



12th August 2014

DAMAC Real Estate Development Limited

Half Year Results for the six months to 30 June 2014 show continued strong growth and delivery of strategy

DAMAC Real Estate Development Limited (LSE: DMC) ("DAMAC" or the "Company"), a leading developer of high-end and luxury residential property in the Middle East, announces results for the six months ended 30 June 2014.

Financial highlights

- 57% increase in revenues to US\$991.9 million in H1 2014 (H1 2013: US\$631.9 million)
- Sale of land in AKOYA villas generated revenue of US \$305.1 million (31% of total H1 2014 revenue)
- 41% increase in gross profit to US\$569.5 million (H1 2013: US\$402.7 million)
- Gross margin remained strong at 57.4%
- 39% increase in operating profit to US\$463.2 million (H1 2013: US\$332.7 million)
- 39% growth in net profit for the half year to US\$462.9 million (H1 2013: US\$332.0 million)
- Total assets at US\$4,288.8 million, representing growth of 41% compared to 31 December 2013
- Development properties stood at US\$1,885.4 million as at 30 June 2014
- Advances from customers stood at US\$1,805.9 million as at 30 June 2014
- Sukuk issue boosted net cash position to US\$1,011.9 million
- The Board of Directors of the Company has resolved to pay an interim dividend of US cents 24.928/share (US cents 74.784/GDR). Total dividend outflow expected to be US\$162 million. This represent a yield of 6.1% based on GDR listing price in December 2013 and 4.6% based on 30 June 2014 closing price
 - Dividend Declared : 12 August, 2014
 - Ex-Dividend date : 18 August, 2014
 - Record Date : 20 August, 2014
 - Payment Date : 29 August, 2014

Operational highlights

- Booked Sales reached US\$1,682.6 million during the first half of the year (H1 2013: US\$960 million), with 3.6 million sq ft sold
- Total booked sales in AKOYA by DAMAC till 30 June stood at US\$1,443.6 million
- 1,634 units delivered in H1 2014 across five projects
- Delivered first international project, Al Jawharah in Saudi Arabia
- Launched AKOYA Drive, a 1.3km shopping strip located within AKOYA by DAMAC
- Other key projects launched in H1 2014 include:
 - FENDI villas in AKOYA by DAMAC in Dubai
 - Celestia, Dubai World Central, in Dubai
 - Constella, the first officially certified Sharia-compliant hotel apartments from DAMAC, in Jumeirah Village, Dubai
 - Allure in the Burj area, Dubai
 - Vantage in Jumeirah Village, Dubai
 - Capital Bay in Business Bay, Dubai
 - Burj DAMAC Waterfront in Doha, Qatar
- In August 2014 acquired a development land plot from Dubailand LLC for US\$513 million, comprising c.55 million sq ft of land. Also acquired four new land plots in prime locations of Dubai during H1 2014 with development potential of c.1.4 million sq ft
- Increased headcount to c.1,800 employees: (including c.600 sales staff)

Statement by Hussain Sajwani, Executive Chairman and Chief Executive Officer of DAMAC:

The first half of the year has seen the Company deliver another period of growth, building on the strong results we announced for the full year 2013 and reflecting the continued strengthening of the markets in which we operate. In our key market of Dubai, in particular, demand for luxury property remains robust, underlining the Emirate's position as the region's primary business and tourist destination.

Recognised revenue for the first half grew 57% to US\$991.9 million (H1 2013: US\$631.9 million) driven primarily by higher revenue from development activities including the completion and handover of our first international development, Al Jawharah in the Kingdom of Saudi Arabia. The delivery of Al Jawharah is a milestone for the company. It is testament to our ability to enter new territories and deliver on the platforms that we have built in these markets.

Our focus on efficiency and cost management during the entire development cycle has once again resulted in the Company maintaining a market leading gross profit margin, which stood at 57.4% for the period.

The continuing strength of our margin and the growth in revenue both flowed through into the Company's profitability and are reflected in the 41% increase in gross profit to US\$569.5 million achieved (H1 2013: US\$402.7 million) and 39% growth in net profit to US\$462.9 million (H1 2013: US\$332.0 million), which led to a 70% increase in shareholders' equity to US\$1,122.1 million since the start of the year.

Operating profit grew 39% to US\$463.2 million (H1 2013: US\$332.7 million) which incorporates a 23% growth in general and administrative expenses to US\$111.2 million (H1 2013: US\$90.4 million), as the Company continues to expand its operations and bring new developments to market in order to satisfy the strengthening demand for product.

Underlining the highly cash generative nature of the Company's business was the 267% increase in operating cash flow to US\$593.5 million (H1 2013: US\$161.5 million). Once again this reflected the growth in booked sales resulting in higher cash collection, with advances from customers growing to US\$1,805.9 million as at 30 June 2014, compared to US\$1,715.3 million as at 31 December 2013.

