

EEC Business Update

30 September 2021

IR Deck Q3 2021

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01

EEC Introduction



هيئة المدن والمناطق الاقتصادية الخاصة
Economic Cities and Special Zones Authority

Emaar, the Economic City – EEC is a Tadawul-listed real estate development and management company where its primary focus is the planning and development of **King Abdullah Economic City (KAEC)**. When it launched its successful IPO in July 2006, EEC made history: more than half of the Saudi population subscribed. **The Public Investment Fund of Saudi Arabia recently took 25% shares in the company by issuance of additional shares which increased the paid up capital to 11.33 bn.**

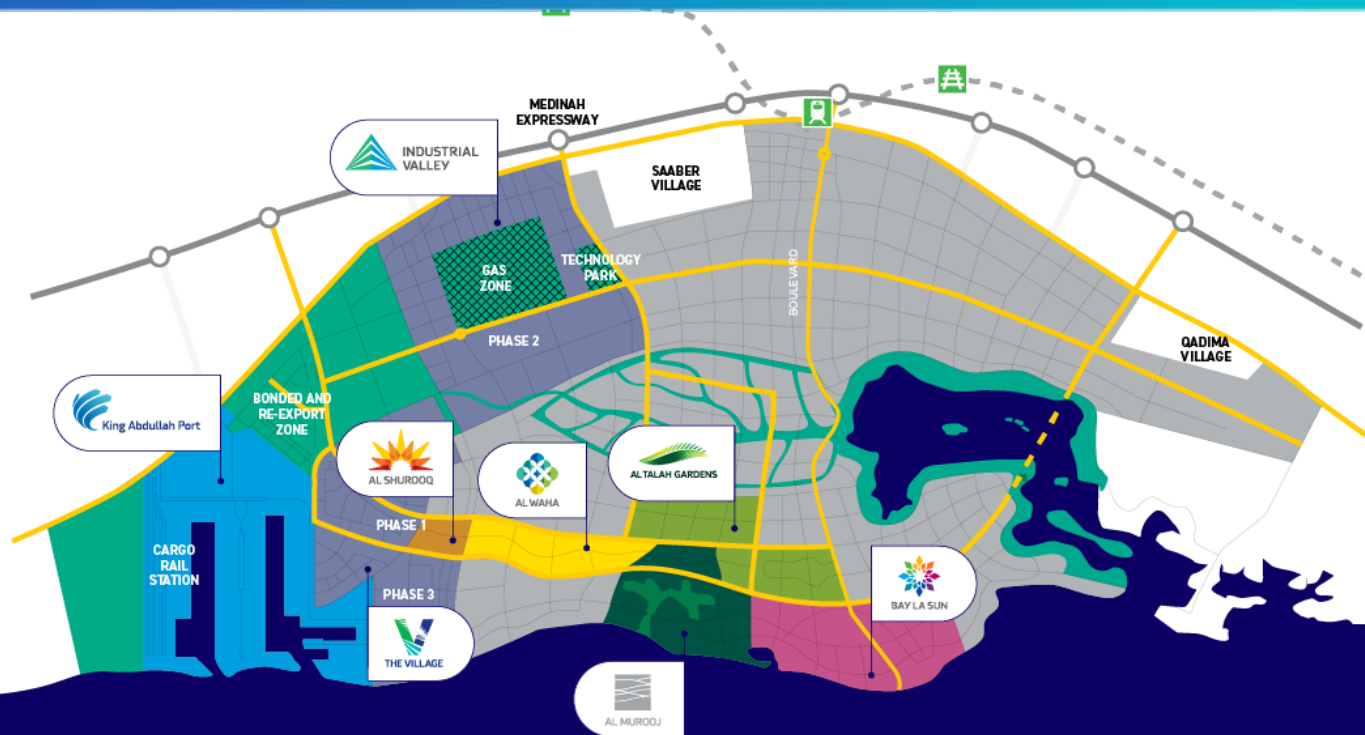
Aimed at being a major contributor to achieving the Kingdom’s Vision 2030, KAEC is a uniquely successful example of Public-Private Partnership, as it is governed by a single regulator - the **Economic Cities and Special Zones Authority (ECZA)** - that governs the city with a wide and comprehensive spectrum of incentives. It offers pro-business regulations and services, and ease and speed of issuance of permits and licenses. While, EEC represents the private sector part, it is responsible of the development, operation and financing the city.

<p>4220 Emaar The Economic City</p> <p>Trading name: EMAAR EC</p> <p>Sector: Real Estate Industry Group: Real Estate Mgmt & Dev't</p> <p>Main Market</p>	EQUITY PROFILE		
	AUTHORIZED CAPITAL (SAR)	ISSUED SHARES	PAID CAPITAL (SAR)
	11,333,333,340	1,133,333,334	11,333,333,340
	PAR VALUE/SHARE	PAID UP VALUE/SHARE	
	10	10	

02

KAEC Introduction

Where we are today KAEC in **2021**



Total Area:

185 million m²

Emaar, The Economic City (EEC) land

Developed Area:	7,807,514 m² (Residential)
	16,391,054 m² (IV)
Port Annual Capacity	6,900,000 TEU
Built Roads:	257 Linear km
Businesses:	179 Tenants
Residential:	6,888 Plots, 3,597 vertical units
Industrial Serviced Plots:	336 Plots

Education:	5 Establishments
Healthcare:	2 Facilities
Religion:	9 Mosques
Hospitality:	491 Rooms/units
Leisure:	10 Distinctive assets

Brief Introduction to KAEC



World-class city living like no other in KSA

Award winning living communities that enhances the quality of life for all income segments



The largest integrated leisure & hospitality district in KSA on the Red Sea

30 leisure assets connected with lavish landscaping and walkways, overlooking the beautiful Red Sea



A comprehensive logistics & industrial hub on the Red Sea

The largest container port on the Red Sea & the largest pharmaceutical cluster in GCC



World Class Education

The only Babson affiliated college outside USA, an award winning primary school and a wide range of vocational education tailored to KSA's future needs



Unparalleled Connectivity

High speed train to the two holy cities and Jeddah airport. In addition to a direct connection to national highways grid



A premium destination for new sports inline with vision 2030

One of the finest luxury golf experiences in the region

Strategically Located

Centered at the shoreline of the Red Sea, KAEC is the optimum location for serving all of the Kingdom's tourism projects on the Red Sea, from north to south, Neom to Jazan.

90km from busiest airport in KSA



King Abdulaziz International Airport

One of 4 Cities Connected to HHR



25min to Jeddah Airport

55min to Makkah

60min to Madinah

2nd Largest Port on the Red Sea



34% Growth, ranked at 84 worldwide

Connected Population

34.8m Saudi Arabia



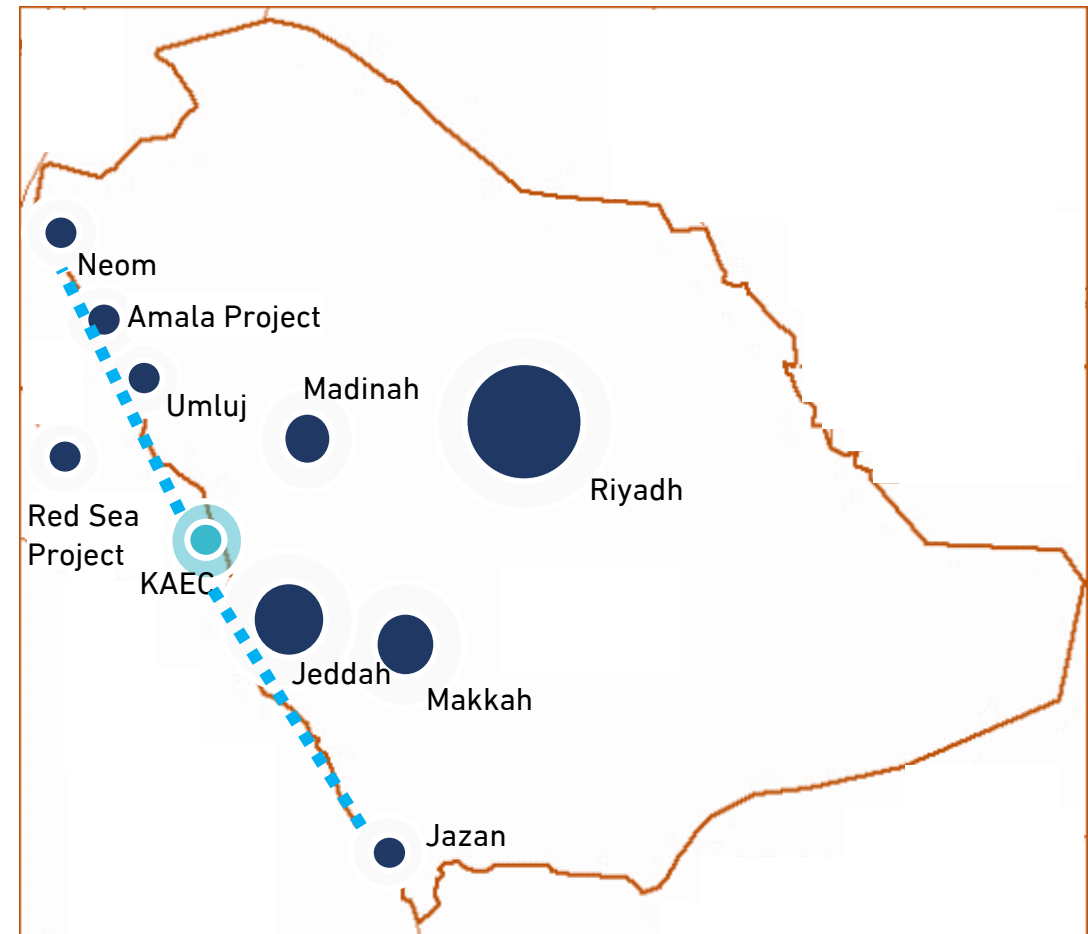
8.5m Regional Population

Central Location

North to South

830KM to Jazan Airport

786KM to Neom Airport



03

EEC Stock Overview

EEC Stock Chart on Sep 30, 2021 – Stock Price **SR 13.30**



Market Cap – Range 23 Bn (31 Oct 2006) – 15.04 Bn (30 Sep 2021) | Median : SAR 8.89 Bn

