

Emaar The Economic City Unveils its Comprehensive Capital Optimisation Plan to Drive Holistic Turnaround and Deliver on Strategic Initiatives Aligned with Saudi Vision 2030

King Abdullah Economic City, Kingdom of Saudi Arabia, 8 September 2024: Emaar the Economic City (“EEC” or the “Company”), the master developer of King Abdullah Economic City (“KAEC” or the “City”), has announced a transformative business strategy, as approved by EEC’s Board of Directors and aligned with Saudi Vision 2030. This strategy will be enabled by a SAR 8.7 billion Capital Optimisation Plan (“COP”) consisting of a restructuring of all of EEC’s SAR 3.8 billion in bank debt facilities, the full conversion to share capital of SAR 4.0 billion of EEC’s debt owed to PIF, and a new convertible shareholder facility of up to SAR 1.0 billion from PIF. Furthermore, EEC will be pursuing a capital decrease to offset all of its accumulated losses.

The COP, developed based on extensive assessment and analysis over the past two years, is intended to provide a comprehensive solution to stabilize the Company’s financial and operational platforms, optimise its capital structure and establish a solid footing for value creation and maximization in the long term for its shareholders, clients and stakeholders at large.

Capital Optimisation Plan to provide a strong platform for holistic turnaround

The COP reinforces EEC’s robust partnership with key stakeholders including i) one of its major shareholders, PIF, and ii) its commercial lenders (Alinma Bank, Saudi Awwal Bank, Banque Saudi Fransi and Saudi National Bank). The COP’s four key components each offer independent and specific benefits to EEC:

1. **A restructuring and syndication of all EEC’s existing bilateral credit facilities** with Alinma Bank, Saudi Awwal Bank, Banque Saudi Fransi and Saudi National Bank (together the “Banks”) amounting to SAR 3.8 billion. This will re-align the repayment schedules for EEC’s bank debt facilities to match the Company’s investment plan, turnaround strategy and liquidity profile. The debt will be governed under one new syndicated facility agreement and is fully Shari’a-compliant.
2. **The full conversion to share capital of SAR 4.0 billion of EEC’s debt**, representing a SAR 2.9 billion facility from the Ministry of Finance (“MoF”), which was recently novated to PIF, and a SAR 1.1 billion shareholder loan from PIF. This conversion will significantly de-leverage EEC’s balance sheet and reduce interest expense with the added benefit of shoring up the Company’s share capital position.
3. **A new convertible shareholder facility of up to SAR 1.0 billion** from PIF to bolster the Company’s liquidity position and provide adequate funding over the short- and medium-term to invest in critical and transformative growth initiatives, which are integral to the successful turnaround of EEC.
4. **A capital decrease**, to offset EEC’s accumulated losses. The capital decrease will have no adverse impact on the operations of the Company, but is designed to stabilize EEC’s financial position, creating a healthier balance sheet and greater potential for future growth.

It should be noted that both the debt conversion and the capital decrease remain subject to regulatory and shareholder approvals, while the restructuring and syndication of the existing bilateral credit facilities and PIF’s new shareholder loan are not binding at this stage and are subject to finalization of, and entry to, binding long-form documentation with related parties. EEC will make further announcements to the market in due course.

Strategic focus: aligning with Saudi Vision 2030 by enhancing key sectors for development

The COP enables EEC to focus on its strategic priorities for the Company and KAEC, which include industrial and logistics businesses, non-industrial knowledge-based sectors, tourism and residential real estate. With the strategy subject to continual refinement to tap dynamic market opportunities, EEC will prioritise developing an attractive ecosystem for industrial, logistics and non-industrial businesses to flourish by developing sector specialised facilities and services for them to access. In tourism, EEC will focus on enhancing the quality and

diversity of visitor services and experiences, attracting events and cultivating diverse entertainment offerings, and establishing a domestic and regional profile for the City as a premier destination to visit. Objectives for residential real estate are to provide a range of quality housing options for a wide range of resident segments and to ensure access to high quality social infrastructure and services.

Key foundations for achieving strategic priorities

Strategic priorities for EEC will focus on both real estate and operations. The three strategic pillars of EEC's real estate business are city master development, real estate development and asset management. Within these, the Company will focus on attracting and retaining reputable real estate developers and investors and executing a more efficient and optimised master plan for KAEC. EEC will selectively execute signature projects independently or in collaboration with partners, upgrade and monetise current real estate inventory, and improve the performance of assets by partnering with best-in-class operators. For Special Economic Zone ("SEZ") operations, EEC will seek to leverage reputable Industrial Valley tenants to attract more businesses.

The longer-term focus will be to transform and grow by achieving positive cash flows and investing in residential projects, growing the asset management business to increase exposure to achieve sustainable performance. EEC is prioritising the continued upgrade of KAEC utilities with particular focus on infrastructure, paving the way for investors to set up and invest in projects, and contributing to a more stable and efficient operating model.

Mr. Fahad Al Saif, Chairman of EEC, commented:

"EEC stands at a vital inflection point, as we pivot from a period of transition to one of opportunity. The implementation of the COP, which underpins EEC's Board-approved strategy, will enable the Company to capitalise on available opportunities to align its direction with Saudi Vision 2030. It also provides the blueprint for a stable platform for growth, focused on unlocking the full potential of KAEC and enhancing the sustainability of our business. We are setting the stage for a transformation that will not only drive value creation, but also redefine our role in the Kingdom to achieve the goals of Vision 2030."

