



A NEW  
WORLD CITY  
FOR SAUDI ARABIA

A NEW  
SAUDI ARABIAN CITY  
FOR THE WORLD

# EEC Q2 2017 Investor Presentation

- Live
- Invest
- work
- Visit



## Our Vision

Establish King Abdullah Economic City (KAEC) as a strong enabler of socio-economic development in the Kingdom of Saudi Arabia

## Our Objectives

- Employment and career development to build local capacity
- Top-notch business development to attract regional and international businesses to the area
- Providing housing solutions to all income segments
- Tourism, leisure, and social activities that engage the community
- Education development through schools, colleges , and other institutions



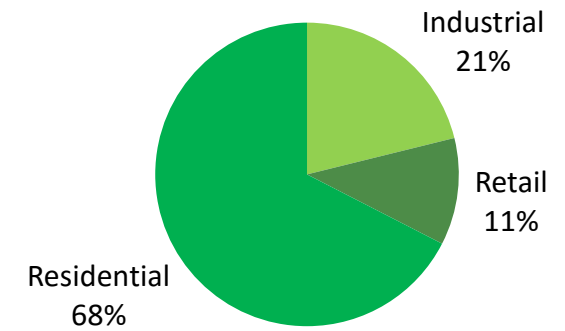
# KAEC Master Plan

## Project Overview

KAEC is a greenfield city development roughly the size of Washington DC. Its objective is to help with Saudi Arabia's acute housing demand and support economic diversification. KAEC's strategic location on the Red Sea puts it close to international maritime routes and provides instant access to key cities within Saudi Arabia. KAEC is comprised of the Coastal Communities, The Industrial Valley, King Abdullah Port (KAP), and The Hejaz District.

Category	Current Plan
Industrial	23,625,000
Commercial/Hospitality	12,736,000
Residential	75,373,000
Other	19,847,000
<b>BUA Total</b>	<b>131,581,000</b>
Employment	890,000
Population	1,750,000

## Segment Breakdown %



## Snapshot



### **EEC announces the financial results for the period ending on 30-06-2017 (Six Months):**

- Net Income: SAR 35 M | Gross Profit: SAR 137 M | Operating Profit: SAR 24 M



### **Experienced Team with Proven ability to develop and master plan communities and related Amenities:**

- Built 6,700 properties up to 2016, and another 1,000 currently under construction



### **Experienced and motivated management team and good corporate governance**



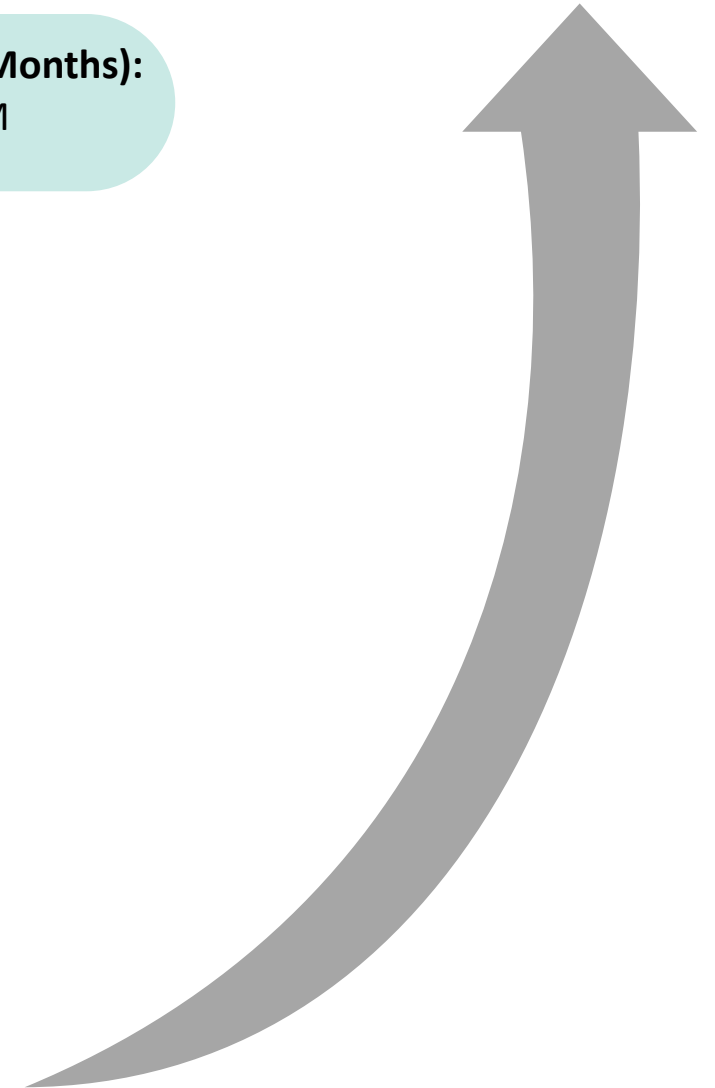
### **Commitment to Social Responsibility Best Practices:**

- Building public infrastructure including roads, hospitals and schools
- Extensive social programs include community development programs



### **EEC has become a major tourist and recreational destination for families.**

**Total number of visitors YTD is approximately 225K**

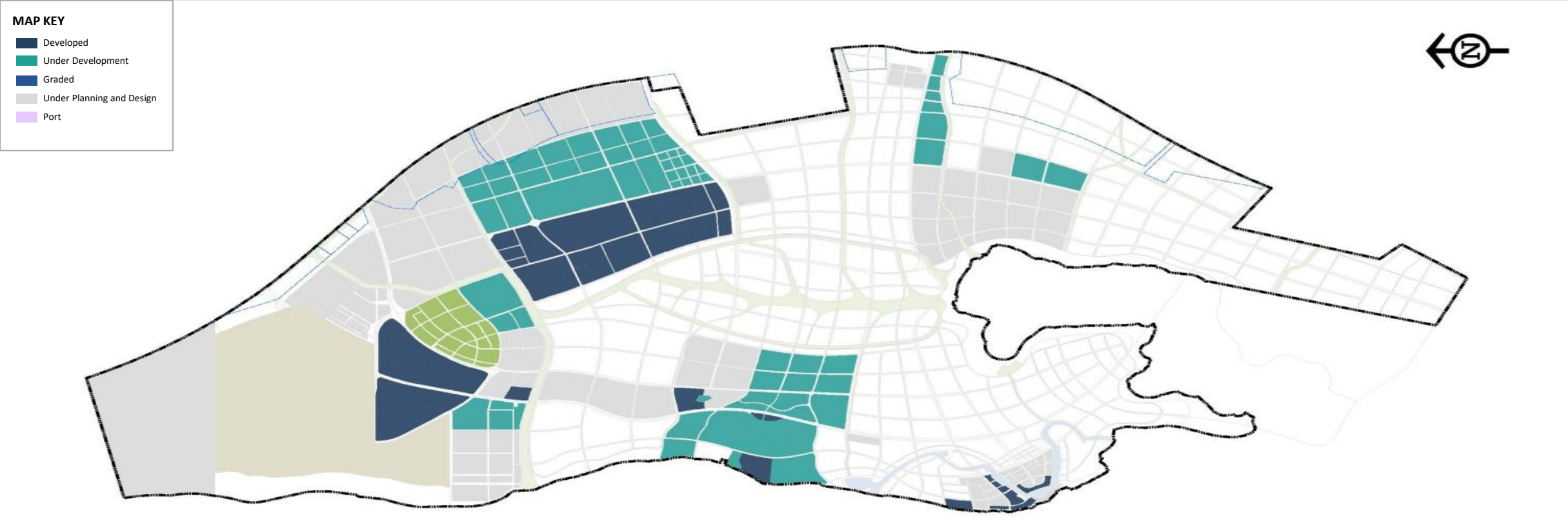


## KAEC Business Model



Business model generates regular income and drives portfolio value

## City Development



**12,127,078**  
Developed Area\* (sqm)

- (10,842,255) sqm Industrial
- (408,764) sqm Commercial
- (876,059) sqm of Residential

**17,743,697**  
Under Development Area\* (sqm)

- (9,788,930) sqm Industrial
- (1,097,604) sqm Commercial
- (6,857,697) sqm Residential