The most significant balance sheet event during the period was the successful issuance in April of a BB rated US\$650 million five year Regulation 'S' senior unsecured Sukuk (the "Sukuk") maturing in April 2019. This was four times over-subscribed and was issued to provide funds principally for the acquisition of further land plots to strengthen and extend the Company's development pipeline.

In line with the Company's strategy to focus on masterplan developments, DAMAC entered into agreement in August 2014 to acquire c.55million sq ft land plot in Dubai, purchased through the Company's subsidiary 'Front Line Investment Management Co LLC', for a total financial commitment of c.US\$513 million.

As a result of the Sukuk, the Company's net cash position grew to US\$1,011.9 million as at 30 June 2014 (31 December 2013: US\$492.9 million), net of gross debt of US\$652.2 million.

The balance sheet remains strong, with total assets standing at US\$4,288.8 million as at 30 June 2014, representing growth of 41% over the 2013 year end. This was primarily led by the increases in cash and bank balances driven by the improved customer collection and Sukuk mentioned above. The Development properties reduced marginally to US\$1,885.4 million, as at 30 June 2014 (31 December 2013: US\$1,932.7 million) due to the handover of projects during H1 2014.

Operational highlights

During the first half of the year we delivered 1,634 units across five projects and as per guidance given, we are on track to complete a total of c.4,000 to 5,000 units during 2014.

Booked sales increased 75% to \$1,682.6 million (H1 2013: US\$960 million) with our sales rate across our key projects in line with expectations.

Project launches

In H1 we launched several new projects including two milestone projects – AKOYA Drive and the region's first officially certified Sharia compliant residential development, Constella.

AKOYA Drive is DAMAC's first retail strip development, which will, on completion, be one of the largest outdoor retail developments in Dubai. The scheme will comprise a 1.3km strip, which will include an outdoor skating rink and outdoor cinema as well as a premium hotel and a cluster of hotel apartments. We have already seen a high level of interest from premium and luxury retailers.

Sales at our AKOYA development remain strong with total sales to date of \$1,443.6 million, equating to a current sales price per square foot of c.AED1,350. We also continued our focus on branded real estate, having launched the world's first Fendi Villas at AKOYA in June.

DAMAC Hospitality

Our hospitality offer continues to expand and we formally opened our first project on 31 December 2013, DAMAC Maison Dubai Mall Street. We also launched NAIA by DAMAC in April 2014 and opened our second project, NAIA Jebel Ali, in June 2014. We will look to expand this part of our business and will be bringing forward new hospitality projects in the second half of the year.

Our hospitality pipeline currently stands at over 10,000 units.

Land bank

During the period we acquired four tactical land plots in Dubai, in line with our strategy of replenishing our land bank with land in prime Dubai locations to ensure a consistent pipeline of future sales inventory.

Subsequent to the period end we acquired a new masterplan development project of c.55 million sq ft, located in Dubailand, for a consideration of US\$513 million.

Construction

Construction across our portfolio remains on target. We have built DAMAC Heights in Dubai Marina to level 25, have topped out DAMAC Tower in Beirut, and works at AKOYA to deliver villas remain ongoing. Our Trump branded golf course at AKOYA is still on track to be grassed by early 2015.

Outlook

Looking ahead, we expect Dubai's strong economic fundamentals, regional safe-haven status and improving business sentiment, assisted by the policies put in place coupled with the growing number of visitors to the Emirate, to contribute to ongoing growth.

Customer demand for our luxury product remains high, and we strongly believe that the current real estate market in Dubai remains sustainable, supported by a structural and ongoing supply / demand imbalance for high end property. We have a strong brand across the Middle East and we believe this to be a true differentiator from our competitors.

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* All Dollar (\$) figures in this statement are United States Dollars

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Notes: DAMAC is a leading developer of high-end property in the Middle East, with a strong track record in Dubai and a growing presence in other markets in the region. Its award-winning developments include some of the most iconic buildings in Dubai's luxury property sector and its brand is widely recognised throughout the region.

DAMAC operates primarily in the residential segment of the luxury property sector but has also developed a limited number of mixed-use and commercial properties. DAMAC continually adapts its product offering in response to its customers' demands and is currently expanding the appeal of and demand for its residential units by adding to its products on offer:

- (i) Fully serviced apartments and villas
- (ii) Apartments and villas that are co-branded with premium brands such as FENDI Casa, Versace Home, Paramount Hotels & Resorts and The Trump Organization
- (iii) Villas and apartments in luxury lifestyle community developments such as its AKOYA by DAMAC project.