Date	Market Cap SAR	Date	Market Cap SAR	Date	Market Cap SAR	Date	Market Cap SAR	Date	Market Cap SAR
31-Oct-06	22,950,000,640	31-May-10	7,352,500,224	31-Dec-13	11,304,999,936	31-Jul-17	12,512,000,000	28-Feb-21	7,735,000,000
30-Nov-06	15,299,999,744	30-Jun-10	7,267,500,032	30-Jan-14	11,857,500,160	31-Aug-17	12,307,999,744	31-Mar-21	9,095,000,000
31-Dec-06	14,237,500,416	29-Jul-10	7,352,500,224	27-Feb-14	13,345,000,448	28-Sep-17	12,240,000,000	30-Apr-21	9,035,500,000
31-Jan-07	12,537,499,648	31-Aug-10	6,630,000,128	31-Mar-14	14,620,000,256	31-Oct-17	11,084,000,256	31-May-21	9,775,000,000
28-Feb-07	13,600,000,000	30-Sep-10	6,672,500,224	30-Apr-14	13,991,000,064	30-Nov-17	11,134,999,552	30-Jun-21	10,880,000,000
29-Mar-07	15,299,999,744	31-Oct-10	6,034,999,808	29-May-14	14,977,000,448	31-Dec-17	11,466,500,096	31-Jul-21	11,424,000,000
30-Apr-07	14,662,500,352	30-Nov-10	5,907,500,032	30-Jun-14	12,860,499,968	31-Jan-18	11,559,999,488	31-Aug-21	10,863,000,000
31-May-07	14,237,500,416	30-Dec-10	6,034,999,808	31-Jul-14	14,705,000,448	28-Feb-18	10,659,000,320	30-Sep-21	15,073,333,342
28-Jun-07	12,750,000,128	31-Jan-11	5,609,999,872	31-Aug-14	15,818,500,096	29-Mar-18	11,628,000,256		
31-Jul-07	13,175,000,064	28-Feb-11	5,482,500,096	30-Sep-14	14,807,000,064	30-Apr-18	11,900,000,256		
30-Aug-07	13,387,499,520	31-Mar-11	5,864,999,936	30-Oct-14	14,908,999,680	31-May-18	11,610,999,808		
30-Sep-07	14,024,999,936	28-Apr-11	5,907,500,032	30-Nov-14	11,449,499,648	28-Jun-18	10,200,000,512		
31-Oct-07	15,512,500,224	31-May-11	6,544,999,936	31-Dec-14	10,106,500,096	31-Jul-18	9,333,000,192		
29-Nov-07	17,637,500,928	30-Jun-11	6,672,500,224	29-Jan-15	12,631,000,064	30-Aug-18	8,049,500,160		
31-Dec-07	19,337,500,672	31-Jul-11	6,077,499,904	26-Feb-15	12,273,999,872	30-Sep-18	8,074,999,808		
31-Jan-08	19,762,499,584	31-Aug-11	5,440,000,000	31-Mar-15	11,211,499,520	31-Oct-18	7,718,000,128		
28-Feb-08	19,762,499,584	29-Sep-11	5,482,500,096	30-Apr-15	13,914,500,096	29-Nov-18	7,012,499,968		
31-Mar-08	15,299,999,744	31-Oct-11	5,440,000,000	31-May-15	13,319,499,776	31-Dec-18	6,723,500,032		
30-Apr-08	18,912,499,712	30-Nov-11	5,695,000,064	30-Jun-15	12,656,499,712	31-Jan-19	7,947,500,032		
29-May-08	18,912,499,712	29-Dec-11	6,289,999,872	30-Jul-15	11,390,000,128	28-Feb-19	8,236,499,968		
30-Jun-08	19,125,000,192	31-Jan-12	7,182,499,840	31-Aug-15	9,188,500,480	31-Mar-19	8,499,999,744		
31-Jul-08	17,212,499,968	29-Feb-12	8,032,500,224	30-Sep-15	9,205,499,904	30-Apr-19	7,819,999,744		
31-Aug-08	16,362,500,096	29-Mar-12	11,177,499,648	29-Oct-15	8,160,000,000	30-May-19	7,692,499,968		
30-Sep-08	12,410,000,384	30-Apr-12	11,390,000,128	30-Nov-15	8,908,000,256	30-Jun-19	8,499,999,744		
30-Oct-08	9,817,499,648	31-May-12	9,009,999,872	31-Dec-15	10,999,000,064	31-Jul-19	8,823,000,064		
30-Nov-08	7,437,499,904	28-Jun-12	7,394,999,808	31-Jan-16	10,828,999,680	29-Aug-19	8,499,999,744		
31-Dec-08	7,607,499,776	31-Jul-12	7,862,499,840	29-Feb-16	11,304,999,936	30-Sep-19	8,432,000,000		
29-Jan-09	7,480,000,000	30-Aug-12	8,584,999,936	31-Mar-16	11,857,500,160	31-Oct-19	7,964,499,968		
26-Feb-09	7,310,000,128	30-Sep-12	7,649,999,872	28-Apr-16	12,673,500,160	28-Nov-19	7,735,000,064		
31-Mar-09	7,012,499,968	31-Oct-12	7,480,000,000	31-May-16	11,602,499,584	31-Dec-19	8,117,499,904		
30-Apr-09	7,735,000,064	29-Nov-12	6,544,999,936	30-Jun-16	12,282,500,096	30-Jan-20	8,517,000,192		
31-May-09	8,627,500,032	31-Dec-12	7,055,000,064	31-Jul-16	11,866,000,384	27-Feb-20	7,871,000,064		
30-Jun-09	8,882,499,584	31-Jan-13	8,372,499,968	31-Aug-16	11,203,000,320	31-Mar-20	5,814,000,128		
28-Jul-09	8,670,000,128	28-Feb-13	8,032,500,224	29-Sep-16	10,191,500,288	30-Apr-20	6,247,499,776		
31-Aug-09	8,202,500,096	31-Mar-13	8,074,999,808	31-Oct-16	11,491,999,744	31-May-20	5,975,499,776		
30-Sep-09	8,882,499,584	30-Apr-13	8,074,999,808	30-Nov-16	14,840,999,936	30-Jun-20	5,779,999,744		
29-Oct-09	9,095,000,064	30-May-13	8,117,499,904	29-Dec-16	14,586,000,384	30-Jul-20	6,034,999,808		
30-Nov-09	8,924,999,680	30-Jun-13	8,457,500,160	31-Jan-17	14,807,000,064	31-Aug-20	6,859,500,032		
31-Dec-09	8,160,000,000	31-Jul-13	9,902,499,840	28-Feb-17	16,728,000,512	30-Sep-20	8,551,000,064		
31-Jan-10	8,457,500,160	29-Aug-13	8,755,000,320	30-Mar-17	14,475,499,520	29-Oct-20	7,565,000,192		
28-Feb-10	8,457,500,160	30-Sep-13	9,859,999,744	30-Apr-17	13,982,499,840	30-Nov-20	8,364,000,256		
31-Mar-10	8,372,499,968	31-Oct-13	10,369,999,872	31-May-17	12,019,000,320	31-Dec-20	7,828,499,968		
29-Apr-10	7,819,999,744	28-Nov-13	10,497,500,160	29-Jun-17	13,361,999,872	31-Jan-21	7,582,000,000		

Market Cap (SAR Bn)

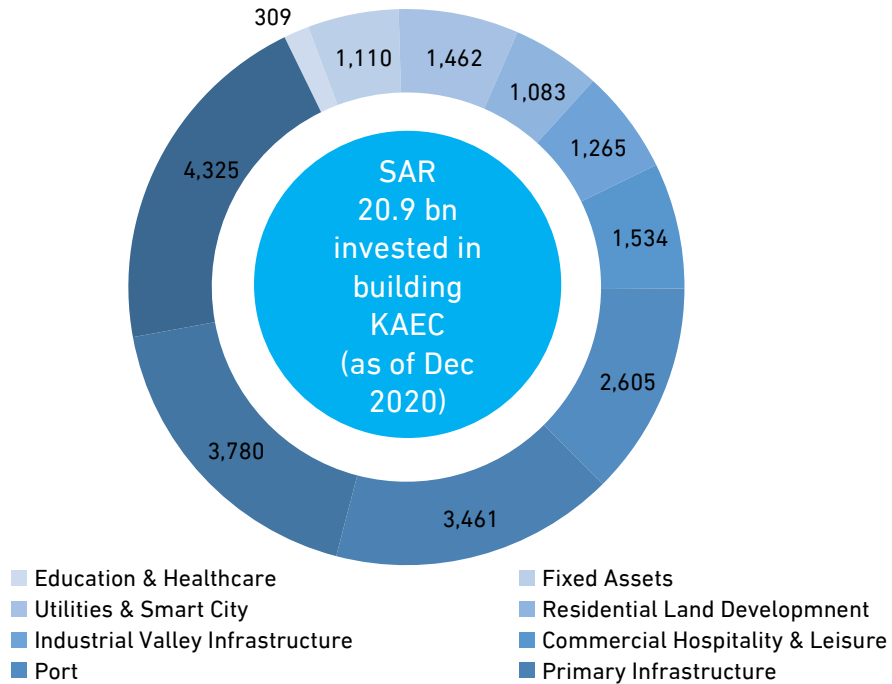


04

Financial Update (EEC Group)