**12,127,078**  
Graded Area\* (sqm)

- (2,011,807) sqm Industrial

**12,127,078**  
Under Planning and Design Area\* (sqm)

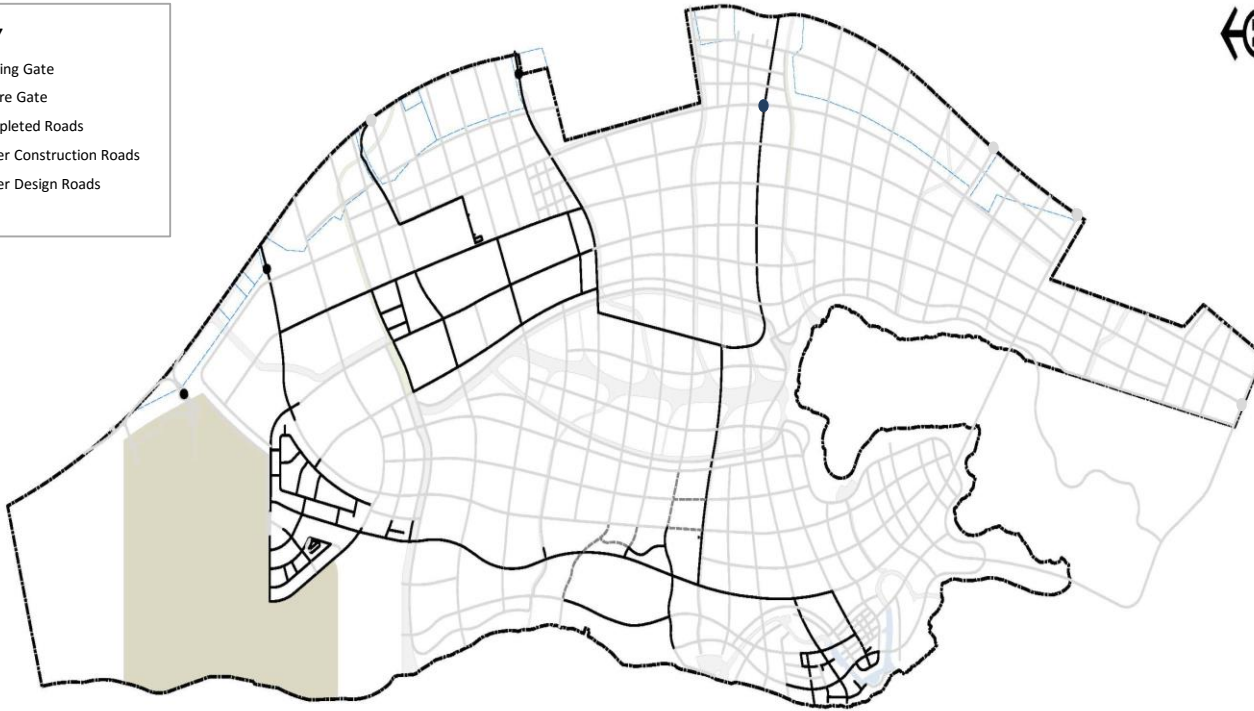
- (23,697,959) sqm Industrial
- (5,797,387) sqm Commercial
- (34,716,136) sqm Residential

# City Infrastructure

## Roads & Waterways

### MAP KEY

- Existing Gate
- Future Gate
- Completed Roads
- - Under Construction Roads
- Under Design Roads



- (3) City Gates: Main Gate1, IV Gate3, and Haramain Gate in Under Construction.
- (52) Traffic Lights
- (8) Roundabouts



- (84.5) km of SI Roads Completed
- (87.9) km of SI Roads Under Construction



- (11.0) km of Completed Bicycle Ways
- Bicycle Tracks are from BLS Area to Al Waha



- (3.1 km) of Constructed Canals
- (14.1 km) of Graded Wadi

## Utilities



**230.0**

Water Network (km)

- (4) Pump Stations
- (568) Fire Hydrants



**130.0**

Sewage Network (km)

- Sewage network covers BLS area only.
- Underground sewage Tanks in other communities with total capacity of (300 m3 each)
- Sewage network in IV is under design



**250.0**

Irrigation Network (km)

- STP covers %37 of Irrigation consumption
- (1) STP Pump Station



**900.0**

Electricity Network (km)

- (2) Permanent Substations operated by SEC
- (4) Temporary Substations operated by KAEC
- (6,700) Street lights
- (6,024) Landscaping lights



**208.0**

Telecom Network (km)

- (208.0) km of Telecom Network is Completed, and (154.2) km is Under Construction
- (23) Mobile Towers by Mobily

\* Kilometer (km) lengths are totals of Built Pipe/Duct networks per category

# KAEC Master Plan Residential Development





## Residential Portfolio

### High-End Communities



- Total Development Area of (95,870 sqm)
- (2) Beach Towers, and (4) Marina Towers
- Total of (734) Apartments



- Total Development Area of (4,511,892 sqm)
- (3) Beach Communities, (7) Golf Communities, and (3) Townhouses Communities
- (2,355) Individual Plots, (159) Villas , and (270) Townhouses, are Under Development. (1,210) Plots are Completed in Q2'17

## Residential Portfolio

### Middle Income Communities



- Total Development Area of (2,987,001 sqm)
- (3,756) Individual Plots and (238) Villas, are Under Development



- 200,000 sqm is Completely Developed from the total Development Area of (242,583 sqm)
- (389) Apartments, (144) Townhouses, (46) Paired Homes, and (30) Villas, are Completely Developed
- (342) Apartments and (30) Paired Homes, are Under Development

## Residential Portfolio

### Affordable Community



- Total Development Area of (150,000 sqm)
- (98) Buildings with (1,440) Apartments, are Completely Developed

### Labor Accommodations

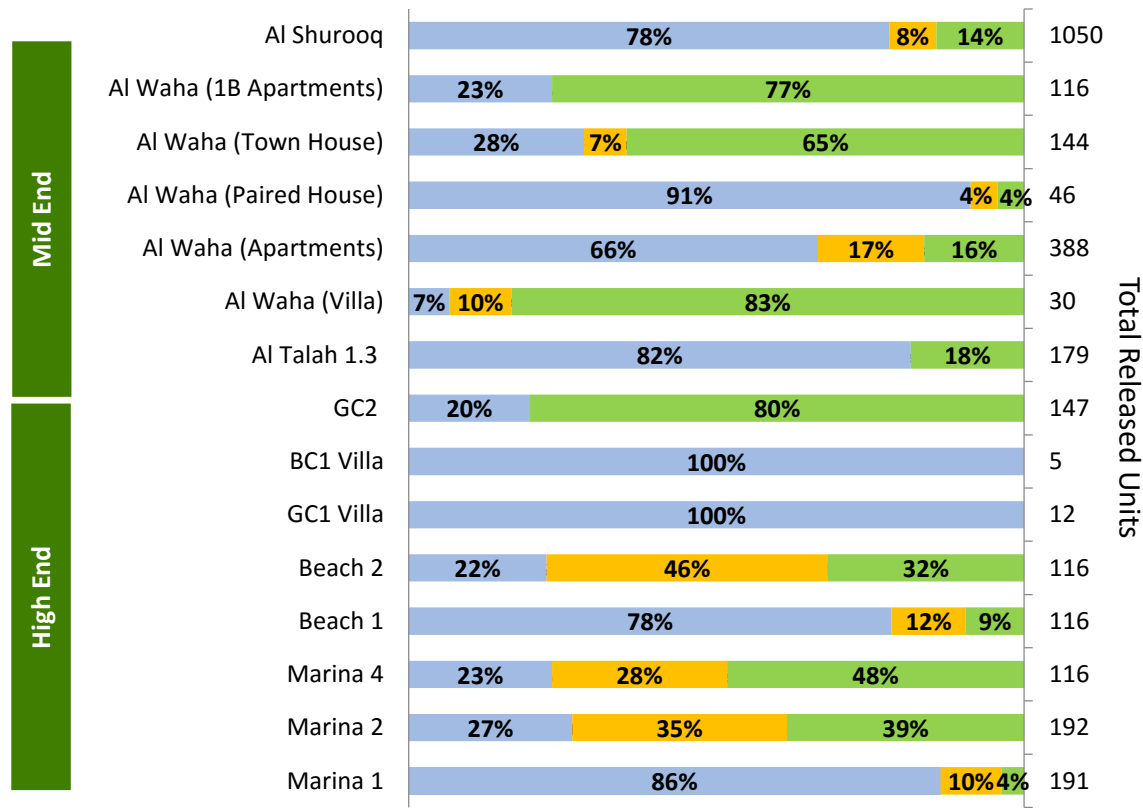


- Total Development Area of (36,900 sqm)
- (16) Buildings with a capacity of (2,784) beds, are Completely Developed

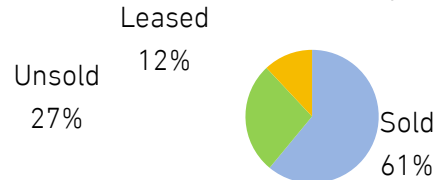
# Residential Sales Summary up to Jun 2017