**Damac Real Estate Development Limited, DIFC
Dubai - United Arab Emirates**

**Interim condensed consolidated financial
information and review report
For the six month period ended
30 June 2014**

**Damac Real Estate Development Limited, DIFC
Dubai, U.A.E.**

Table of contents	Pages
Report on review of interim condensed consolidated financial information	1
Interim consolidated statement of financial position	2
Interim consolidated statement of comprehensive income	3
Interim consolidated statement of changes in equity	4
Interim consolidated statement of cash flows	5
Notes to the interim condensed consolidated financial information	7 - 22

Report on Review of Interim Condensed Consolidated Financial Information

The Board of Directors
Damac Real Estate Development Limited, DIFC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of **Damac Real Estate Development Limited, DIFC** and its subsidiaries (collectively the “Group”) as of 30 June 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the period from 1 January 2014 to 30 June 2014, and a summary of significant accounting policies and other explanatory information. The Directors of the Group are responsible for the preparation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not presented fairly, in all material respects in accordance with IAS 34.




11 August 2014

Interim consolidated statement of financial position
As at 30 June 2014

	Notes	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
ASSETS			
Property and equipment		15.1	12.5
Development properties	4	1,885.4	1,932.7
Other financial assets	5	130.5	77.9
Trade and other receivables	6	546.3	409.5
Financial investments	7	47.4	30.7
Cash and bank balances	8	1,664.1	578.2
Total assets		4,288.8	3,041.5
EQUITY AND LIABILITIES			
Equity			
Share capital	9	650.0	650.0
Statutory reserve		41.3	41.3
Group restructuring reserve	10	(566.7)	(566.7)
Investment revaluation reserve	7	0.1	0.5
Retained earnings		997.4	534.0
Total equity		1,122.1	659.1
Liabilities			
Bank borrowings	11	8.4	85.3
Sukuk certificates	12	643.8	-
Due to related party	13	-	1.2
Provision for employees' end-of-service indemnity		6.4	4.9
Trade and other payables	14	2,508.1	2,291.0
Total liabilities		3,166.7	2,382.4
Total shareholders' equity and liabilities		4,288.8	3,041.5

The accompanying notes form an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 2 to 22 were approved by the Board of Directors on 11 August 2014 and signed on their behalf by



Director

Interim consolidated statement of comprehensive income
For the period ended 30 June 2014

	Notes	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		US\$ Million	US\$ Million	US\$ Million	US\$ Million
Revenue	15	556.1	407.3	991.9	631.9
Cost of Sales		(254.1)	(146.3)	(422.4)	(229.2)
Gross profit		302.0	261.0	569.5	402.7
Other operating income		35.1	0.5	37.3	2.2
General administrative expenses		(61.3)	(66.7)	(111.2)	(90.4)
Brokerage and commission		(16.8)	(5.0)	(30.7)	(7.3)
Depreciation		(0.7)	(0.8)	(1.7)	(1.6)
Reversal of impairment on development properties	4	-	27.1	-	27.1
Operating profit		258.3	216.1	463.2	332.7
Other income		1.1	(0.3)	3.6	1.7
Finance income		1.8	0.5	4.8	0.9
Finance costs		(7.9)	(1.6)	(8.7)	(3.3)
Profit for the period		253.3	214.7	462.9	332.0
<i>Other comprehensive income</i>					
Items that will not be reclassified subsequently to profit or loss		-	-	-	-
Items that maybe reclassified subsequently to profit or loss					
- Revaluation reserve on financial investments recycled to profit or loss on disposal		-	-	0.5	-
- Unrealised gain on financial investments		0.1	-	0.1	-
Total comprehensive income for the period		253.4	214.7	463.5	332.0
Earnings per ordinary share					
Basic and diluted (US Cents)	18	0.39	N/A	0.71	N/A

The accompanying notes form an integral part of this interim condensed consolidated financial information

Interim consolidated statement of changes in equity
For the period ended 30 June 2014

	Share capital (Unaudited) US\$ Million	Statutory reserve (Unaudited) US\$ Million	Group restructuring reserve (Unaudited) US\$ Million	Investment revaluation reserve (Unaudited) US\$ Million	Retained earnings (Unaudited) US\$ Million	Total (Unaudited) US\$ Million
Balance at 1 January 2013 (audited)	86.4	41.0	-	-	12.5	139.9
Profit for the period	-	-	-	-	332.0	332.0
Other comprehensive income for the period	-	-	-	-	-	-
Share capital reduction	(3.1)	-	-	-	-	(3.1)
Dividend paid	-	-	-	-	(119.7)	(119.7)
Balance at 30 June 2013 (Unaudited)	83.3	41.0	-	-	224.8	349.1
Balance at 1 January 2014 (audited)	650.0	41.3	(566.7)	0.5	534.0	659.1
Profit for the period	-	-	-	-	462.9	462.9
Other comprehensive income for the period	-	-	-	(0.4)	0.5	0.1
Balance at 30 June 2014 (Unaudited)	650.0	41.3	(566.7)	0.1	997.4	1,122.1