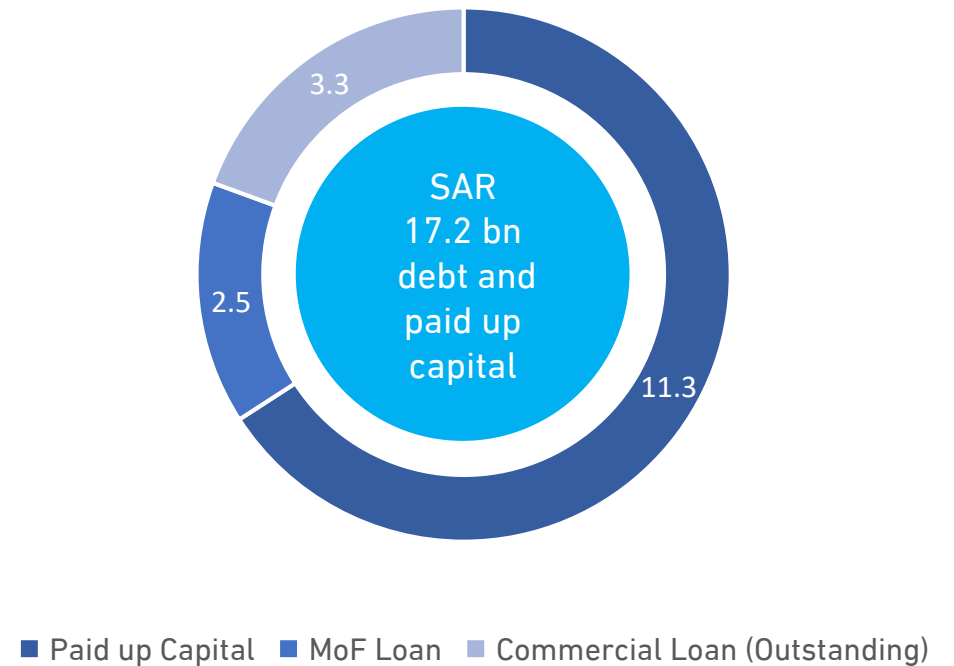
Invested capital, healthy financial leverage has enabled us to build KAEC, and will continue to support our growth

Breakdown of EEC's invested capital (SAR Mn)



- KAEC is the largest privately funded city in the world

Debt and Equity (SR Bn)

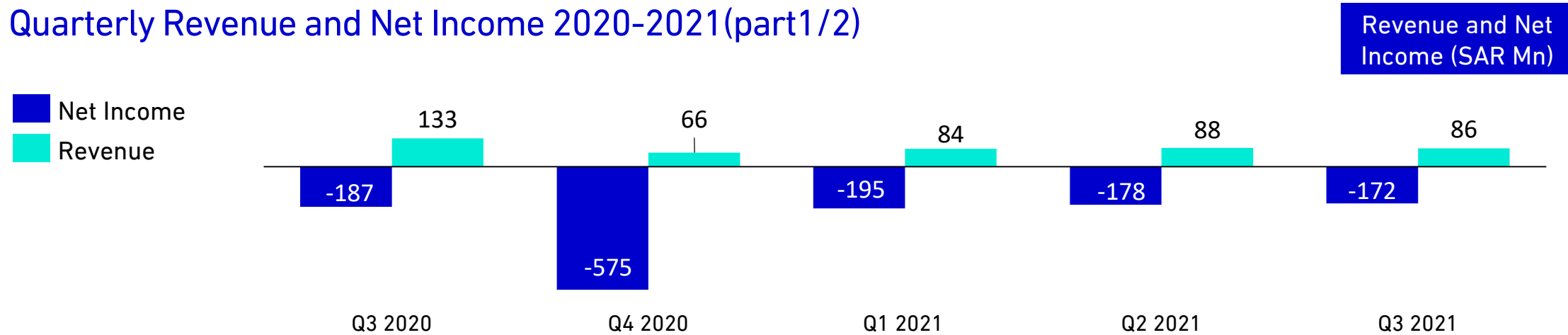


- PIF acquired 25% stake as additional equity changing the debt and equity structure

EEC Debt Restructuring update

- **MoF:** SR2.166 bn Loan (Post-Conversion to PIF) rescheduling has been approved to be paid over 10 years with a grace period of 4 years starting 2021 subject to signing an Amendment Agreement (being finalized). In addition the outstanding Interest of SR365 M has also been capitalized taking the total outstanding to SR2.53 bn
- **Alinma:** SR1.7 bn loan restructured over 10.5 years with 3Y grace
- **BSF:** SR537 M Loan restructured over 10.5 years with 3Y grace
- **SABB:** SR1.276 M Loan restructuring is in its final stages
- **SNB:** SR148 M outstanding STL facility was converted to MTL over a 4 year period.

Quarterly Revenue and Net Income 2020-2021(part1/2)



The reason of the increase (decrease) in the net profit during the current quarter compared to the same quarter of the last year:

Total comprehensive loss decreased by SAR 19.2M during the current quarter as compared to the corresponding quarter mainly due to the following:

- Decrease in general and administration and marketing cost by SAR 13.3M mainly due to various cost optimization measures taken during Q3 2021 including reduction in employee costs and early settlement discount offered to customers during Q3 2020.
- Decrease in impairment loss on receivable balances related to leasing, utilities and service charge revenue by SAR 15M calculated under Expected Credit Loss (ECL) model as required under "IFRS 9"
- Increase in the Group's share of results of investee, Port Development Company (PDC) amounting to SAR2.4M as well as positive changes in revaluation of interest rate swap arrangements made by PDC amounting to SAR 4.6M.
- The above referred impact of decrease in total comprehensive loss was partially offset by increase in gross loss by SAR -15.3M mainly due to reduction in net order intake of real estate sales and increase in amortization cost by SAR -0.8M.

Quarterly Revenue and Net Income 2020-2021(Part2/2)

The reason of the increase (decrease) in the net profit during the current quarter compared to the previous period of the current year:

Total comprehensive loss decreased by SAR 19.8M during the current quarter as compared to the preceding quarter mainly due to the following reasons:

- Decrease in gross loss by SAR 14.8M is mainly due to increase in operating assets' revenue and change in mix of real estate sales during Q3 2021.
- Decrease in impairment loss on receivable balances related to leasing, utilities and service charge revenue by SAR 12.6M calculated under Expected Credit Loss (ECL) model as required under "IFRS 9".

The above referred impact of decrease in total comprehensive loss was partially offset by:

- Increase in general and administration and marketing expenses by SAR -7.2M, mainly due to increase in marketing activities such as branding, advertising and discounts offered to customers during Q3 2021.
- Increase in other items by SAR -0.4M during the current period.

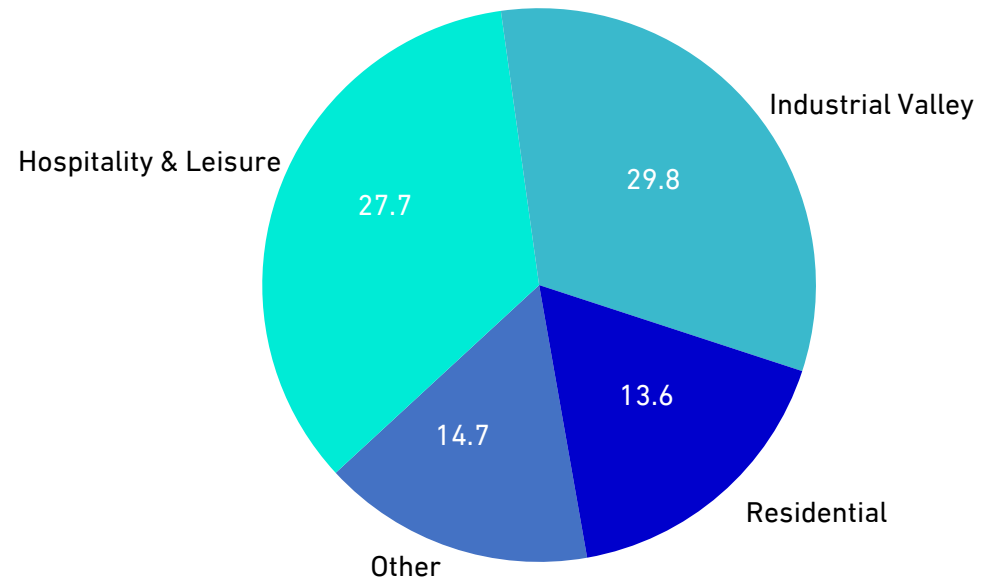
The reason of the increase (decrease) in the net profit during the current period compared to the same period of the last year :

Total comprehensive loss decreased by SAR 168M during the current period as compared to the corresponding period mainly due to the following reasons:

- Decrease in general and administration and marketing cost by SAR 46M is mainly due to various cost optimization measures including reduction in employee cost.
- Impairment loss on operating assets amounting to SAR 21.3M booked during the corresponding period whereas no such impairment was booked during the current period
- Decrease in financial charges by SAR 52 M during the current period mainly due to decrease in overall SAIBOR rates.
- Increase in the Group's share of results of investee, Port Development Company (PDC) amounting to SAR 16.3M as well as positive changes in revaluation of interest rate swap arrangements made by PDC amounting to SAR 40M.
- Decrease in depreciation, zakat and other items by SAR 22.4M during the current period.
- The above referred impact of decrease in total comprehensive loss was partially offset by increase in gross loss amounting to SAR -30M, mainly due to significant reduction in order intake of real estate business during the current period.