**% Presales (Sold and Reserved)**    **% Leased**    **% Unsold**

## Residential Vertical Sales Summary

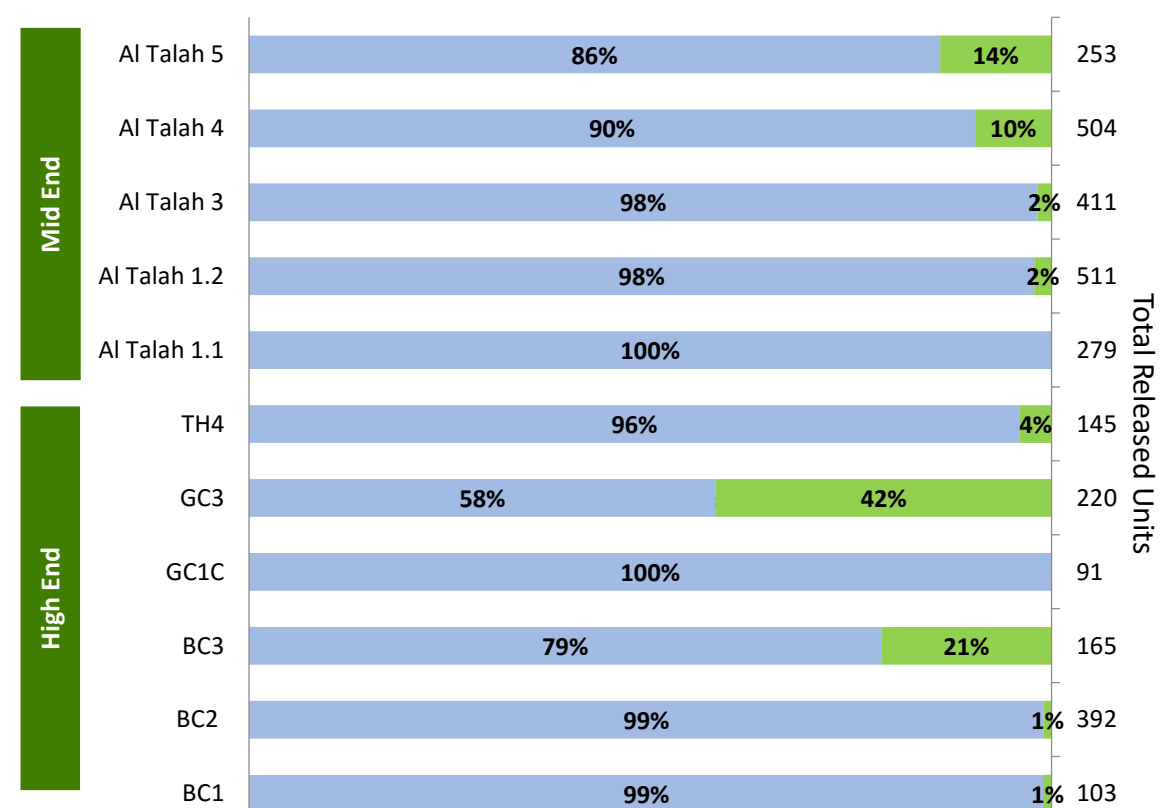


% Sold Vertical Development Sales



• Total Sold up 2% compared to Q1, 2017

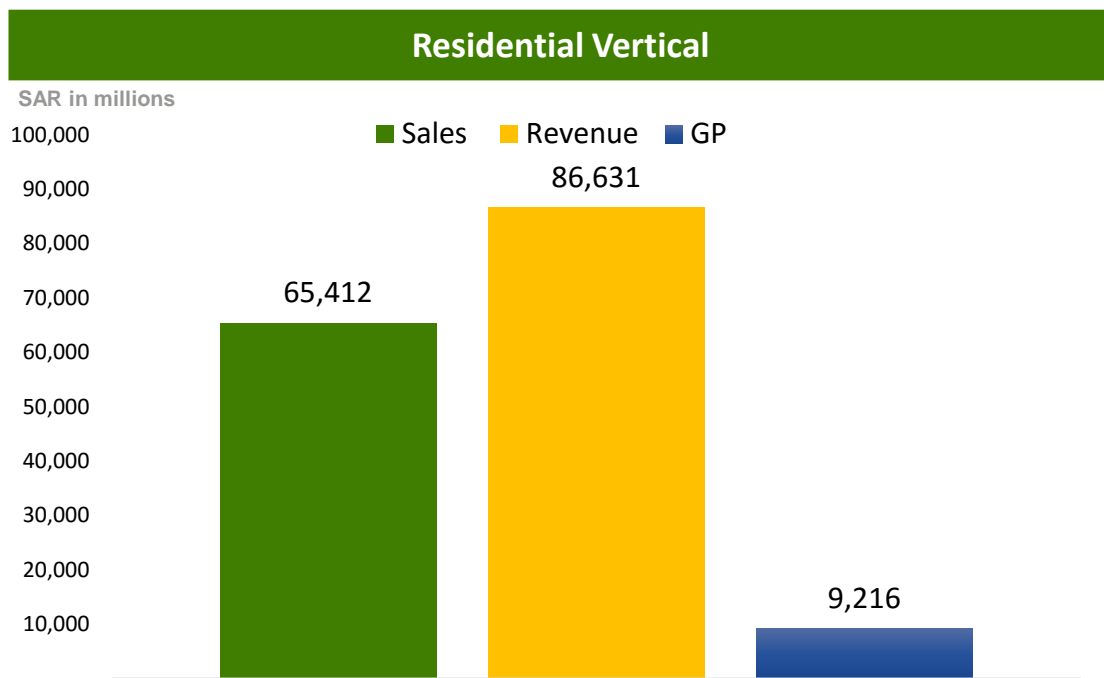
## Residential Land Sales Summary



% Sold Land Sales



## Residential Sales Development Breakdown for YTD June 2017

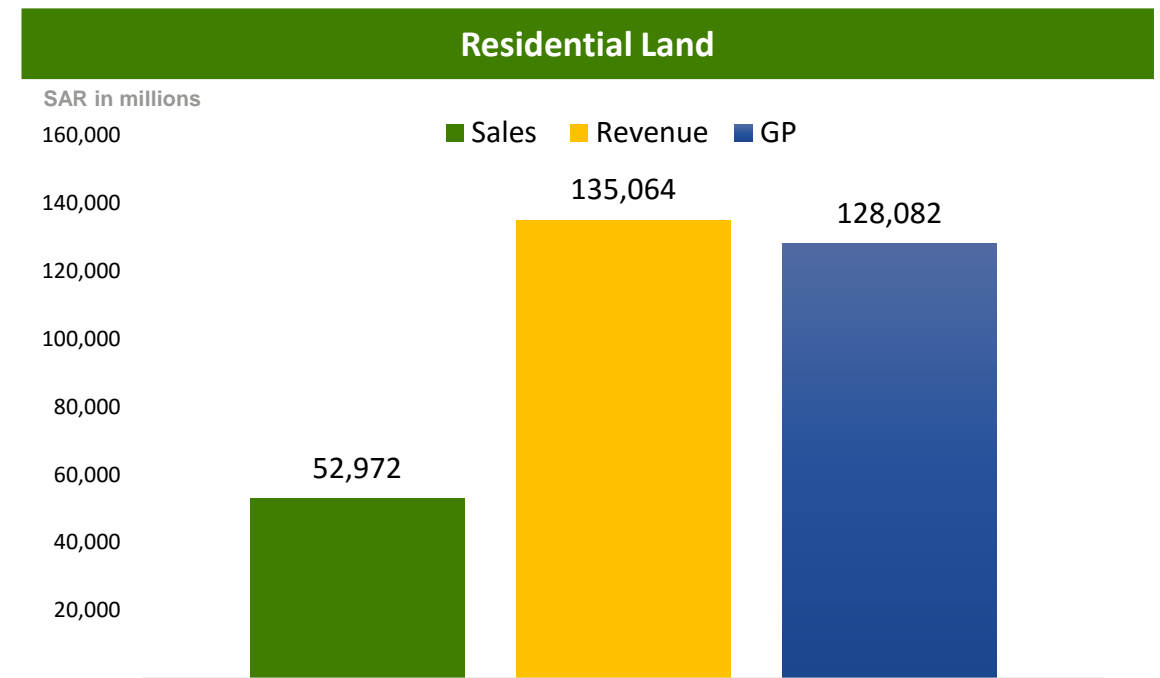


- (as a % of sales) SAR 65 mn, up 160% compared to Q1, 2017 (SAR (25 mn)
- Gross profit up 13% compared to Q1, 2017

**Total Sales Unit**

- 122 units with a gross Margin of 11%

Revenue on land and vertical is recognized based on POC method on old and new sales (IFRS based)



- (as a % of sales) SAR 52 mn, up 152% compared to Q1, 2017 (SAR (21 mn)
- Gross profit up 73% compared to Q1, 2017

**Total Sales Unit**

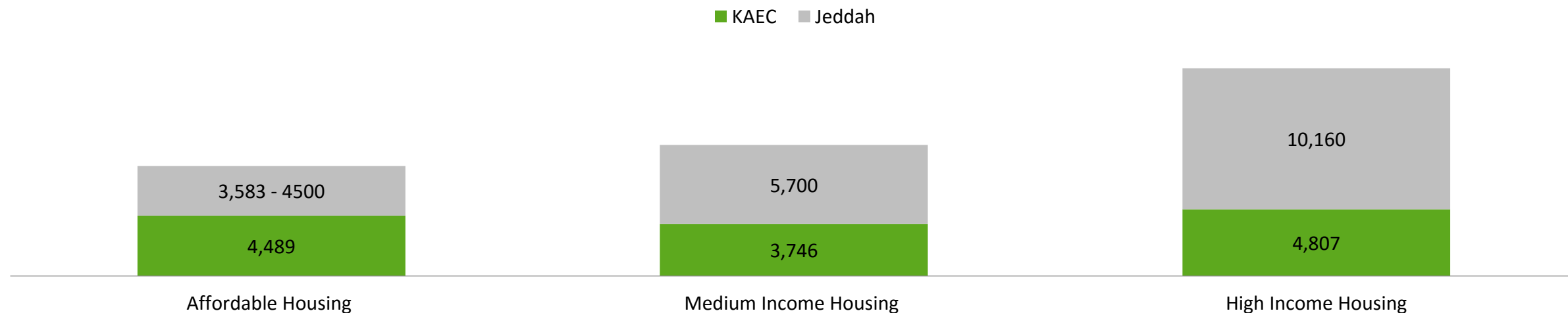
- 37 plots with a gross Margin of 95%
- Increase GP in land also has an impact from changes in infrastructure cost estimates