The accompanying notes form an integral part of this interim condensed consolidated financial information

**Interim consolidated statement of cash flows
For the period ended 30 June 2014**

	1 January to 30 June 2014 (6 months) (Unaudited) US\$ Million	1 January to 30 June 2013 (6 months) (Unaudited) US\$ Million
Cash flow from operating activities		
Profit for the period	462.9	332.0
Adjustments for:		
Depreciation on property and equipment	1.7	1.6
Provision for employees' end-of-service indemnity	1.7	0.9
Loss on retirement of property and equipment	0.7	-
Loss on disposal of financial investments (Note 7)	0.3	-
Reversal of impairment on development properties (Note 4)	-	(27.1)
Provision for impairment on trade receivables	3.5	25.3
Finance costs	8.7	3.3
Finance income	(4.8)	(0.9)
	<hr/>	<hr/>
Operating cash flows before changes in working capital	474.7	335.1
Increase in trade and other receivables	(140.6)	(118.9)
Decrease/(increase) in development properties	47.3	(95.6)
(Increase)/decrease in due to related parties	(1.2)	62.7
Increase/(decrease) in trade and other payables	219.9	(17.9)
	<hr/>	<hr/>
Cash generated from operations	600.1	165.4
Finance costs paid	(11.5)	(3.8)
Interest received	5.1	0.3
Employees' end-of-service indemnity paid	(0.2)	(0.4)
	<hr/>	<hr/>
Net cash generated from operations	593.5	161.5
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property and equipment	(5.0)	(1.5)
Acquisition of financial investments (Note 7)	(47.3)	-
Disposal of financial investments (Note 7)	30.4	-
(Increase)/decrease in other financial assets	(52.6)	21.5
Increase in term deposits with original maturity greater than three months (Note 8)	(394.8)	(25.1)
	<hr/>	<hr/>
Net cash used in investing activities	(469.3)	(5.1)
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Interim consolidated statement of cash flows (continued)
For the period ended 30 June 2014

	1 January to 30 June 2014 (6 months) (Unaudited) US\$ Million	1 January to 30 June 2013 (6 months) (Unaudited) US\$ Million
Cash flows from financing activities		
Repayment of bank borrowings (Note 11)	(76.9)	13.9
Net proceeds from issue of Sukuk certificates (Note 12)	643.8	-
Net cash generated from financing activities	566.9	13.9
Net increase in cash and cash equivalents	691.1	170.3
Cash and cash equivalents at the beginning of the period (Note 8)	545.7	105.8
Cash and cash equivalents at the end of the period (Note 8)	1,236.8	276.1

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014**

1. General information

DAMAC Real Estate Development Limited, DIFC (the “Company” or the “Parent”) was incorporated on 31 October 2013 as a Company Limited by shares (registration number 1476) with the Registrar of Companies of the Dubai International Financial Centre (the “DIFC”) under the Companies Law, DIFC Law No. 2. The registered address of the Company is Office No. 206A, Level 2, Park Towers, Dubai International Financial Centre, P.O. Box 2195, Dubai, United Arab Emirates.

The Parent and its subsidiaries (collectively the “Group”) are involved in the development of properties in the Middle East.

The Parent is ultimately controlled by Mr. Hussain Ali Habib Sajwani (the “Chief Executive Officer” and “Executive Chairman”).

2. Basis of preparation

Statement of compliance

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34 Interim Financial Reporting.

Functional and reporting currency

The interim condensed consolidated financial information is presented in United States Dollars (“US\$”) which is the Group’s reporting currency. The individual financial information of each Group entity is prepared in local currency, being the currency in the primary economic environment in which these entities operate (the functional currency).

Basis of consolidation

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries listed below which in total are 84 (31 December 2013: 77) companies (together the “Group”).

<u>Entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
Global Properties Company Limited	Dubai, U.A.E.	Real estate development	100%	100%
Middle East Properties Company Limited	Dubai, U.A.E.	Real estate development	100%	100%
Damac Fortune Properties Company Ltd	Dubai, U.A.E.	Real estate development	100%	100%
Damac General Trading LLC	Dubai, U.A.E.	Holding company	100%	100%

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

2. Basis of preparation (continued)

Basis of consolidation (continued)