Revenue Breakdown Q3-2021

Q3-2021 Revenue breakdown
(Mn)



05

King Abdullah Port Update

KAP Q3 2021 Highlights



Complementing the Industrial valley with unmatched progress

Recognized as the **2nd Best Port Globally** in the Container Port Performance Index for 2020

Recognized as region's **fastest growing port** during the 1st Quarter of 2021

Currently ranked at 84 worldwide amongst the top ports in the world in terms of volume

34% growth in total Container volume over YTD September 2020

65% growth in Export Full Container volume over YTD September 2020

52% growth in T/S volume over YTD September 2020

56% growth in Bulk volume over YTD September 2020

9% increase in Vessel calls over YTD September 2020

Total container handling capacity is 6.9 Mn TEU based on current efficiency levels

Competitive advantage of higher productivity- 45 moves per crane hour and 35,000 MT of bulk/day

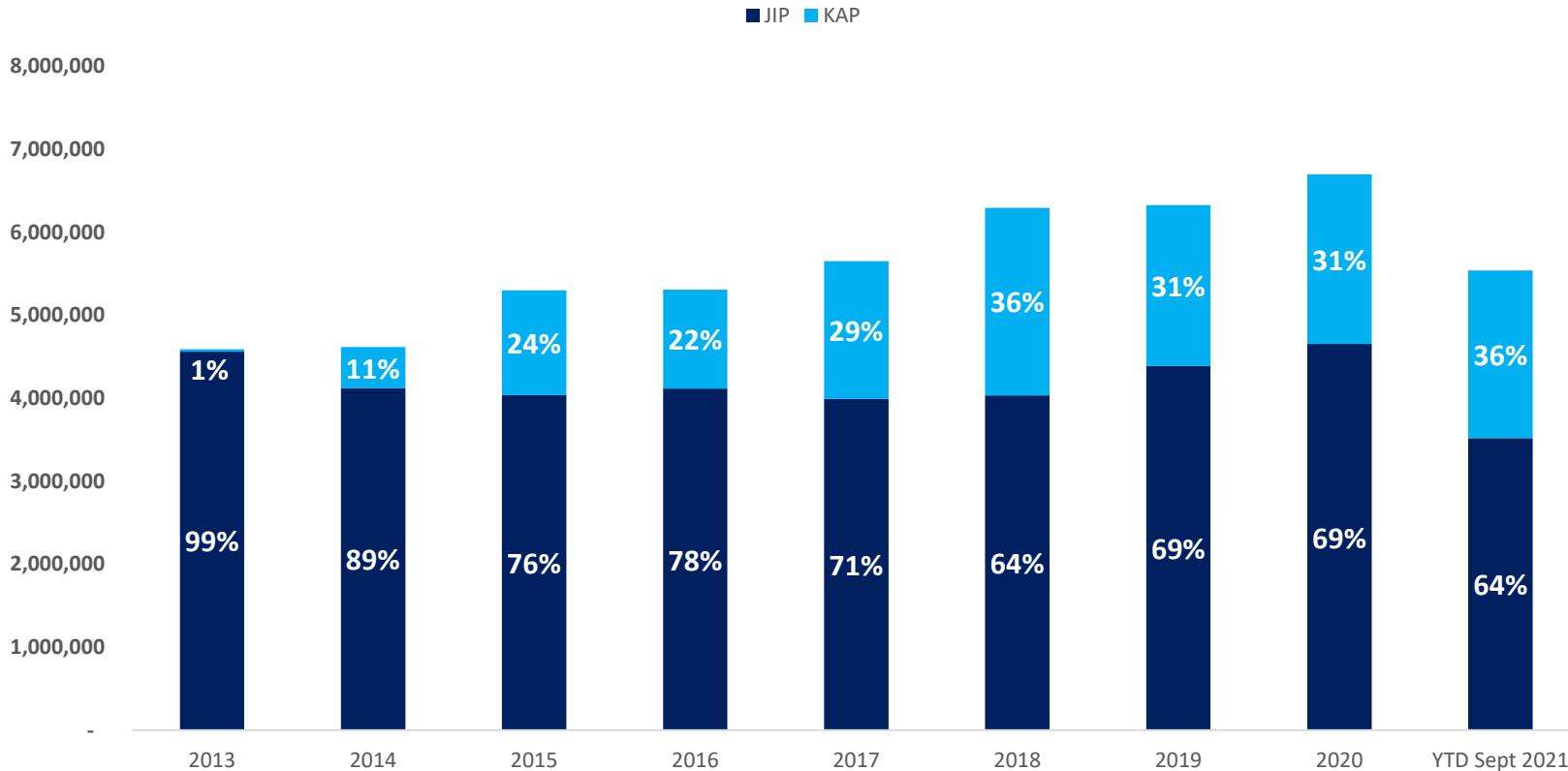
Main hub for MSC and the MSC/ Maersk 2M alliance

World's largest vessels with a capacity exceeding 23.5k TEU's are being regularly handled at the port

KAP – Market Share Evolution

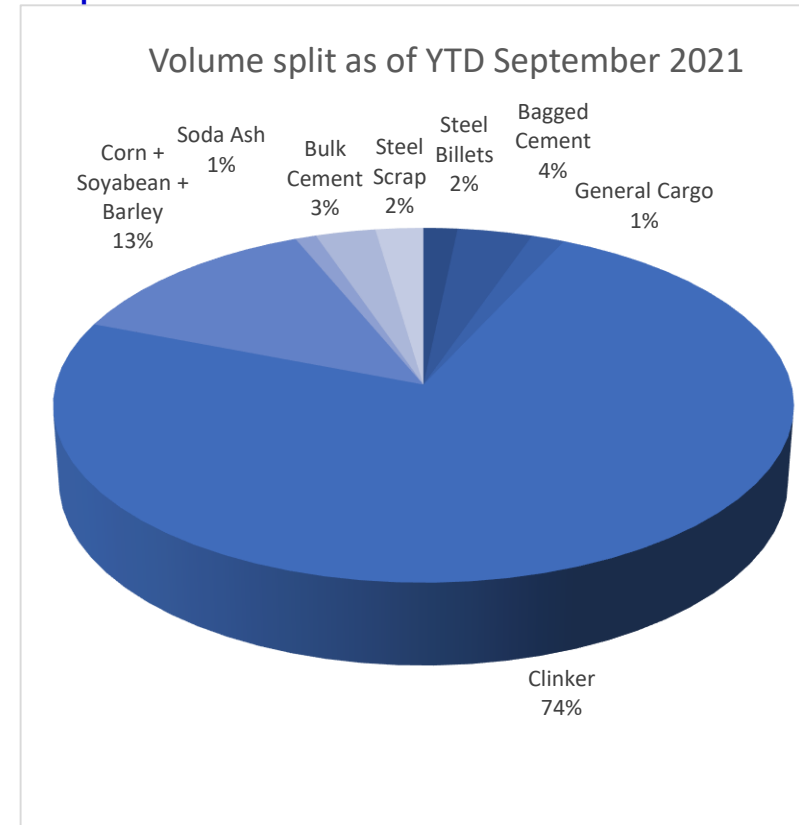
KAP has grown consistently over the years handling over a third of the Kingdoms Western Regions container volumes

Western Region Market Share (in TEUs)



Non-Containerized Cargo

Total Volume handled in KAP in YTD September 2021 was 3.30 million MT



KAP – Growth Potential

Various initiatives, programs, strategies and plans are catalysts for promising growth.



Alignment with Vision 2030 & National Industrial Development and Logistics Program (NIDLP) : KAP aspires to be a vital contributor to fulfilling Vision 2030's objective of having the Kingdom be a trading hub for Asia, Africa and Europe. NIDLP focuses on transforming Saudi Arabia into an Industrial Powerhouse and a global logistics hub



Saudi Land Bridge Project: KAP is expecting to be connected with the Saudi Land Bridge (via rail), which would secure fast and cost-effective connectivity with Yanbu, Petro Rabigh and Riyadh.



MSC/TIL Vision: MSC, the world's second largest shipping line and the majority owner of TIL Group (which in turn is the majority owner of NCT), has informed PDC that it aspires to make its terminals at KAP a major MSC global hub, with throughput of 10-12 million TEU's.



Port Community System: PCS-as-a-service adds to operational efficiency and cost saving for customers and it acts as a single platform to capture all activities of the port and act as the central system for integrating all operators in KAP

Almarai Facility: Almarai have made significant investment in building their own facility for cargo handling and storage and the project is almost ready. It demonstrates that from a Supply Chain perspective, serving KSA hinterland from KAP is efficient and cost-saving.