## Residential Sales Product Statistics 2012 – Q2 2017

### Historical year Net order intake (SAR mn) and total number of units

Product		2012	2013	2014	2015	2016	YTD Q2 2017
Vertical	Net Order Intake (in million, SAR)	21	9	272	369	367	65
	Units	12	6	178	641	418	122
Land	Net Order Intake (in million, SAR)	167	673	655	776	148	53
	Units	136	403	819	912	132	37
Totals	Net Order Intake (in million, SAR)	188	682	927	1,145	515	118
	Units	148	409	997	1553	550	159

### Bench Mark Analysis Jeddah vs. KAEC\*



- Jeddah Real Estate Prices - Colliers International Market Study; input from persons knowledgeable about the subject matter
- KAEC's MI and HI Housing categories include vertical sales as well as land sales

## Residential Development Game Changers

### **Corporate Relocation Program has been launched aimed at entrepreneurs, SMEs, and established businesses to relocate to KAEC:**

- 10year interest-free payment plan for Saudis
- 20% discount on annual rent
- Free premium education for a total of two children
- Rent-free for the first 5 years on office space
- Transportation

- Competitive pricing offers investment upside
- Good infrastructure relative to other major cities regionally
- Payment plan: 60 months of installments for land and vertical with a down payment of 10% for land and 20% for vertical



Renault Trucks



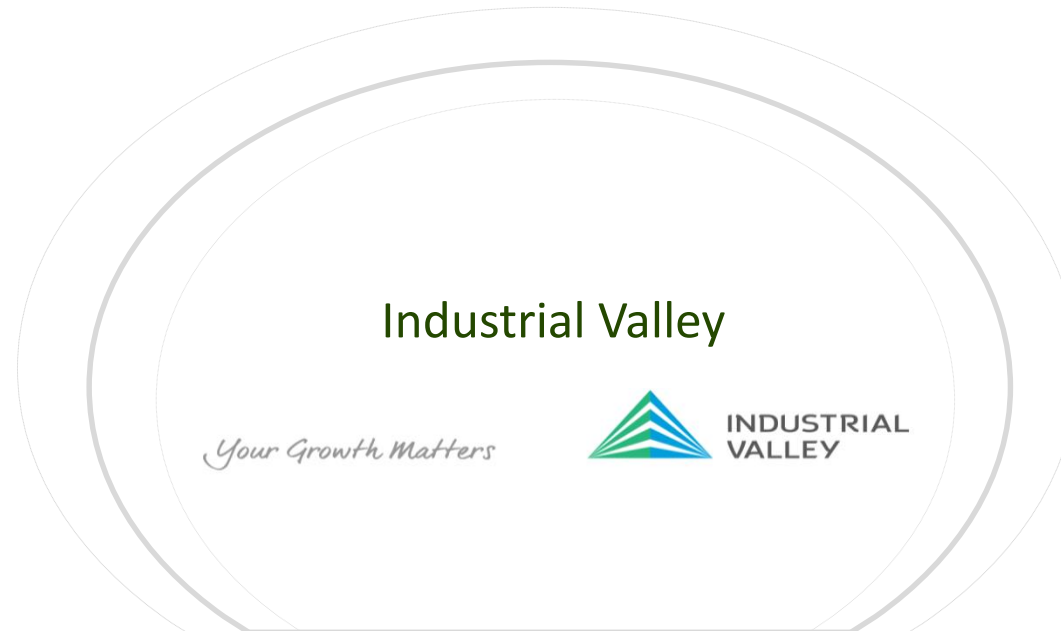
Pfizer



Al Kabeer



Rosenbauer



SAUDIA Catering



## KAEC Master Plan Industrial Valley

### A NEW LOGISTICS AND MANUFACTURING HUB

At the forefront of KAEC's master planned development is Industrial Valley, a new pro-business hub in one of the fastest growing regions and economies in the world.

The Industrial Valley's vision is to become the preferred regional hub for manufacturing industries and value-added global logistics, contributing to job creation and economic development for Saudi Arabia.



## Industrial Valley Lease and Sales Segment Breakdown up to Jun 2017

### Industrial Valley Lease Breakdown



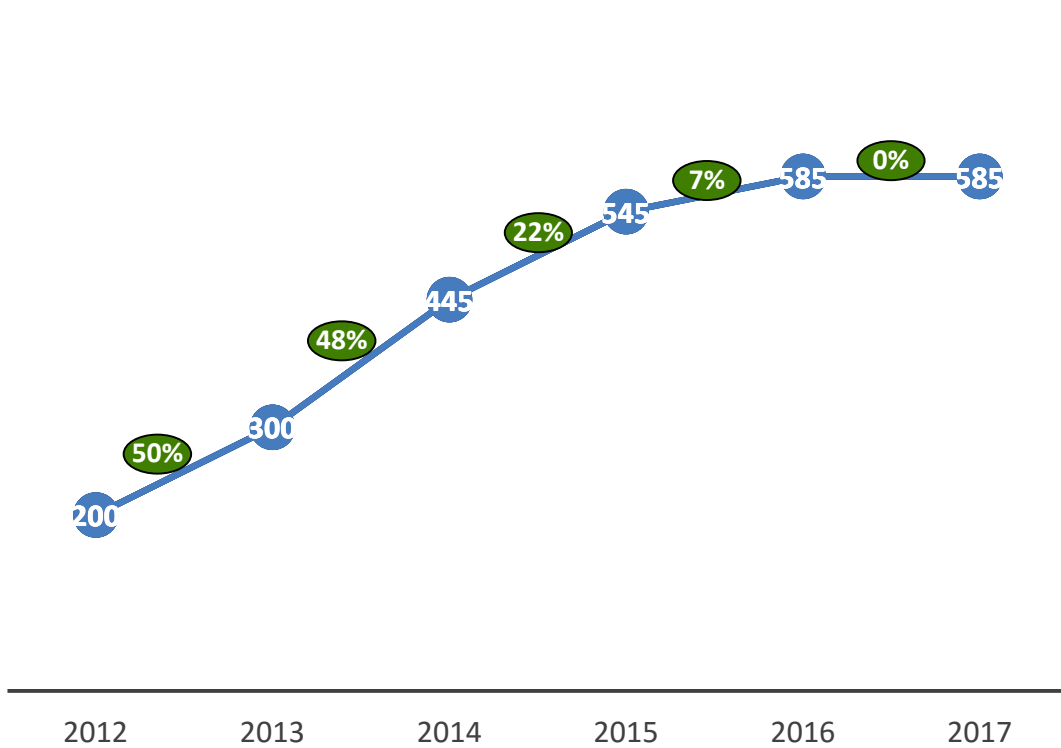
### Industrial Valley Sales Breakdown



## Sales and Lease Revenue & Price Trend

### Industrial Valley Year on Year Performance

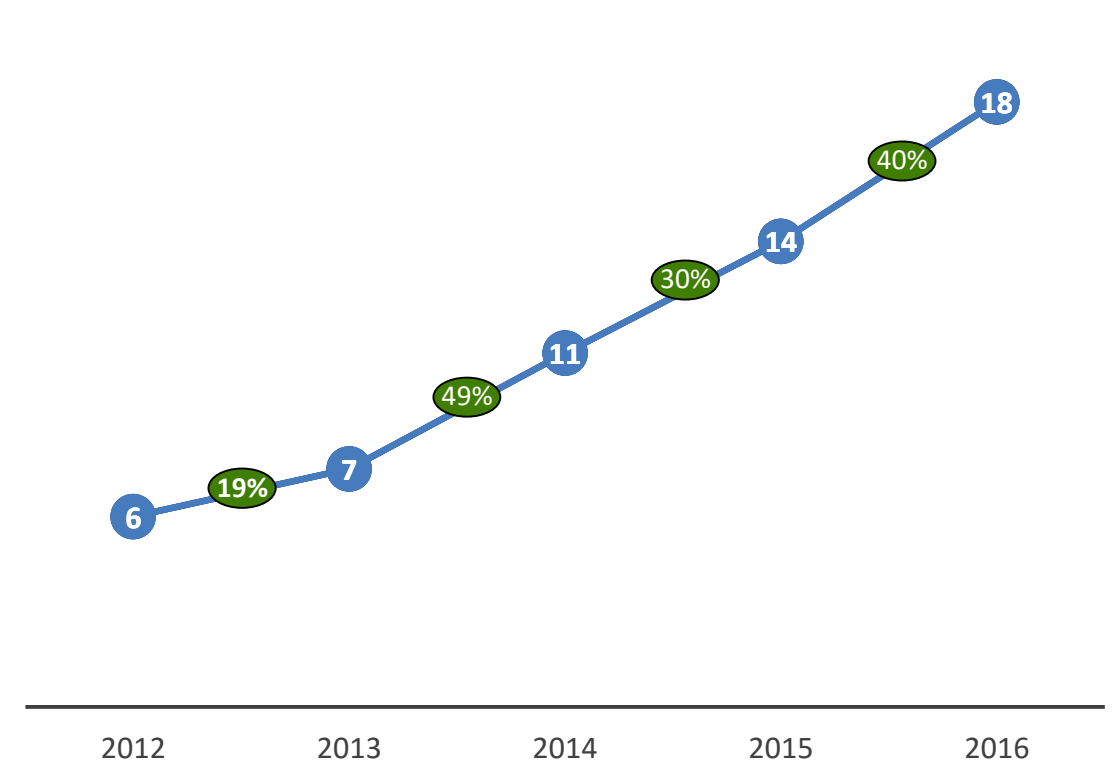
#### Actual Sale Price/SQM (YoY)