<u>Entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
Damac Properties Development Co. LLC	Dubai, U.A.E.	Holding company	100%	100%
Damac Properties Co. LLC	Dubai, U.A.E.	Holding company	100%	100%
Marina Terrace Co. LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Gulf Properties LLC	Dubai, U.A.E.	Real estate development	100%	100%
Lake Terrace Co. LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Star Properties LLC	Dubai, U.A.E.	Real estate development	100%	100%
Island Oasis Properties LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Crescent Properties LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Development LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Heritage Properties Co LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Luxury Real Estate Properties Co LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Crescent Properties Co LLC	Dubai, U.A.E.	Real estate development	100%	100%
The Waves FZ LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Real Estate Developers FZ LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Properties FZ LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Lake View Company Limited	Dubai, U.A.E.	Real estate development	100%	100%
Damac Properties Company Limited	Dubai, U.A.E.	Real estate development	100%	100%
Damac Park Towers Company Limited	Dubai, U.A.E.	Real estate development	100%	100%
Damac Crown Properties Company Limited	Dubai, U.A.E.	Real estate development	100%	100%
Damac Properties Company Limited	Saudi Arabia	Real estate development	100%	100%
Damac Properties Qatar WLL	Qatar	Holding company	100%	100%
Valencia Development Company WLL	Bahrain	Real estate development	100%	100%
Damac Investment & Properties (Jordan) LLC	Jordan	Real estate development	100%	100%

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

2. Basis of preparation (continued)

Basis of consolidation (continued)

<u>Entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
Damac Properties Lebanon SAL	Lebanon	Real estate development	100%	100%
Alaam Al-Dariha General Trading Limited	Iraq	Real estate development	100%	100%
Malak Al Rafidayn Properties Investment	Iraq	Real estate development	100%	100%
Tilal Development Holding SAL	Lebanon	Holding company	100%	100%
Luxury Facilities Management Co. LLC	Dubai, U.A.E.	Facilities management	100%	100%
Luxury Owner Association Management Services	Dubai, U.A.E.	Facilities management	100%	100%
Damac Properties Services Co. Shj LLC	Dubai, U.A.E.	Sales office	49%	100%
Damac Real Estate Services Co LLC	Dubai, U.A.E.	Holding company	100%	100%
Elegance Marketing Co LLC	Dubai, U.A.E.	Marketing and public relations	100%	100%
Damac Homes LLC	Dubai, U.A.E.	Group treasury operation	100%	100%
Damac Ocean Heights Co. LLC	Dubai, U.A.E.	Sales office	100%	100%
Damac Star Properties LLC (Branch) Morouj Rotana	Dubai, U.A.E.	Sales office	100%	100%
Royal Crown Properties Co. LLC	Dubai, U.A.E.	Holding company	100%	100%
Frontline Investment Management Co. LLC	Dubai, U.A.E.	Shell company	100%	100%
Damac Ocean Heights Co. LLC (Branch) OH	Dubai, U.A.E.	Sales office	100%	100%
Damac Star Properties LLC (Branch) Al Seef	Dubai, U.A.E.	Sales office	100%	100%
Ocean Pearl Real Estate Company LLC	Dubai, U.A.E.	Real estate development	100%	100%
Middle East Dubai	Qatar	Shell Company	100%	100%
Premier Vision Property Development	Qatar	Shell company	100%	100%
Heritage Properties	Qatar	Shell company	100%	100%
Al-Imaratieh Properties LLC	Jordan	Real estate development	100%	100%
Damac Lebanon SAL (Holding)	Lebanon	Holding company	100%	100%
Al Hikmah International Enterprises LLC	Qatar	Project development	49%	100%
Al Aman Investment Management Co. LLC	Dubai, U.A.E.	Holding company	100%	100%
Damac Properties International Ltd.	Mauritius	Holding company	100%	100%
Excel Operations Company Limited	Dubai, U.A.E.	Holding company	100%	100%
Damac Hotels Management LLC	Dubai, U.A.E.	Hotels management	100%	100%

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

2. Basis of preparation (continued)

Basis of consolidation (continued)

