
%	39.0%	38.6%	37.1%	19.0%	22.9%
KPIs					
GM%	44.5%	42.3%	41.5%	19.1%	23.5%
Operating Profit %	35.2%	34.0%	31.8%	17.7%	20.2%
EBITDA %	39.0%	38.6%	37.1%	19.0%	22.9%
PBT%	16.7%	13.8%	9.7%	13.6%	12.0%
Net Income%	16.2%	13.4%	9.1%	13.3%	11.7%

6.2 Appendix II – Balance Sheet

SR in 000s	FY 2015	FY 2016	FY 2017
Cash	1,001,061	582,087	3,159,666
Accounts Receivables	1,948,687	1,839,470	3,338,618
Pre-paid Expenses	974,809	743,508	694,707
Project in Progress-ST	-	-	49,227
Developed Land -ST	437,185	317,325	73,448
Total Current Assets	4,361,743	3,482,390	7,315,666
Project in Progress-LT	8,651,076	8,878,157	8,264,767
Investment in Land	5,982,401	6,261,462	5,711,770
Developed Land -LT	1,963,764	1,581,442	775,030
Investment Properties	3,501,637	3,424,778	3,290,010
Investment in Associates	776,207	790,585	811,189
Other Assets	68,416	66,959	72,875
Total Non-Current Assets	20,943,501	21,003,384	18,925,641
Total Assets	25,305,244	24,485,775	26,241,307
Payables & Accruals	1,065,035	1,067,215	1,086,812
Murabahas & Sukuks-ST	1,531,945	324,995	1,691,363
Total Current Liabilities	2,596,980	1,392,210	2,778,175
Murabahas & Sukuks-LT	4,760,617	4,890,375	4,707,620
Others	20,973	25,682	21,961
Total Non-Current Liabilities	4,781,590	4,916,057	4,729,581
Total Equity	17,926,674	18,177,508	18,733,551
Total Liabilities & Equity	25,305,244	24,485,775	26,241,307
Land development	17,034,426	17,038,387	14,825,015
Property management & leasing	3,501,637	3,424,778	3,290,010

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