Product	2013	2014	2015	2016	YTD Q2 2017
Sales Revenue	480	219	105	256	215

\*Revenue and Sales figures are in millions

#### Actual Lease Price/SQM (YoY)



Product	2013	2014	2015	2016	YTD Q2 2017
Operating Revenue	28	33	47	59.2	23

## IV Game Changers and Q2 updates

### IV secured two deals worth SAR 220 million in Q2 2017 with:

- Mohamed Said Fakhary Company and Partners
- Binzagr group

### IV continues to work on its offerings and its business strategy with the main focus on:

- Special zones within IV : Bonded Zone, Gas Zone and Warehousing
- Broader connectivity through the operational King Abdullah Port along with the Haramain High Speed Railway and the planned Saudi Land Bridge

### IV has signed deals at record lease and sale rates

- Current lease is SAR 16-18 / sqm
- Current sale is SAR 585 / sqm

Approximately 110 Global & Local Tenants in KAEC

KAEC IV Tenants

FMCG -  
FOODS



PHARMA-  
CEUTICALS



LOGISTICS



BUILDING  
MATERIALS



AUTOMOTIVE

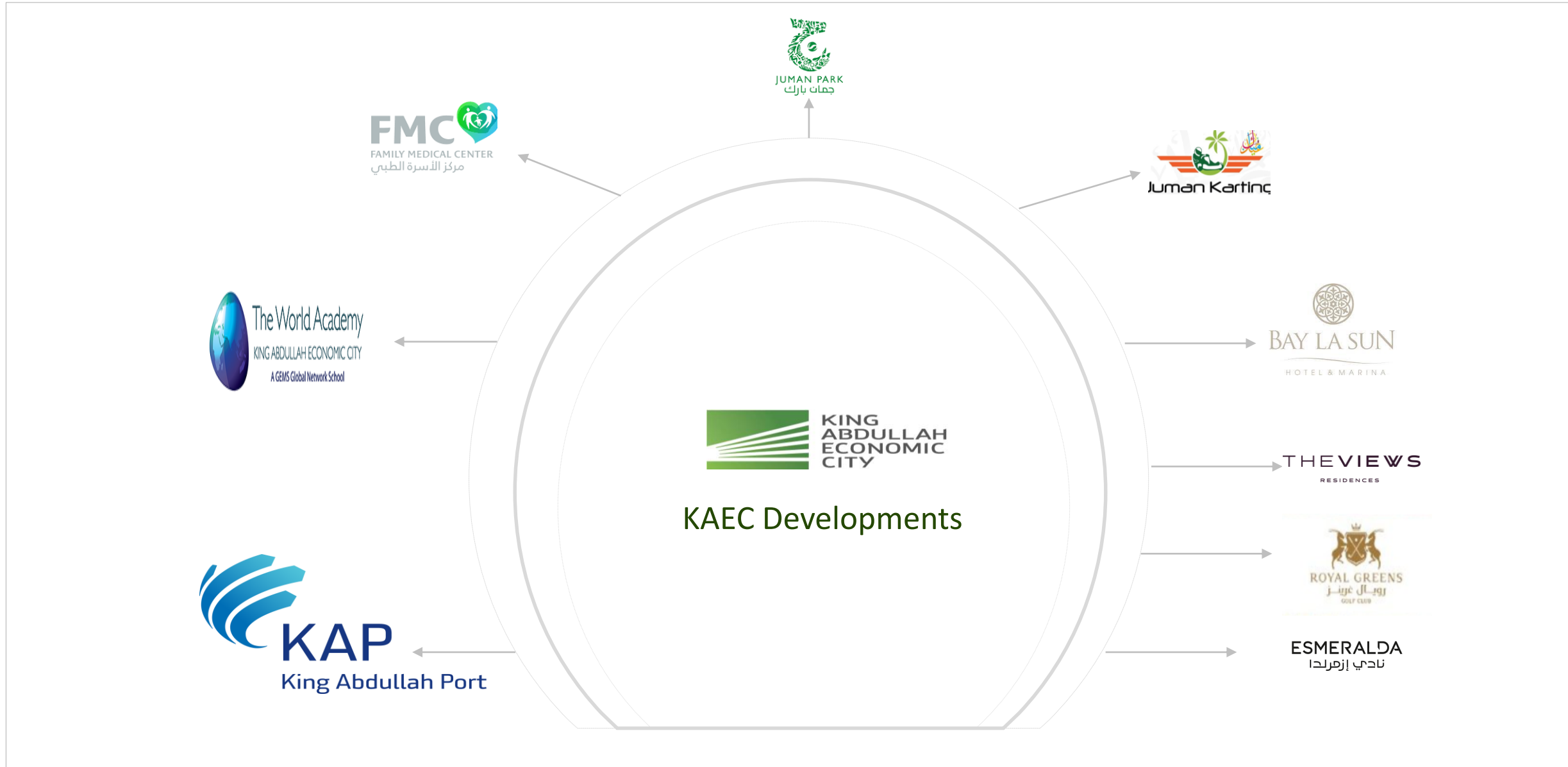


GENERAL



PACKAGING





## Value Creation Projects

### King Abdullah Port

#### Current

Berth:	6
Handling Capacity:	4.5 Million TEUs
Utilization (2016)	~46%
YoY Growth (2016):	8%
Underdevelopment	By end 2017: 1 berth for RORO; 1 berth for bulk area



#### On Completion

Berth:	30
TEUS Capacity / Annum	20 Million
Total Jobs : (direct & indirect)	65,000
By 2025	Among top 10 ports in the world
Break Bulk Capacity	15 million Tons
Depth	18 m
Area	15-17 Million sqm
RoRo capacity	1.5-2.0 million CEU

## Value Creation Projects

### The World Academy



- Total Development Area of (10,500 sqm) with a capacity of (600) Students, currently over (500) Students are enrolled
- Fully operational since Q3 – 2014. Grades Offered: Nursery up to Grade 12

### Family Medical Center



- Total Development Area of 1,400 sqm with (9) Clinics and a capacity of (15) hospital beds
- Fully operated since September 2016
- FMC offers clinics such OB/GYN, Ophthalmology, Orthopedic, and Dental Services; as well as Laboratory



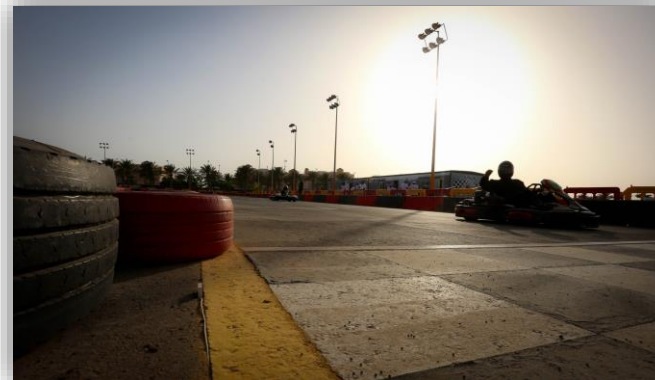
## Value Creation Projects

### Juman Park



- 70,000 sqm of open space that includes walkways, running tracks, cycling tracks, a mini golf course and games
- The park is populated with art sculptures, refreshment stops and adventure playgrounds for children

### Juman Karting



- Our newly laid track is 700m long and 7 to 10 meter wide
- The track consists of a variety of fast straights, long fast corners and a good mixture of slower corners (9 in total)

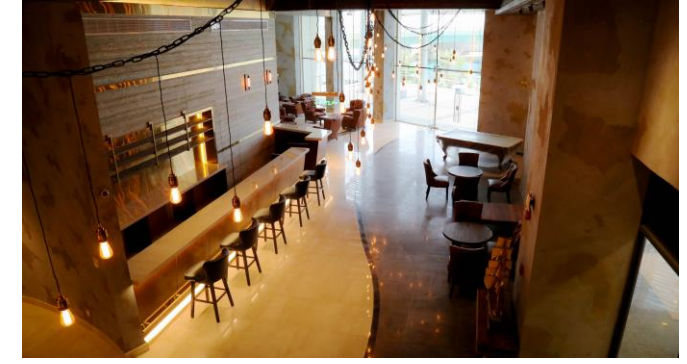
## Value Creation Projects

### Bay La Sun Hotel



- Bay La Sun Hotel is Premium 5-star Business & Leisure hotel , In operation since 2013
- (195) rooms/suites in a Built-Up area of (21,000 sqm)