KAP expansion potential: KAP has adequate surplus capacity to meet any market demands as against other ports that have almost reached saturation levels



Logistics business: Developing a logistics business including a bonded zone, provides a unique growth opportunity for KAP (see next slide)



Land Availability: KAP has ample empty land, available for use by leading industrial and logistics companies



KAP – Key Advantages

- **Location:** on the Red Sea, access to the highways, proximity to the export market, time & cost saving road transportation, provision for rail network
- **Land:** availability of adequate land area inside and outside port
- **Infrastructure:** deepest draft at the basin and entry channel, more than enough terminal yard area, strong pavement capable of stacking 5+1 containers, fully equipped customs inspection facility, over 3,000 reefer plugs, self-sustainable utility network and power plant
- **Equipment:** terminals equipped with most modern cranes and top class marine service boats
- **Offering of logistics facilities:** bonded / non-bonded logistics facilities
- **Multi facility port:** dedicated independent facilities for handling containers, bulk/general cargo and RORO
- **Sophisticated system:** port community system / smart gates to add to efficiency and cost savings
- **Ease of doing business:** faster response to customer needs

06

Industrial Valley (IV) Update

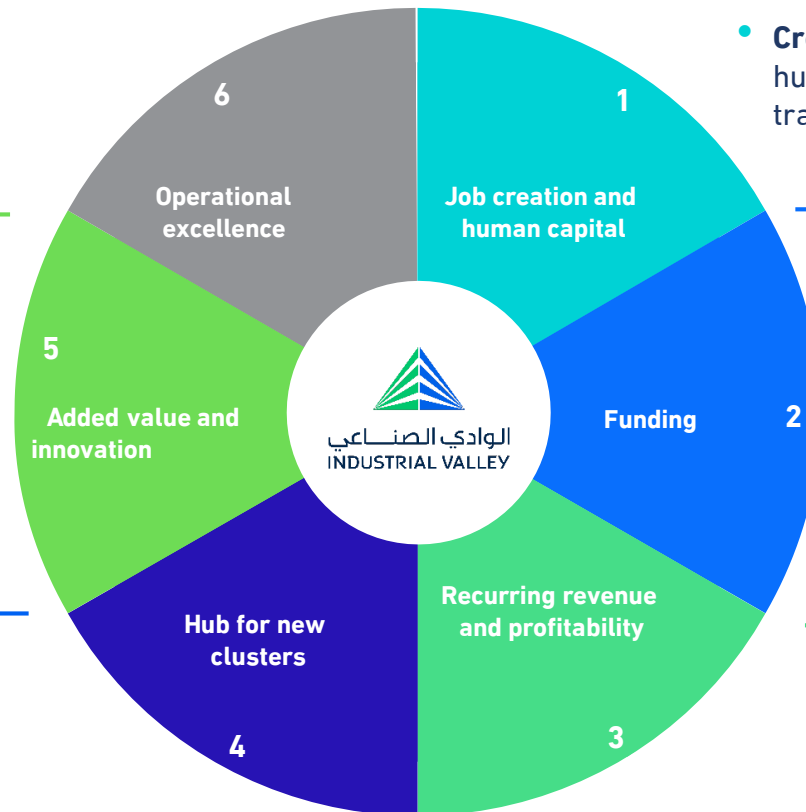
Vision

To be among the top preferred regional hubs for manufacturing industries and value-added logistics.

Mission

To become the hub for job creation in King Abdullah Economic City and provide holistic solutions to industrial and logistics tenants; while establishing an integrated customer-centric industrial and logistics community focused on efficiency and excellence in operation.

Strategic objectives



- Create **integrated operational platforms** to enhance customer experience and drive efficiency

- Offer **value-added** products and services that will:
 - Ensure the long term sustainability of IV business model
 - Differentiate IV from other local, regional and international competitors

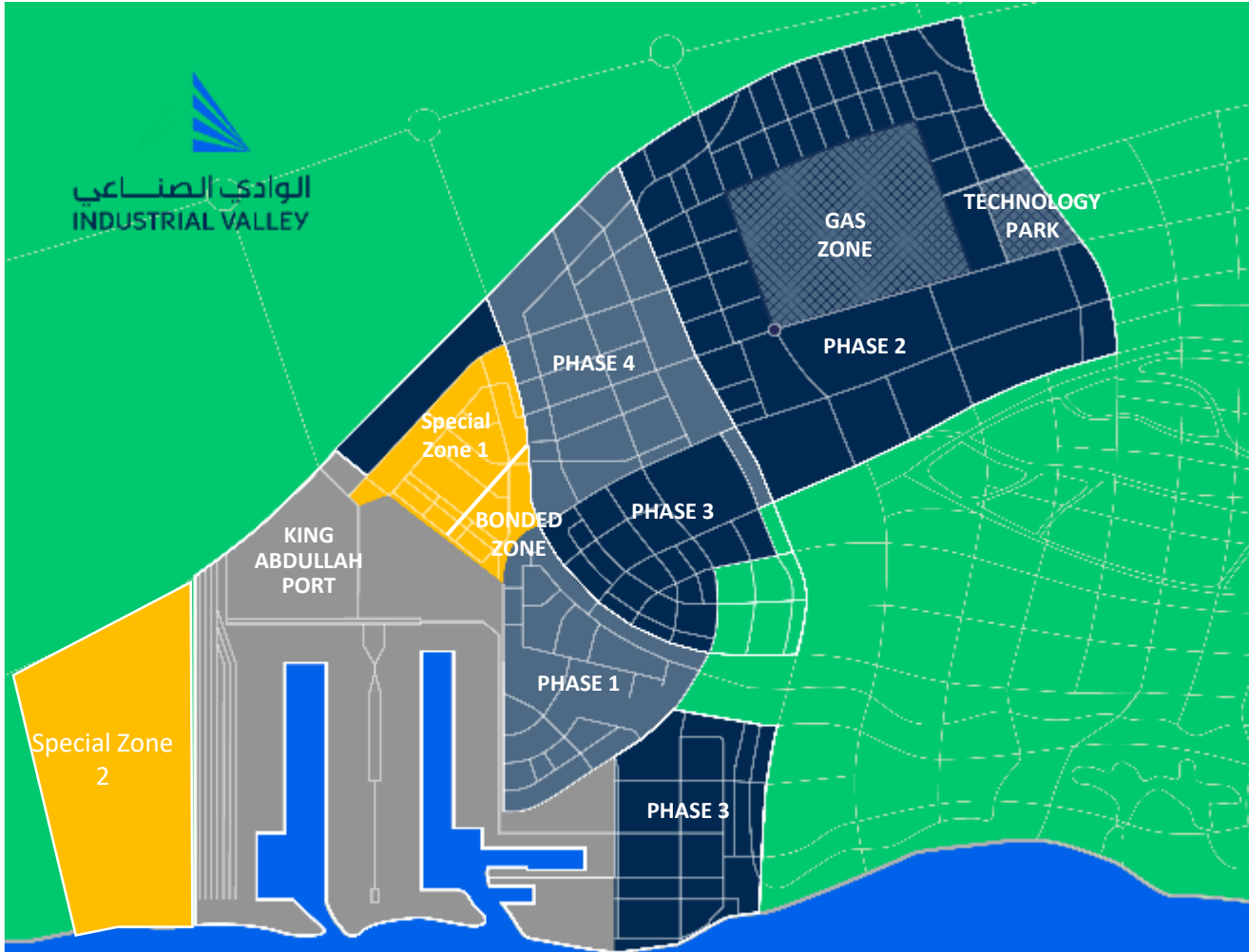
- Bonded Zone, Technology Park, and Renewable Energy Cluster

- **Creation of jobs into the city** and developing human capital to support IV tenants through training and development programs

- Drive land sales to secure both EEC and IV **funding requirements**

- **Grow** leasing and other sources of profitable recurring revenue

Global Logistics & Light Industry Hub



Industrial Valley Facts and Products

INDUSTRIAL VALLEY FACTS



Master plan covers
50 million m2



Situated next to
King Abdullah Port

Development Status (Area in Sqm)