<u>Entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
Namaa Properties Development LLC	Dubai, U.A.E.	Real estate development	100%	100%
Damac Properties Company Limited (Branch)	Saudi Arabia	Sales office	100%	100%
Quality Investment Co LLC	Dubai, U.A.E.	Shell company	100%	100%
Luxury Facilities Management Co. LLC (Branch)	Dubai, U.A.E.	Facilities management	100%	100%
Maksab Holding Limited	BVI	Holding company	100%	100%
Kings Valley Investment Co LLC	Dubai, U.A.E.	Shell company	100%	100%
Blue Eagle Investment Co LLC	Dubai, U.A.E.	Trust arrangement	100%	100%
Majara Investments Limited	BVI	Investment company	100%	100%
Star Luxury LLC	Russia	Sales office	99%	100%
Damac FC Holding Co Ltd	Dubai, U.A.E.	Holding company	100%	100%
Damac TR Holding Co Ltd	Dubai, U.A.E.	Holding company	100%	100%
Damac Tuscan Residence LLC	Dubai, U.A.E.	Holding company	100%	100%
Prosperity Trading WOFE	China	Trading company	100%	100%
Daman Holding Limited	BVI	Shell company	100%	100%
Arjann Holdings Limited	BVI	Shell company	100%	100%
Damac Ocean Heights Company Limited	Dubai, U.A.E.	Real estate development	100%	100%
Bright Gulf Investments Limited	BVI	Shell company	100%	100%
Accredited Holding Limited	BVI	Shell company	100%	100%
Ali Habib Kukar's Real Estate Office	Saudi Arabia	Sales office	100%	100%
Damac Enterprises & Management Co. LLC	Dubai, U.A.E.	Trade marks	100%	100%
Damac Enterprises Co. Ltd	Mauritius	Trade marks	100%	100%
Damac Media And Marketing LLC	Dubai, U.A.E.	Marketing and public relations	100%	100%
Sadaf Investment Limited	Dubai, U.A.E.	Holding company	100%	100%
Damac Ocean Heights Co. LLC (Branch) - Signature Tower*	Dubai, U.A.E.	Real estate development	100%	100%
Damac Properties Company Limited - (Dammam Branch)*	Saudi Arabia	Real estate development	100%	100%
Damac Ocean Heights Company Limited*	Maldives	Hotels management	100%	100%
Priority Holding Limited*	Cayman Islands	Holding company	100%	100%
Alpha Star Holding Limited*	Cayman Islands	Holding company	0%	100%
Business Tower Investment LLC*	Dubai, U.A.E.	Real estate development	100%	100%
Damac Business Village LLC*	Dubai, U.A.E.	Investment company	100%	100%

* These are newly incorporated entities that became part of the Group during the period ended 30 June 2014.

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

3. Basis of preparation (continued)

Business combination under common control

On 3 December 2013, the Company became the legal holding company of DAMAC Properties Development Co. LLC, DAMAC General Trading LLC, Kings Valley Investment Co. LLC, DAMAC Tuscan Residences LLC and DAMAC Properties International Limited, Mauritius, together with their underlying subsidiaries. As explained in Note 2 of the consolidated financial statements of the Group for the year ended 31 December 2013, this transaction falls outside the scope of IFRS 3 Business Combinations. Therefore the pooling of interests method was applied and the interim condensed consolidated financial information of the Group is presented as a continuation of the “Combined Group”. The following accounting treatment was applied:

- a) the assets and liabilities of the “Combined Group” were recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- b) the retained earnings and other equity balances of the “Combined Group” immediately before the business combination, and the results for the period from 1 January 2013 to the date of the business combination are those of the “Combined Group” as the Company did not trade prior to the transaction; and
- c) comparative numbers presented in the interim condensed consolidated financial statements relating to the six month period ended and as at 30 June 2013 are those of the “Combined Group”.

Significant accounting policies

The accounting policies adopted, methods of computation, critical accounting judgments, key sources of estimation uncertainty and financial risk management objectives and policies are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014, which are detailed below. The application of these new standards and interpretations did not have a material impact on the amounts reported for the current and prior periods.

IAS 32	<i>Amendments to IAS 32 Financial Instruments: Presentation</i>
IAS 36	<i>Amendments to IAS 36 Impairment of Assets: Recoverable Amount Disclosures</i>
IAS 39	<i>Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRS 10, IFRS 12 & IAS 27	<i>Guidance on Investment Entities</i>

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

2. Basis of preparation (continued)

Significant accounting policies (continued)

Relevant new and revised IFRS in issue but not yet effective

The Company has not applied the following new and revised IFRS, amendments and interpretations that have been issued but not yet effective:

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
• Amendments to IAS 19 <i>Employee Benefits</i>	1 July 2014
• Annual Improvements to IFRS 2010 - 2012 Cycle	1 July 2014
▪ IFRS 2 <i>Share Based Payments</i> - definition of 'vesting condition'.	
▪ IFRS 3 <i>Business Combinations</i> - accounting for contingent consideration.	
▪ IFRS 8 <i>Operating Segments</i> - aggregation of segments, reconciliation of segment assets.	
▪ IAS 16 <i>Property, Plant, and Equipment</i> - proportionate restatement of accumulated depreciation on revaluation.	
▪ IAS 24 <i>Related Party Disclosures</i> - management entities.	
▪ IAS 38 <i>Intangible Assets</i> - proportionate restatement of accumulated depreciation on revaluation.	
• Annual Improvements to IFRS 2011 - 2013 Cycle	1 July 2014
▪ IFRS 3 <i>Business Combinations</i> - scope exception for joint ventures.	
▪ IFRS 13 <i>Fair Value Measurement</i> - scope of the portfolio exception.	
▪ IAS 40 <i>Investment Property</i> - interrelationship between IFRS 3 and IAS 40.	
• IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
• IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
• Amendments to IAS 16 <i>Property, plant and equipment</i> and IAS 38 <i>Intangible Assets</i>	1 January 2016
• IFRS 9 <i>Financial Instruments</i>	1 January 2018

The Group anticipates that these new standards will be adopted in the Group's consolidated financial statements in the year of initial application and that the application of such standards may have significant impact on amounts reported in respect of the Group's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

2. Basis of preparation (continued)

Significant accounting policies (continued)

The interim condensed consolidated financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2013. In addition, results for the six-month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. The interim condensed consolidated statement of comprehensive income for the six month period ended 30 June 2014 is not affected significantly by seasonality of results.