### The Views



- The Views is a 4-stars Serviced Apartments Currently Under Development
- (174) units in a Built-Up Area of (23,871 sqm)
- Official launch in Q4-2017

## Value Creation Projects

### Royal Greens



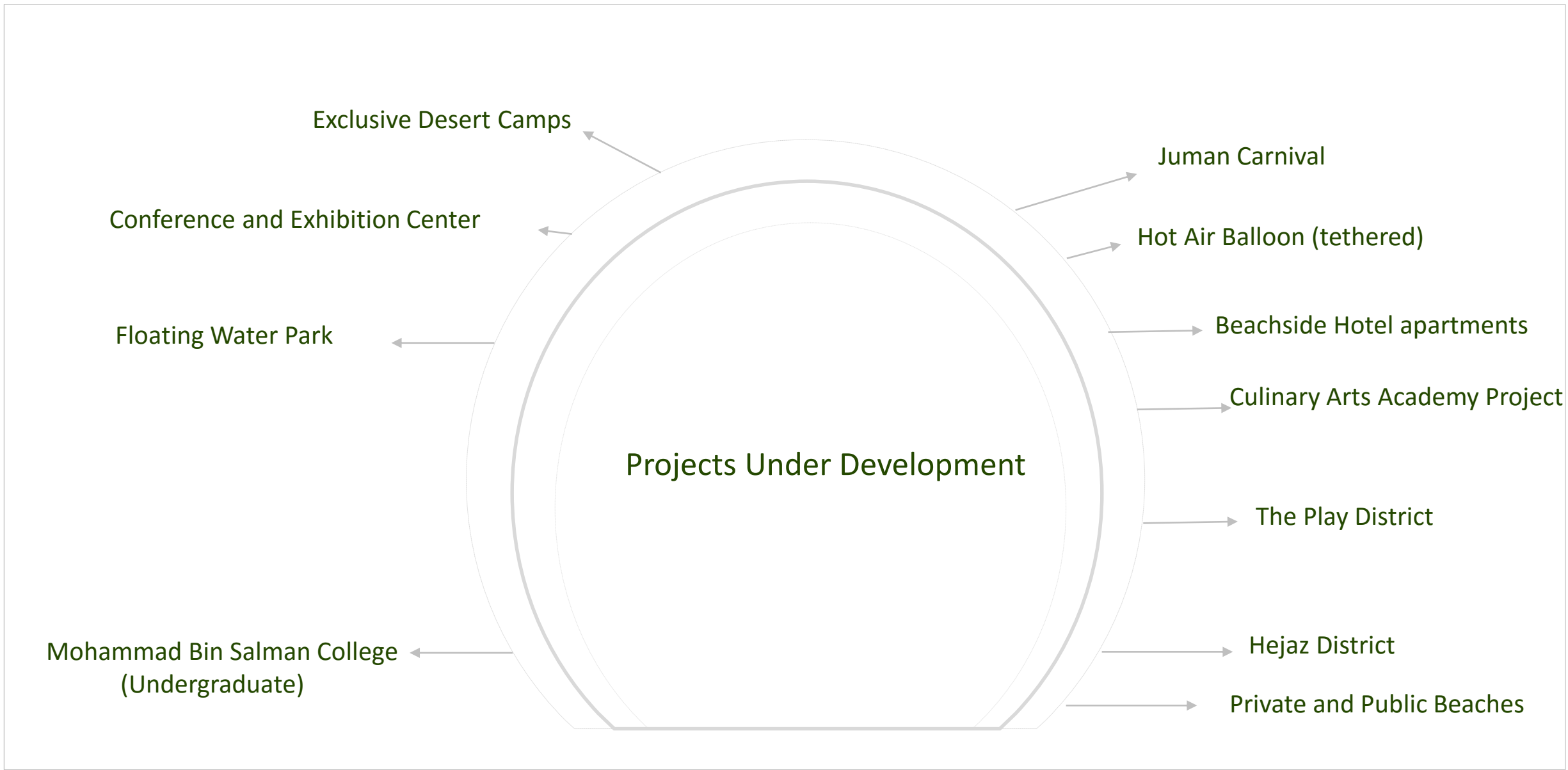
- Royal Greens Golf Course and clubhouse is (841,168 sqm) with Built-Up Area of (10,000 sqm) in Al-Murooj District
- The Golf clubhouse consists of health clubs, BBQ grills, juice bars, and conference rooms (Official launch in Q4-2017)

### Esmeralda Sports Complex

ESMERALDA  
نادي إزميرلدا



- Esmeralda Sport Complex is (51,000 sqm) with Built-Up Area of (14,850 sqm), Currently Under Development
- The Sports Club will include Indoor Youth Soccer, Cricket, and multipurpose courts for Basketball, Badminton, Tennis, Squash and Volleyball, men and women pools, Gymnasium and Fitness rooms (Official launch in Q4-2017)



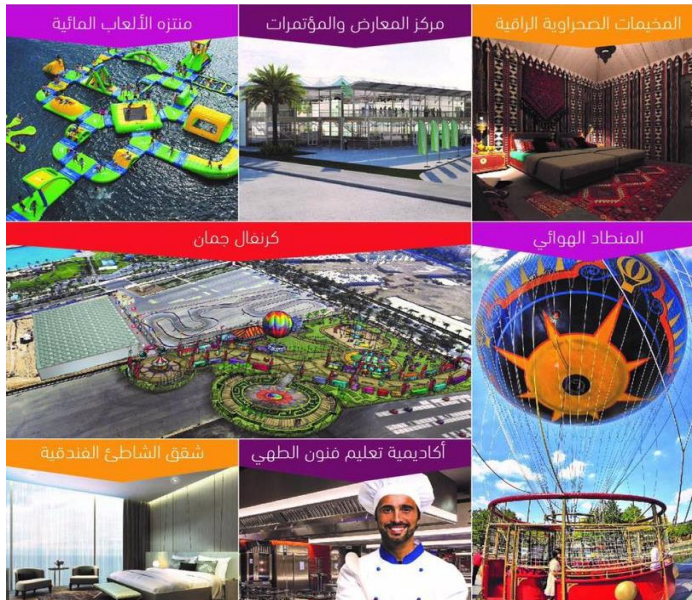
## MBSC Value Creation Projects

### Prince Mohammad Bin Salman College (MBSC)

- MBSC is the first Business and Entrepreneurship College in Saudi Arabia
- It has been established through an International partnership between Emaar The Economic City, Babson Global (a wholly-owned subsidiary of Babson College, USA), Lockheed Martin under the umbrella of the Economic Offset Program in the Kingdom of Saudi Arabia and the MISK foundation
- Programs Offered:
  - Graduate MBA degree: First semester will start in September 2017.
  - Executive & Continuing Education program is already in place.
  - Undergraduate degrees focusing on Business and Entrepreneurship is expected to start in near future.



## Projects Under Development



### From top left to bottom right:

- Floating Water Park
- Conference and Exhibition Center
- Exclusive Desert Camps
- Juman Carnival
- Hot Air Balloon (tethered)
- Beachside Hotel apartments
- Culinary Arts Academy Project



The Play District  
(F1 Track, Safari, Theme Park and Zoo)



Hejaz District  
(Commercial, Residential, Hospitality and Leisure)