Developed /Under Development & Design: ~35 SQM

Current Progress

112 Tenants
5,135 Jobs created
Total investment of
SR 11.8 Billion

Full Utilization & Development



Targeting ~700 Tenants



Targeting ~56,000 Jobs



**Targeting investment of
~30 Billion SAR**



Pre Built Light Manufacturing
and Warehousing Units



Offices & Retail
Spaces for Lease



Serviced Lands for Sale

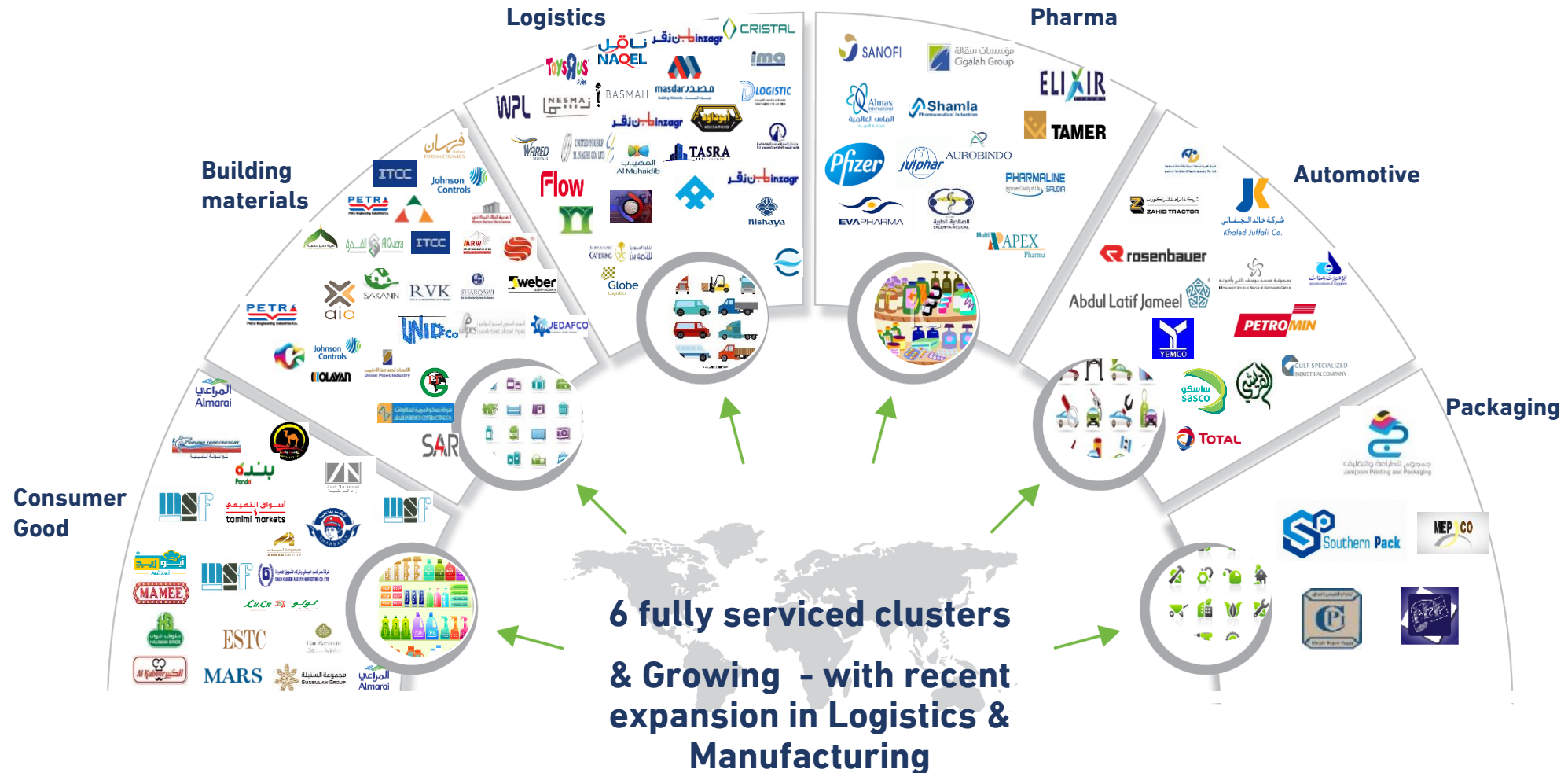


Serviced Lands for Lease

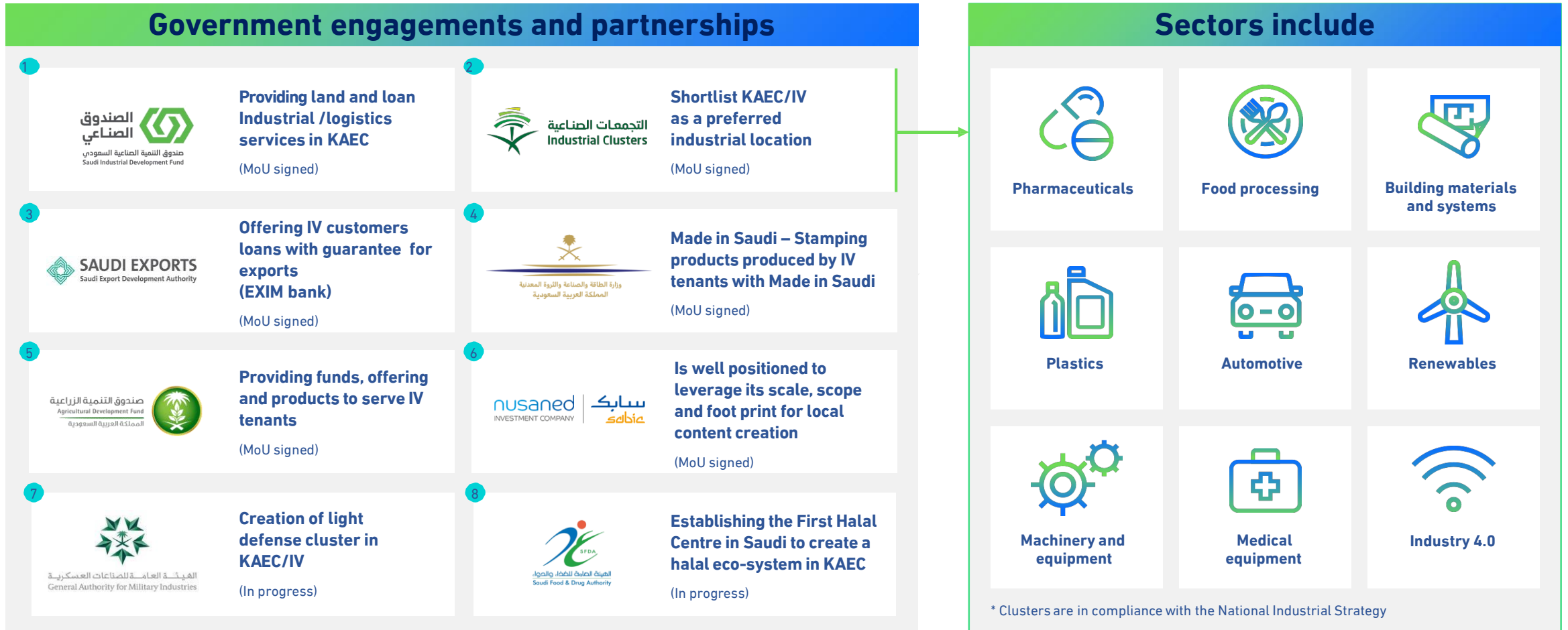


Cold Storage Warehouses (Under Assessment-subject to demand)

Business segments at IV



Active Strategic Partnerships



KAEC Value Added Services

 <p>SMEs & New Ventures</p> <ul style="list-style-type: none"> • Access to Ecosystem & Partners • Platform for Red Sea Activations 	 <p>مدينة الملك عبدالله الاقتصادية Another World</p> <p>Marketing</p> <p>Marketing Support and Access to KAEC Marketing Channels</p>	 <p>Human Capital Development</p> <ul style="list-style-type: none"> • Higher/Executive Edu. • Tech Training and Dev.
 <p>مدينة الملك عبدالله الاقتصادية</p> <p>Smart City Digital Factory</p> <p>Access to KAEC's IT & Digital Services</p>	 <p>مدينة الملك عبدالله الاقتصادية</p> <p>EEC Corporate Shared Services</p> <ul style="list-style-type: none"> • Free Transportation for 1 Year • Access to HR and Procurement 	

07

City Update

Residential Product Mix



Low Income



Apartments

Villas**



Mid Income



Apartments

Townhouses

Paired Homes

Villas



High Income



Apartments

Villas

**Planned projects

Residential Product Mix

Project	Total Units	Developed Plots	Developed Vertical	Total Gross Land Area
Al Shurooq	1,440	-	1,440	606,795
Al Waha	982	-	982	408,296
Talah Gardens	3,994	3,815	179	3,025,524
Hejaz	442	442	-	245,676
Bay La Sun	848	-	848	95,871
Al Murooj	2,779	2,631	148	3,425,352
Totals	10,485	6,888	3,597	7,807,514

Project	Unit Type	Low Income	Mid Income	High Income
Al Shurooq	Apartments	1,440	-	-
Al Waha	Apartments	-	730	-
	Townhouses	-	144	-
	Paired Homes	-	78	-
	Villas	-	30	-
Al Talah Gardens	Plots	-	3815	-
	Verticals	-	179	-
Hejaz	Plots	-	442	-
Al Murooj	Plots	-	-	2,631
	Villas	-	-	148
Bay La Sun	Apartments	-	-	848
Total		1,440	5,418	3,627

Residential Mortgage Solutions

Solution Category	% (of Total Sales)
Mortgage	35%
SAKANI	10%
Total	45%

SAKANI Program Introduced in 2018

111 MOH eligible beneficiaries owned their home in the KAEC through SAKANI

SAKANI Program reintroduced in 2021

- All Products are available now through SAKANI Program
- More beneficiaries are looking in different community in 2021

Mortgage Solution Providers

- From June 2020 onwards
- 63 customers availed the mortgage facility in 2021
- Available for all community