3. Segment analysis

Information reported to the Board for the purpose of the resource allocation and assessment of performance is primarily determined by the nature of the different activities that the Group engages in, rather than the geographical location of these operations. The Group currently comprises a single reportable operating segment, being property development.

Geographic information for the Group is split between operations in the UAE "Domestic" and operations in other jurisdictions "International".

	3 months ended 30 June		6 months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$ Million	US\$ Million	US\$ Million	US\$ Million
<u>Revenue</u>				
Domestic	360.0	407.3	795.8	631.9
International	196.1	-	196.1	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	556.1	407.3	991.9	631.9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	30 June	31 December
	2014	2013
	(Unaudited)	(Audited)
	US\$ Million	US\$ Million
<u>Development properties</u>		
Domestic	1,347.9	1,358.1
International	537.5	574.6
	<hr/>	<hr/>
Total development properties	1,885.4	1,932.7
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

4. Development properties

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Balance at the beginning of the period / year	1,932.7	1,565.4
Additions	375.1	745.6
Transfer to cost of sales	(422.4)	(434.8)
Transfers from a related party	-	29.4
Impairment reversal	-	27.1
	<hr/>	<hr/>
Balance at the end of the period / year	1,885.4	1,932.7
	<hr/> <hr/>	<hr/> <hr/>

The development properties balance includes land plots for future development, properties under development and completed units held in inventory. The balances above are split into these categories as follows:

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Land held for development	121.2	83.8
Properties under development	1,488.0	1,650.4
Completed properties	276.2	198.5
	<hr/>	<hr/>
	1,885.4	1,932.7
	<hr/> <hr/>	<hr/> <hr/>

5. Other financial assets

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Escrow retentions	122.1	72.8
Margin deposits	7.7	4.9
Other deposits	0.7	0.2
	<hr/>	<hr/>
	130.5	77.9
	<hr/> <hr/>	<hr/> <hr/>

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

5. Other financial assets (continued)

In accordance with applicable laws, the Group holds funds under escrow in bank accounts managed by approved agents. These funds must be held in these escrow accounts for a fixed period of one year after completion of the relevant development properties, at which point they are released to the Group. These funds carry interest at commercial rates.

At 30 June 2014, margin deposits are held by banks under lien against credit facilities issued to the Group and carry interest at commercial rates.

6. Trade and other receivables

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Trade receivables	421.0	329.8
Provision for doubtful debts	(33.3)	(29.8)
	387.7	300.0
Advances and deposits	146.3	104.4
Other receivables and prepayments	12.3	5.1
	546.3	409.5

Trade receivables represent amounts due from customers at the point of handover. The outstanding balance represents the total amount which is yet to be collected at the reporting date. Customers are allowed 30 days from each invoice date to settle outstanding dues.

Concentration of credit risk is limited due to the customer base being large and unrelated.

7. Financial investments

During the period, financial investments with a book value of US\$ 30.7 million were disposed for a consideration of US\$ 30.4 million. The resulting loss on disposal of US\$ 0.3 million was recorded in profit or loss. The related investment revaluation reserve of US\$ 0.5 million was recycled through profit or loss.

During the period, the Group acquired listed financial investments for US\$ 47.3 million. The Group recorded an unrealised fair valuation gain on these financial investments of US\$ 0.1 million in other comprehensive income.

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

8. Cash and cash equivalents

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Cash on hand	0.1	5.7
Escrow balances	1,209.7	497.7
Bank balances	27.0	42.3
Fixed deposits	427.3	32.5
	<hr/>	<hr/>
Cash and bank balances	1,664.1	578.2
Less: Fixed deposits with an original maturity of greater than three months	(427.3)	(32.5)
	<hr/>	<hr/>
Cash and cash equivalents	1,236.8	545.7
	<hr/> <hr/>	<hr/> <hr/>

Cash held in escrow represents cash received from customers which is held in escrow bank accounts managed by approved escrow agents. Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence is considered as cash and cash equivalents.