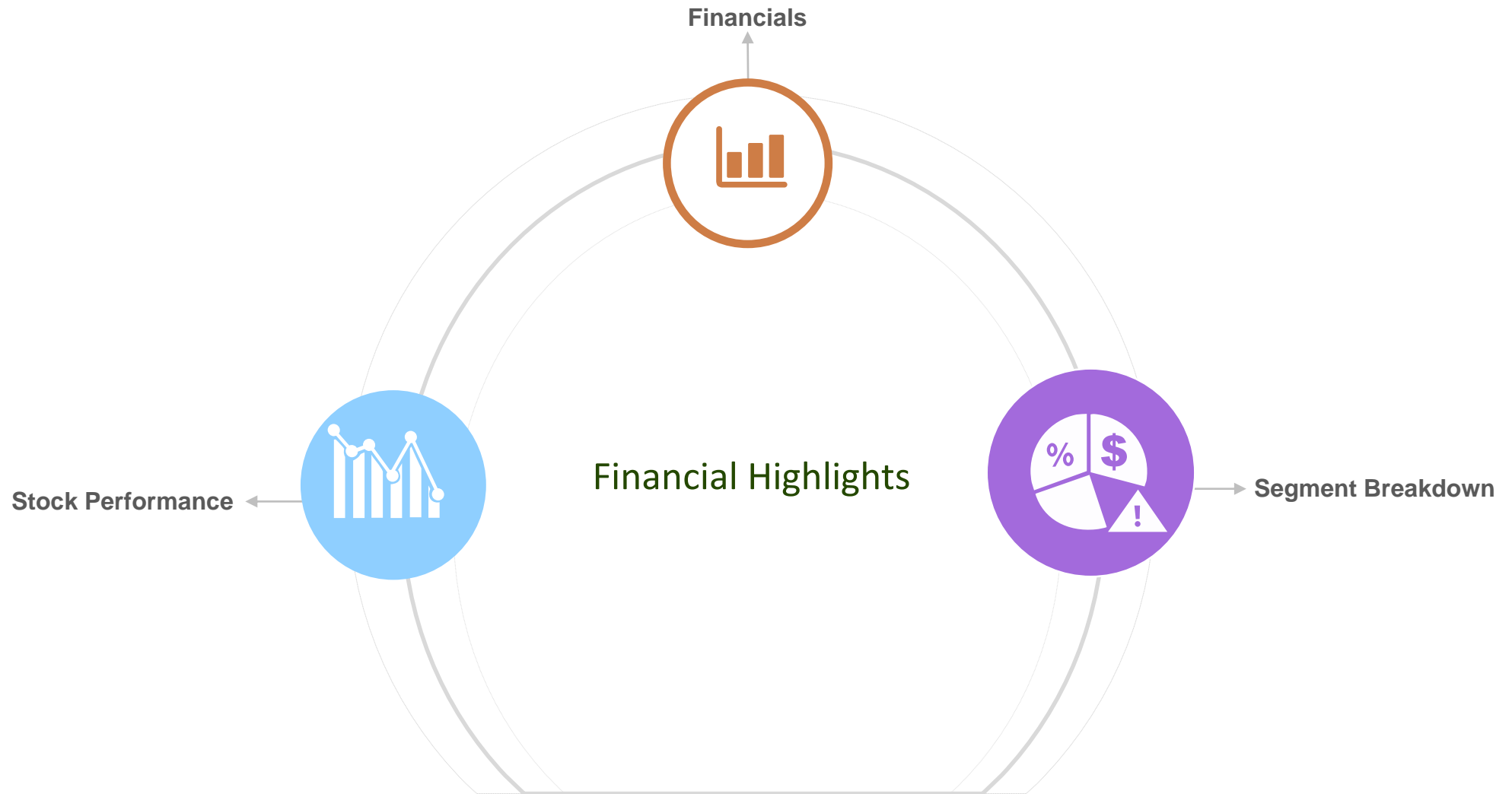


## HEJAZ DISTRICT & HIGH SPEED TRAIN



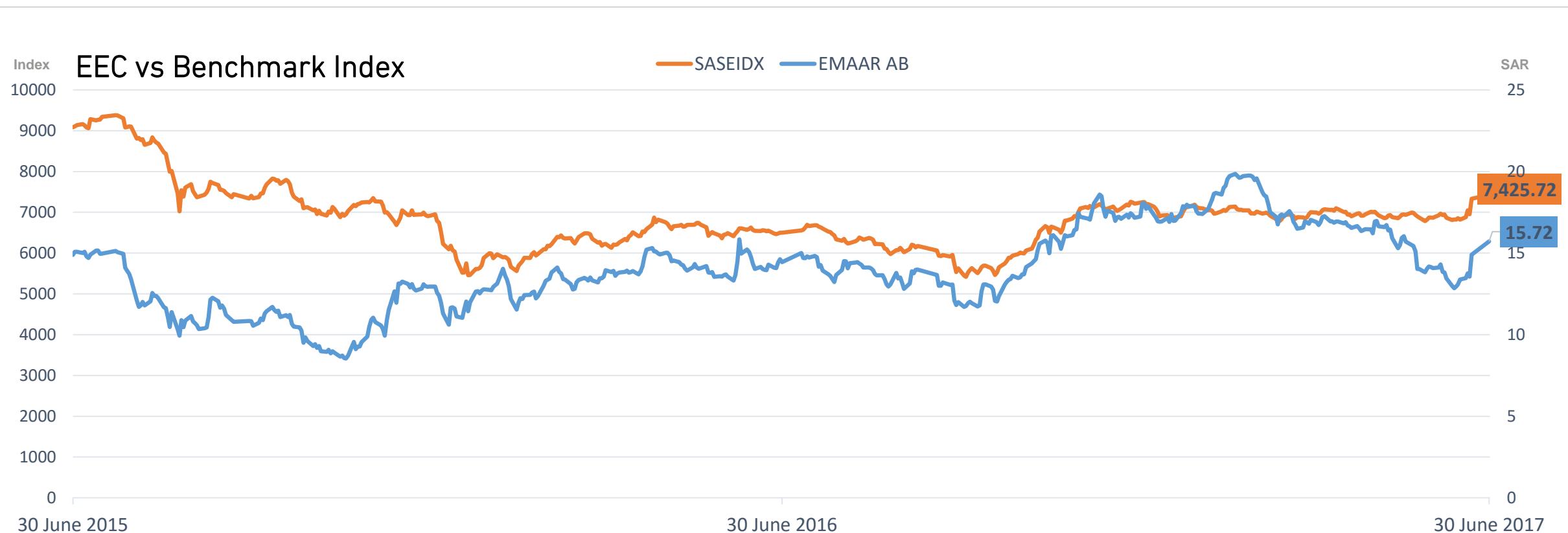
- Strategically located within the Western Region
- Located between the two holy cities, Makkah and Madinah
- Connecting 8.5 million inhabitants
- Operation date\*: Q1 2018
- Al-Haramain train successfully tested Jeddah route on July 19<sup>th</sup> from King Abdullah Economic City







## SHARE PRICE PERFORMANCE



### UNIT PRICE PERFORMANCE

As at last trading day of the Quarter	<b>SAR 15.72</b>
Highest (2017)	<b>SAR 19.86</b>
Lowest (2017)	<b>SAR 12.86</b>
Trading Volume (million units)	<b>24.610</b>

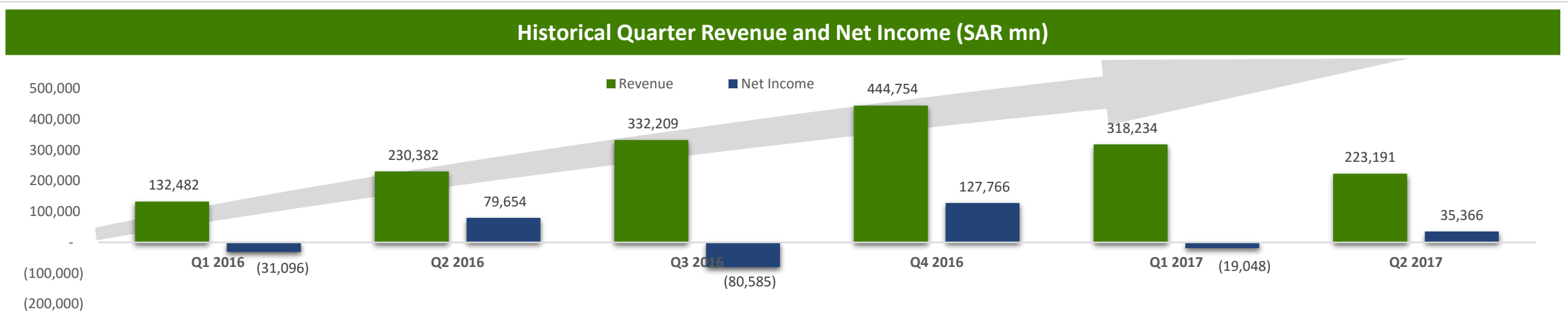
#### Ticker Description:

SASEIDX Index: Tadawul all share index  
EMAAR AB Equity: Emaar Economic City's stock on Tadawul

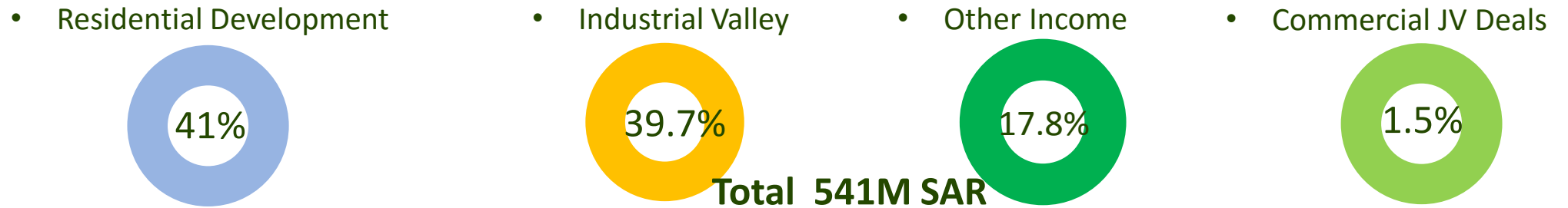
### AS AT 30 JUNE 2017

Number of Units in Issue	<b>850,000,000</b>
Market Capitalisation	<b>SAR 13,362 million</b>