Mr. Abdulaziz Ibrahim Alnowaiser, CEO of EEC, said:

"The implementation of our Capital Optimisation Plan is a pivotal moment. This carefully devised plan does more than fortify our balance sheet; it sets the stage for us to seize opportunities with greater agility. As we undertake the strategic rebalancing of our financial framework, our objective is clear: to improve our leverage ratios and bolster overall financial health."

"In parallel, we are evaluating a series of further structural and functional measures to ensure EEC returns to full financial health, strengthening our key relationships with various stakeholders, in addition to refreshing our long-term strategy periodically to establish a clear roadmap for reviving the Company's ability to achieve its core mission of developing this exceptional property and delivering shareholder value."

Outlook

EEC and KAEC are aligned with the transformative programs and initiatives of Saudi Vision 2030, aligning KAEC's sectors and businesses with the Vision for all stakeholders, positioning both as dynamic and forward-looking "vision-ready" platforms. The City's recently granted Special Economic Zone status within the Kingdom is expected to better position KAEC to attract businesses and residents. Meanwhile, the development of the King Abdullah Port, which is located inside the City and a major maritime hub for Saudi Arabia and the wider region, is expected to further support growth at KAEC, and create a positive spillover effect for the KAEC Special Economic Zone contained within the Industrial Valley. The Company has also enhanced its human capital by acquiring top talents, who are mostly Saudi, led by CEO Mr. Abdulaziz Ibrahim Alnowaiser and team members.

Currently, KAEC holds a number of high-end automotive industry players, and one of the most significant Heating, Ventilation and Air Conditioning (HVAC) manufacturing plants in the Middle East, which exports its products to the world through King Abdullah Port and is a hub for some of the top pharmaceutical manufacturers in the

region. Moving forward, KAEC plans to offer more facilities to industrial players, including logistical, residential and commercial facilities, further enhancing its business ecosystem and supporting the growth of its partners.

Recently confirmed high-profile projects at KAEC include the King Abdullah Economic City Stadium, a 45,000-seat sports arena set to open by 2032 and taking its design inspiration from the growth and adaptation of Red Sea coral reefs. With the stadium expected mostly to be used for football (including FIFA World Cup 2034), concerts and exhibitions, it will be a multi-functional hub that includes hotels, mixed-use areas, and sports clinics, and significantly boosts KAEC's potential to become a world-class sports, entertainment and tourism destination.

Meanwhile, key hospitality projects already underway include a partnership with Vivienda to establish a waterfront resort on a 29,000sqm plot; with Envi to develop a 70,000sqm destination; and with FTG Development for the Rixos at Emerald Shores project located in KAEC's Al Murooj district, which will be built on a 275,000sqm plot and expects to welcome as many as 320,000 visitors annually following an initial ramp-up period.

During the course of the first half of 2024, EEC has made important strides in business development, cultivating a robust pipeline of potential investors in KAEC and building momentum. The Company is also investing in a refurbishment project to bolster the sales of its residential units. Throughout H1 2024, extensive cost controls and cost optimisation mechanisms have been implemented, resulting in material savings in operational and business-as-usual costs, while enabling the Company to invest in structural fixes and performance enhancement activities.

Moelis & Company is serving as independent advisor to EEC on its debt restructuring. SNB Capital Company is serving as Financial Advisor to EEC for its capital decrease and the debt conversion. Khoshaim & Associates is serving as Legal Advisor to EEC in relation to all aspects of the Capital Optimisation Plan.

For more information, visit www.kaec.net.

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About King Abdullah Economic City

King Abdullah Economic City (KAEC) is an emerging destination centrally located on the Red Sea coast of Saudi Arabia with over 42km of pristine coastline. Located 110 km north of Jeddah, KAEC is approximately 185 square KM city anchored by King Abdullah Port—recently named by the World Bank as the most efficient port in the world—and KAEC Industrial Valley that is focused on light manufacturing in addition to the largest Special Economic Zone in KSA targeting to localize the Automotive industry and attract supporting products and services in its economic eco-system as well as light manufacturing and logistics services.

Over 120 local and multinational companies have established facilities in KAEC, engaging in diverse activities ranging from advanced logistics to automotive, pharmaceuticals, FMCG, packaging, and building materials manufacturing. KAEC is directly connected to the Haramain high speed railway network and the Saudi National Highways grid, making the city a key node along the Red Sea economic corridor.

KAEC is also positioning itself as a modern tourism destination which includes several hotels and the award-winning Royal Greens international tournament golf course, with other top tier resorts currently under development. The city has developed multiple lifestyle residential communities to ensure inclusion of all social classes for its growing population of full-time residents and second-home owners, and enhanced quality of life.

With its strategic location, advanced infrastructure and investor-friendly regulation, KAEC is a ready-made platform for Saudi Arabia's Vision 2030 initiatives. A testament of the country's commitment to public-private partnership, KAEC is actively contributing to national objectives embodied in Vision 2030, from attracting foreign direct investment to developing the tourism sector, promoting sports, entertainment and arts, creating new jobs, and growing non-oil exports.

KAEC welcomes government initiatives, third party investors, real estate developers and operators to realize their projects and ambitions in the City.

Emaar The Economic City (EEC) is the master developer of the city and acts as the master planner, primary infrastructure developer, enabler and facilitator of KAEC. EEC is a Saudi Exchange-listed public joint stock Saudi company established in 2006.

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