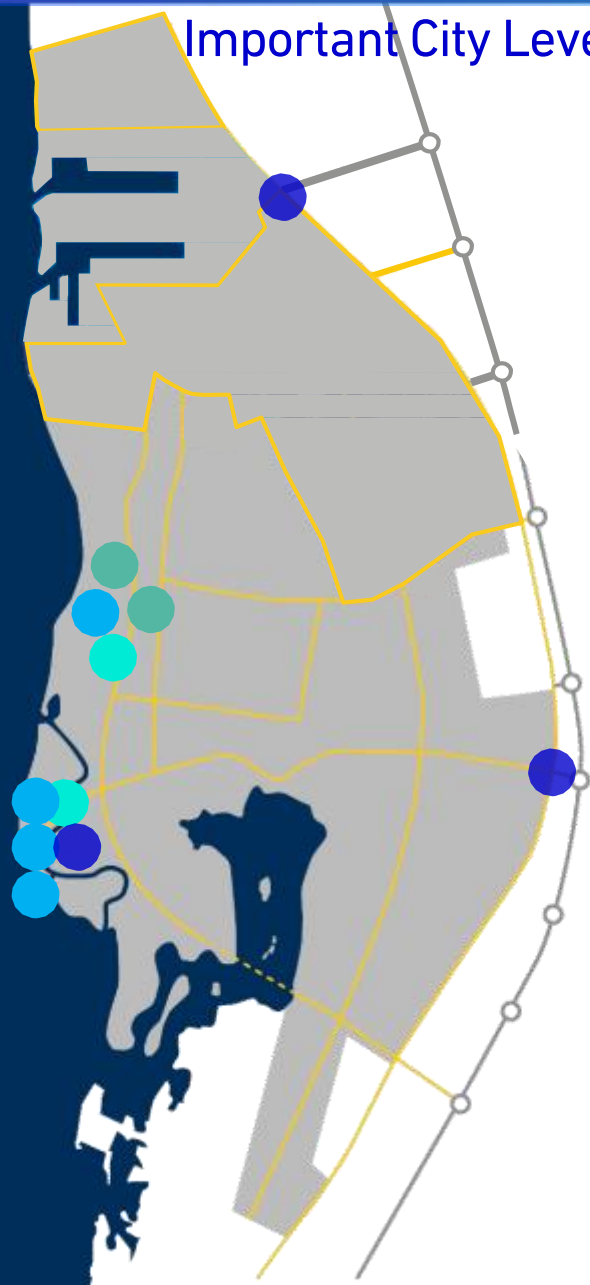
Mortgage Solution Providers:

- Saudi National Bank
- Riyadh Bank
- Al Rajhi Bank
- Saudi Fransi Bank
- Saudi British Bank
- Bank Al Jazira
- Bank AlBilad

Home Financing Companies:

- Duestche Gulf Finance
- Amlak International
- Bedaya Home Finance

Important City Level Amenities & Services



Healthcare & Retail



Education



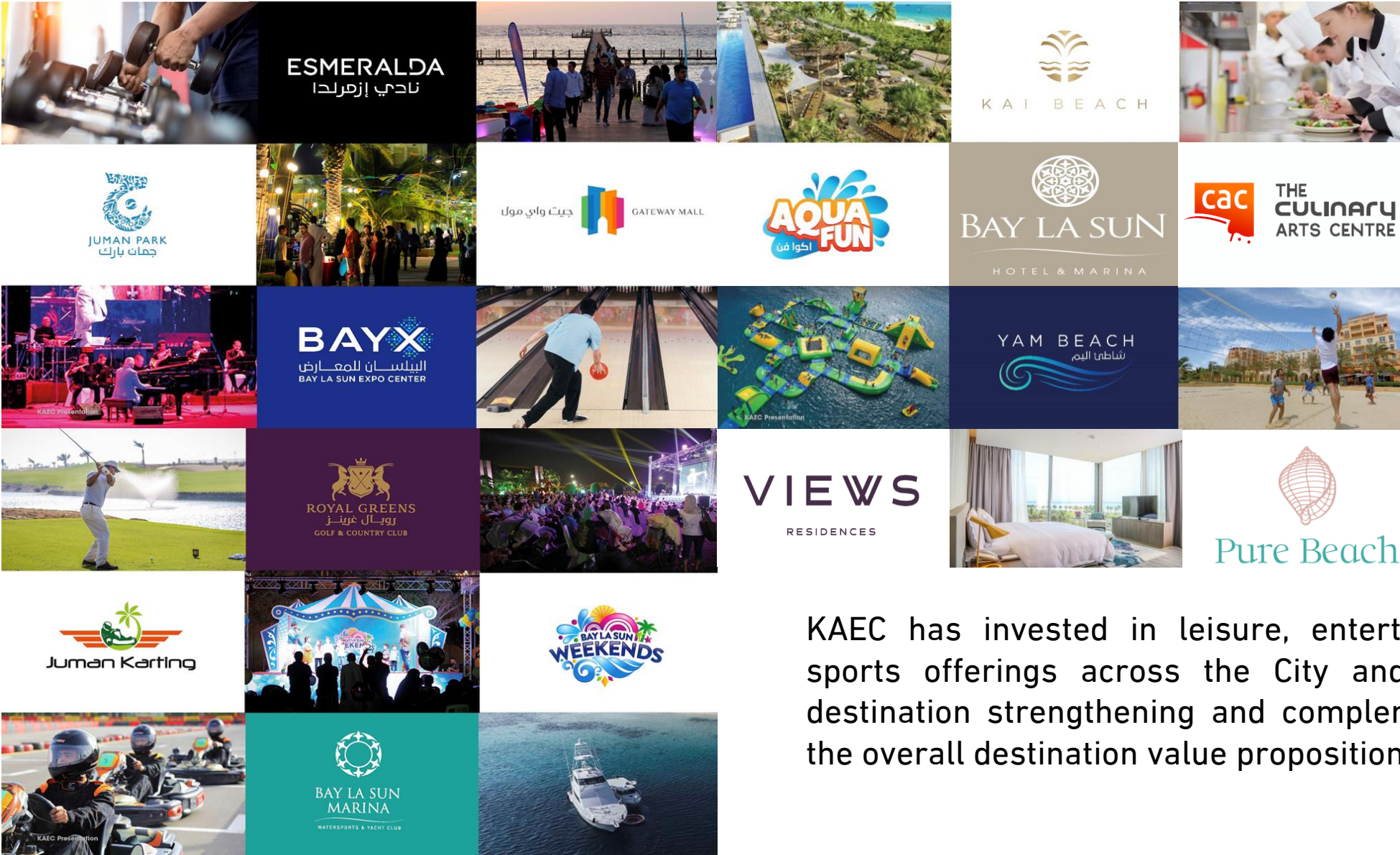
Hospitality & Leisure



Safety & Security



Leisure, Hospitality and Entertainments overview



KAEC has invested in leisure, entertainment, hospitality and sports offerings across the City and is today an emerging destination strengthening and complementing the development the overall destination value proposition.

Destination attracting 1 Million visitors annually

Visit
Saudi روح
السعودية

SAUDI
TOURISM
AUTHORITY الهيئة
السعودية
للسياحة



وزارة السياحة
Ministry of Tourism



المركز الوطني للفعاليات
National Events Center



الهيئة العامة للترفيه
General Entertainment Authority

Saudi Summer 2021 was the first campaign to be fully endorsed by the Ministry of Tourism and National Events Center (NEC), along with the support of General Entertainment Authority (GEA) and Saudi Tourism Authority (STA).

Our distinct partnership with the government positioned **Pure Beach** as the first official beach-club in Saudi Arabia, attracting music-lovers and beachgoers from all over the region, as well as celebrity DJs from around the world.

Additionally, this allowed us to break the **Guinness World Record** by installing the “Largest Floating Aqua Park” in the world.

The campaign generated almost 200,000 visitors which allowed the city to welcome its **1,000,000th** visitor in as early as September.



Cruise Saudi has chosen KAEC to be one of their stop destinations for enjoying a variety of activities of which we provide.

We have signed a deal to bundle our **leisure assets** and cross sell it to the passengers on the cruise.

This event occurs every Sunday from November 2021 and until march 2022.

The bundle includes:

- Pure Beach
- Yam Beach
- Horseback Riding
- D-BOB Buggies

FAQs

08

Frequently Asked Questions



About EEC & KAEC



Vision & Direction



Industrial Zone



Government Engagement



Strategic Partnerships



KAEC Strategic Vision and Direction

About EEC & KAEC

1. What is the role of EEC in developing KAEC?

- Emaar, The Economic City, the master planner and developer of KAEC, is a Tadawul-listed public joint stock Saudi company established in 2006. Aimed at being a major contributor to achieving the Kingdom's Vision 2030. KAEC is a uniquely successful example of Public-Private Partnership, as KAEC is governed by a single regulator ECZA that governs the city with a wide and comprehensive spectrum of incentives. It offers pro-business regulations and services, and ease and speed of issuance of permits and licenses. While, EEC represents the private sector part, it is responsible of the development, operation and financing the city.
- EEC is engaged in developing and maintaining various residential, industrial, commercial and social facilities at KAEC. In recent years, due to multiple causes, the order intake and revenues were on the lower side owing to economic downturn, decline in demand. The general trend of the real estate market during preceding years remained subdued which affected the pricing and payment terms trends and hence the revenue recognition and profitability of this sector. While we consider that this current situation coupled with COVID 19 impact would prevail in the short term, EEC management remains optimistic for the longer term due to the various initiatives aimed at stimulating the economic cities development.
- Apart from this, EEC has recently engaged with multiple mortgage and financing companies to enhance the affordability of housing units in KAEC and boost its cash flow generation. It is also worth mentioning that declining Saudi Arabian Interbank Offered Rate (SAIBOR) contributed in reducing the financial charges of the Company. In addition to the on- going real estate market challenges being faced by the Company, KAEC is an economic city development whereby the Company has to invest a substantial amount on the development of city infrastructure such as city roads, bridges, sub- stations, water & sewage plants, telecom infrastructure etc.
- Furthermore, the Company also invests in the city essentials such as education, healthcare, hospitality, tourism & leisure to serve the growing needs of the city population and visitors. This naturally results in considerable amount of depreciation along with the initial operating losses related to these assets that affect the Company's profitability in shorter term, but these investments have helped achieve the strategic objectives of KAEC as a great enabler for socio economic transformation in Saudi Arabia.
- From a value standpoint, EEC has invested in the development of KAEC approximately SR 17+ billion in equity and funding since inception which has created approx. 9.5x value to the investment properties as disclosed in the audited financial statements for the year ended 31 December 2020. This value will be unlocked by additional investment on strategic projects both by EEC and the third party developers, to create jobs and footfall, up to a certain point beyond which KAEC will have organic growth and hence yield long awaiting great returns for its shareholders. **38**

Vision & Direction

1. What is the Vision and Mission of KAEC

KAEC is realizing its vision to become a great enabler of socio-economic development in the Kingdom of Saudi Arabia. Strategically located for maximum impact on the local economy, KAEC is destined to become one of the most important cities in the Arab world serving and benefiting from global trade.