## Financial Performance – Q2, 2017 Profitability



### % Breakdown of Revenue for YTD Q2 2017



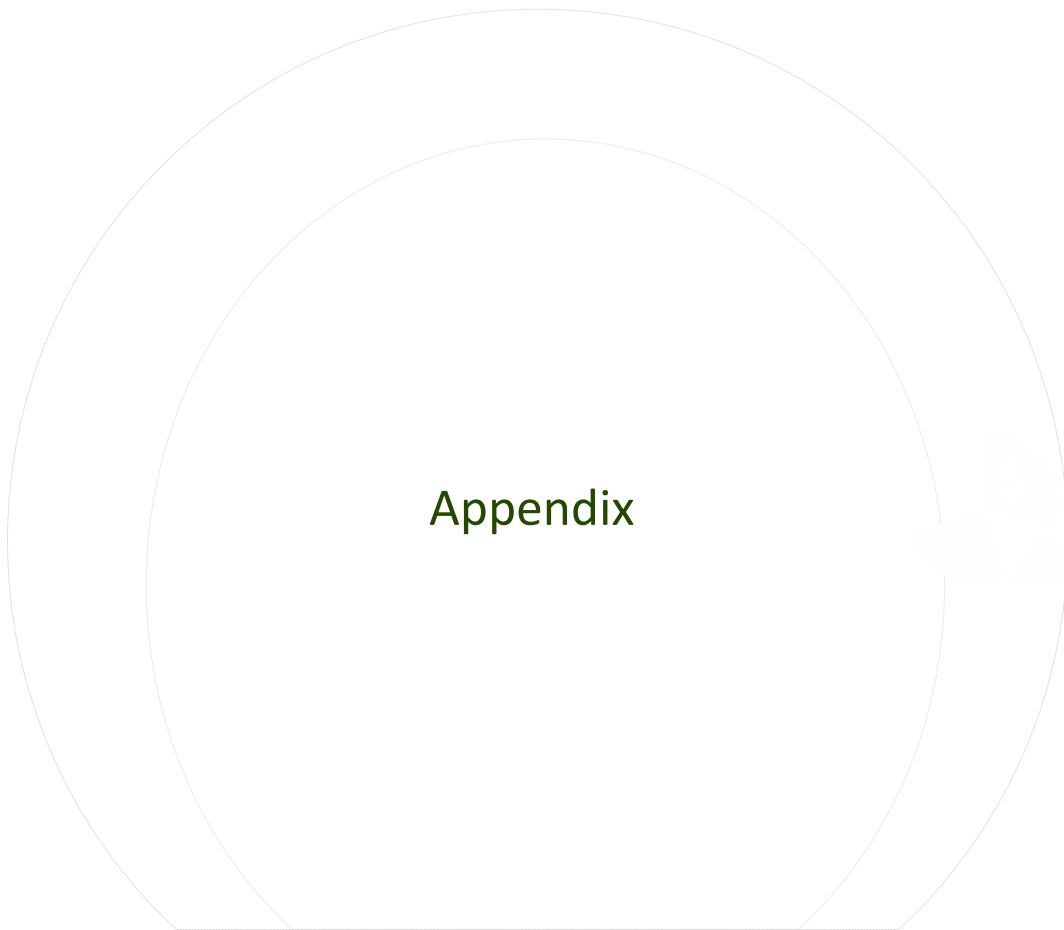
\*Other Income: Constitutes value added services, service charges, Hotel, healthcare, DMO, RLO and income from education

### % Breakdown of Order Intake for YTD Q2 2017



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## Major changes in accounting treatment SOCPA VS IFRS

**Revenue Recognition:** Under SOCPA, revenue on land sale was recognized based on FULL ACCRUAL METHOD. However, under IFRS we are using POC method to recognize revenue for both Land and Vertical sales.

**Deferred Revenue:** Under SOCPA, revenue amount collected against Primary Infrastructure (PI) was deducted from revenue and was deferred. Under IFRS, PI amount is not deferred and become part of revenue.

**Deferred Revenue Amortization:** Revenue deferred against PI was then amortized against the depreciation pertaining to PI assets, resulting in zero depreciation against PI assets. As under IFRS, PI revenue is not deferred therefore, depreciation is not netted off with the PI revenue and depreciation is charged to P/L.

**Significant Financing Component (SFC):** Under IFRS, SFC is carved out from the long term receivables and revenue is recognized netted off with SFC. Amount recognized as SFC is then amortized over the period of debt and recorded as other income in P/L.

**Impairment:** Under SOCPA, impairment was recognized if gross cash flows of the project are negative however, under IFRS, impairment to be recorded if discounted Cash flows of the project using WACC are negative

**Componentization of Fixed Assets:** IFRS requires to componentize fixed assets based on the different useful life of the components, this requirement wasn't there under SOCPA.

**Expected Credit loss:** Under SOCPA, provision against doubtful debts was required to be provided if debts become doubtful. However, under IFRS, an expected credit loss is required to be booked at the day one even if debt is not yet due, based on the past expectation of debt becoming as bad debt.

**2016** Net Income was increased by SR +625 M vs. SOCPA Net Income mainly due to:

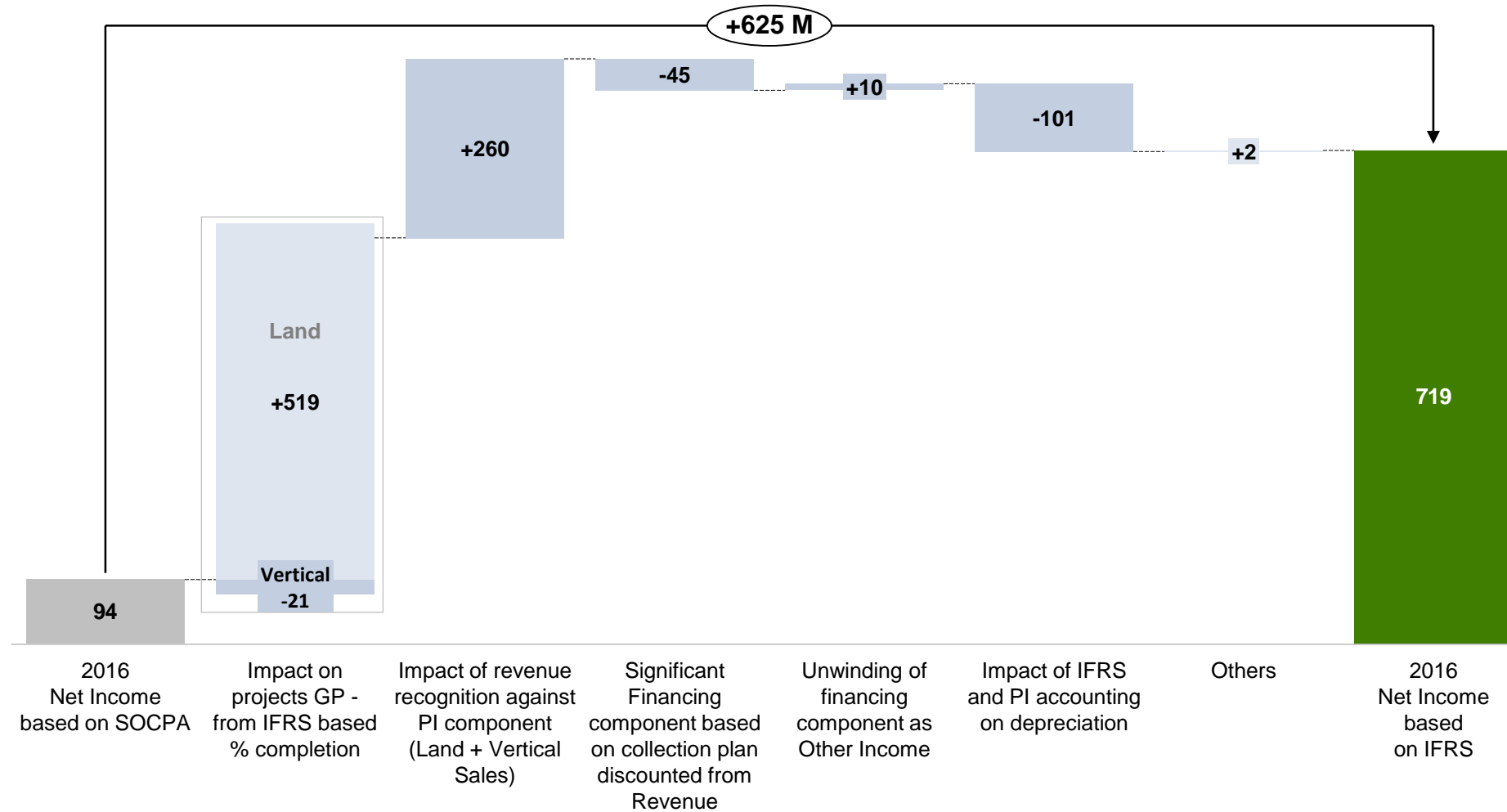
+ 498 M of Projects' Gross Profit from IFRS based POC on residential and IV land projects

+ 159 M IFRS impact on the recognition of revenue and depreciation on PI assets + 2 M Provision against RCC settlement and V08 project; offset by

35 M Significant financing component on long term collection plans

### Implications of IFRS on SOCPA Net Income (Full Year 2016)

Appendix II- IFRS Impact



# INVEST IN THE LEADING ECONOMY

The region's faster growing manufacturing and logistics hub



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IR App: [Click here](#)

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