9. Share capital

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Authorised, issued and fully paid 650,000,000 shares of US\$ 1 each	650.0	650.0
	<hr/> <hr/>	<hr/> <hr/>

10. Group restructuring reserve

On 3 December 2013, the Company completed its GDR listing on London Stock Exchange and issued an additional 649,950,000 shares at a par value of US\$ 1 each. The group restructuring reserve arises on consolidation under the pooling of interests method used for the group restructuring which took place on 3 December 2013. This represents the difference between the share capital of the "Combined Group" and DAMAC Real Estate Development Limited, DIFC at the date of the group restructuring. This reserve is not distributable.

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

11. Bank borrowings

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Bank loans	-	71.4
Overdrafts	8.4	13.9
	8.4	85.3

Banks loans

The Group had borrowings under various loan arrangements with a number of banks and financial institutions. During the current period, all bank loans were repaid.

Repayment profile

The repayment profile of borrowings was as follows:

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
On demand or within one year	8.4	59.6
In the second year	-	23.5
In the third to fifth year inclusive	-	2.2
	8.4	85.3
Less: Amount due for settlement within 12 months	(8.4)	(59.6)
Amount due for settlement after 12 months	-	25.7

12. Sukuk certificates

On 9 April 2014, the Group issued US\$ 650 million SUKUK TRUST CERTIFICATES (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer with the Company as Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The Certificates confer on the holders of the Certificates from time to time (the "Certificateholders") the right to receive certain payments arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "Trust") over certain Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

12. Sukuk certificates (continued)

The Certificates carry interest at 4.97% per annum and are secured by assigned trust assets.

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Proceeds from the issue of Sukuk Certificates	650.0	-
Gross issue costs	(6.3)	-
Less: Amortised up to period end	0.1	-
Unamortised issue costs	(6.2)	-
Carrying amount	643.8	-

13. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 Related Party Disclosures. Related parties comprise entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges. Pricing policies and terms of all transactions are approved by the management.

At the reporting date, balances with related parties were as follows:

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Due to related party		
Balances due to the Chief Executive Officer	-	1.2

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

13. Related party transactions (continued)

Remuneration of key-management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	1 January to 30 June 2014 6 months (Unaudited) US\$ Million	1 January to 30 June 2013 6 months (Unaudited) US\$ Million
Short term employee benefits	1.0	0.9
Termination benefits – EOSB	0.1	0.2
	<u>1.1</u>	<u>1.1</u>

14. Trade and other payables

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Advances from customers	1,805.9	1,715.3
Accruals	190.2	101.6
Other payables	235.3	142.3
Retentions payable	112.4	99.3
Deferred consideration for land payments	164.3	232.5
	<u>2,508.1</u>	<u>2,291.0</u>

15. Revenue

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$ Million	US\$ Million	US\$ Million	US\$ Million
Constructed apartments	424.4	371.7	686.8	596.3
Sale of land	131.7	35.6	305.1	35.6
	<u>556.1</u>	<u>407.3</u>	<u>991.9</u>	<u>631.9</u>

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

16. Contingent liabilities

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Bank guarantees	203.2	79.8

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at the above dates.

17. Commitments

Commitments for the acquisition of services for the development and construction of assets classified under developments in progress:

	30 June 2014 (Unaudited) US\$ Million	31 December 2013 (Audited) US\$ Million
Contracted for	1,240.7	846.5
Committed but not contracted for	2,344.6	2,728.2
	3,585.3	3,574.7

Future instalments receivable from customers under contracts for sale of properties directly related to the Group's commitments for the development and construction of assets related to these future receivables amounted to US\$ 3.1 billion as of 30 June 2014 (31 December 2013: US\$ 2.5 billion).

18. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period (US\$ million)	253.3	N/A	462.9	N/A
Number of ordinary shares (million)	650.0	N/A	650.0	N/A
Earnings per ordinary share - basic and diluted (US\$)	0.39	N/A	0.71	N/A

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

18. Earnings per share (continued)

There were no instruments or any other items which could cause an anti-dilutive effect on the earnings per share calculation. The Group was restructured on 3 December 2013 and as the transaction falls outside the scope of IFRS 3 Business Combinations, the pooling of interests method was applied and the interim condensed consolidated financial information of the Group is presented as a continuation of the "Combined Group". If the share capital had been consistent in 2013, the comparable EPS would have been US\$ 0.51 per share.

19. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

(a) Fair value of financial instruments measured at amortised cost

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

(b) Valuation techniques and assumptions applied for the purposes of measuring fair value

Valuation of financial instruments recorded at fair value is based on quoted market prices and other valuation techniques.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)**

19. Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
	US\$ Million	US\$ Million	US\$ Million	US\$ Million
30 June 2014 (Unaudited)				
Financial investments	<u>47.4</u>	<u>-</u>	<u>-</u>	<u>47.4</u>
31 December 2013 (Audited)				
Financial investments	<u>30.7</u>	<u>-</u>	<u>-</u>	<u>30.7</u>

20. Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information for the period ended 30 June 2014 was approved by the Board and authorised for issue on 11 August 2014.