KAEC is one of the largest and most significant privately-run economic projects in the world. It is centered on the establishment of a 185 million square meter integrated city by the Red Sea coast north of Jeddah. Emaar Economic City (EEC), which is the master developer of King Abdullah Economic City, is a Tadawul-listed public joint stock Saudi company established in 2006.

2. How is KAEC contributing in achieving Kingdom's vision?

KAEC's aim is to build unique success story that matches our ambitions to achieve the Kingdom's Vision 2030, the city is a unique successful example of public-private partnership, by focusing on 3 strategic sectors:

- Logistics & Industrial hub (Industrial Valley & King Abdullah Port)
- Tourism & Leisure
- Real Estate development

3. What is the update on the management of the company?

During 2021, EEC have done a major management restructuring by having a newly well experienced leadership team including a recent appointment of our CEO (Mr. Cyril Piaia) to help in reshaping the company and help grow it and unlock its value. Mr. Cyril is a well-known executive in the tourism and development sector in Middle East and Africa and brings a 20+ year career in engineering, strategy, finance, and business management skills, most notably as a CEO. Full details of our leadership team can be found in our website.

Industrial Zone

1. Out of total IV land in IV how much area is leased? And how many IV tenants are operational?

Roughly 21% are leased and remaining are sold of the total Leasable and Saleable area available. Approximately 32 Companies are operational while others are under construction or under licensing.

2. Do you look into companies as to what they are producing or just look into Sales/Lease figures?

We target light manufacturing activities in the Industrial Valley. Attracting and activating operating companies in the Industrial Valley is a key economic engine of the city, which creates positive “spillover” effects in the form of increased residential and commercial real estate demand, and overall population growth and economic development of KAEC and the Kingdom more broadly.

3. How many of the IV tenants are coming through the government support programs?

We do not have numbers yet, but there are a number of current programs being run by the government which would provide incentives or promote companies to operate in the city. As one of the sites announced to be earmarked for an SEZ (Special Economic Zone), once the announcement is made and formalized, we would expect several government programs to push relevant companies to establish facilities in KAEC

Government Engagement

1. What is the update on PIF conversion status? Is PIF going to appoint its representatives in EEC Board

On Sep 27th, 2021, PIF and EEC concluded the MoF debt conversion by virtue of which PIF became an anchor shareholder in EEC with a 25% shareholding. This resulted in reduction of the MoF loan to EEC by 2.83 bn. PIF holds three board seats and EEC is now chaired by a PIF-appointed board member.

2. How do you see the government vision ? What is KAEC positioning against other PIF companies?

KAEC was envisioned as a socio-economic enabler for Saudi society. Owing to demands of a developed and modern lifestyle, KAEC was brought to existence under that vision where KAP and IV were envisioned to be the fulcrum of economic development, supported by residential and commercial facilities. The government's vision is similar in the sense of providing economic development, modern lifestyle and plethora of leisure & entertainment facilities. KAE, therefore, is very much aligned to the government's direction.

As far as other government projects are concerned, we complement other government mega/giga-projects, each of which is guided its own unique value proposition. These developments differ in terms of offering, positioning and geography. Each of these projects support national growth and are set to contribute to the Kingdom's GDP.

KAEC has the advantage of ready infrastructure and developed facilities. We look at the value creation overall and how we can monetize and realize the full potential of our development going forward. We would be participating with the government in terms of its vision and various new mega projects that have been announced. We believe we are well-positioned in terms of our already developed infrastructure, IV facility and strategic location of KAP. Our readiness makes us a preferred location for businesses to succeed and also offers healthy, modern lifestyle

Strategic Partnerships

1. Since PIF has become a major shareholder, what are the benefits expected for EEC and KAEC?

In a span of a few short years, PIF has become a recognized global investor and major actor across the entire economy of the Kingdom. The immediate effect of PIF becoming a shareholder is the reduction of debt. This deleveraging provides the company with a healthier capital structure and more financial flexibility. Second, PIF is a major contributor to realizing Vision 2030, and their ownership and involvement with EEC and the city will help to align the company and the development of the city even more closely with the vision, direction, and execution plans of the Kingdom and all participating players under the banner of Vision 2030. PIF can also be facilitator and supporter of specific strategic initiatives for the company and/or the city, and lend their prestige, expertise and diverse networks to the city's development.

2. What are some of the other key partnerships that EEC has pursued to develop the city?

The company is always keen to develop partnerships based on a win-win proposition that can add value to the organization and most importantly, the city overall. EEC has developed a number of partnerships with government entities ranging from TDF, GAMI, GEA, Ministry of Tourism, Ministry of Housing, and others. The Economic Cities and Special Economic Zones Authority is also based in KAEC and works closely with EEC to develop the city within the appropriate regulatory framework.

KAEC Strategic Vision and Direction (1/3)

1. What is the current direction of the company in terms of its strategic goals and future developments?

With the onboarding of a new CEO, senior management team and PIF as an anchor shareholder, the company is implementing short term performance improvement programs and strategic positioning, while also developing a long term strategy, business model and operating model that will be closely aligned with Vision 2030 goals and development objectives for the country.

2. What further guidance and views can management provide about 2021?

We implemented aggressive CAPEX expenditure controls back in 2020 during Covid-19 to ensure sustainability and to accommodate commitments for project handovers. The subdued performance of the company partially reflects the placing on hold of development activity during that period. In 2021, our focus has been on rebuilding the organization and management team, and improving the footing of the city so it can attract significant investments and third party property developments going forward,

Our strategic review and long term strategy development will identify further areas for operating improvement, organizational development and strategic repositioning where required. In the meantime, we remain committed to develop tourism and light industry in KAEC as two strategic pillars of the city, further supported by growing ecosystems in education and health/wellness. We continually assess and benchmark our commercial offerings to ensure our value propositions are competitive and resonate with our intended target markets.

3. What would be the impact on KAEC with the new announcement of companies setting up regional headquarters to do business in KSA?

We see these moves as a positive step taken by the government. We strive to be part of the ecosystem that facilitates setting up more businesses in the Kingdom at KAEC. We believe that as more companies establish deeper roots in the kingdom to conduct business and invest in the local economy, KAEC can only stand to benefit from these developments and earn its share of national economic activity, whether based on trade, manufacturing, business services or even the localized business community serving the city and its residents.

KAEC Strategic Vision and Direction (2/3)

4. What is the update with respect to SEZ status? Will SEZ status proscribe outright ownership of land inside the designated zone?

No official announcement about SEZs has been made, and no details have been made public as to the regulatory, fiscal or operating advantages that will be conferred to companies operating within an SEZ. Nevertheless, KAEC and in particular the Industrial Valley is gearing up and developing plans to activate an SEZ if and when official announcements and follow-on regulatory framework is put into place. Because of our advanced stage of development, ready infrastructure and KAP in operation, KAEC is well positioned to become an SEZ. Working closely with ECZA & other regulatory authorities, a business case has been submitted to the government to enable the development of an SEZ. Should we be officially designated with that status, we will be ready to contribute to the important strategic objectives of attracting FDI into the Kingdom, facilitating inward investment into these special zones, and supporting investors and the business/direct investor community more broadly. Looking at benchmarks in the region, the key business model of SEZs is generally focused on leasing of land rather than sales, although rates may vary depending on the special privileges or rights granted to companies operating in an SEZ.

5. What kind of benefits are expected from SEZ status, and when will the SEZ begin operation?

Based on observed experience in other countries, SEZs generally act as catalysts of foreign direct investment and can be significant drivers of economic activity, exports, investment, and employment. Aside from any direct benefits of receiving SEZ status (e.g. more leasing activity in the Industrial Valley), SEZs can also provide significant positive spillovers for nearby or surrounding cities as well, in terms of attracting population, businesses, spillover economic activity etc. KAEC would certainly benefit from SEZ status directly and indirectly.

KAEC Strategic Vision and Direction (3/3)

6. What other changes are on the horizon for your residential offering and the Industrial Valley?

On the residential front, we are benchmarking unit pricing and aligning our offerings to current market demand from both design and value perspectives. Our partnership with the Sakani program also provides an additional sales channel and supports residential uptake by Saudis. We have also engaged with several financial institutions to offer mortgages for EEC developed products in KAEC, which have been successfully implemented. Partnerships with mortgage finance companies will also enable us to shift away from the historic business model of installment sales for any future projects, allowing us to operate a more focused business model with lower levels of associated risk.

The Industrial Valley (IV) is well positioned to benefit from its vision-ready infrastructure, growing port operations through KAP, strategic location along a major global trade route and the Kingdom's strong push to attract more business activity and FDI. KAEC is already a significant hub for light manufacturing in a few key sectors, and its pipeline of new industrial and logistics projects is strong. As and when the Kingdom implements its new SEZ strategy, KAEC IV could potentially become a major beneficiary of this strategic initiative. From a location standpoint, KAEC is well connected by sea and road at the moment, and there is plan to have a land bridge connecting KAP and IV to Riyadh.

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