



Emaar, The Economic City Shareholders' Circular

Capital reduction in an amount of six billion one hundred million seven hundred thirty-four thousand two hundred fifty (SAR 6,100,734,250) Saudi Riyals from eleven billion three hundred thirty-three million three hundred thirty-three thousand three hundred forty (SAR 11,333,333,340) Saudi Riyals to five billion two hundred thirty-two million five hundred ninety-nine thousand ninety (SAR 5,232,599,090) Saudi Riyals by way of cancelling six hundred ten million seventy-three thousand four hundred twenty-five (610,073,425) shares of the Company's shares.

Circular to shareholders presented to the extraordinary general assembly convened on

[.] / [.] / 1446H (corresponding to [.] / [.] / 2024G)

Financial Advisor



Aligned



Important Notice

This Circular has been prepared by the Company in accordance with Article (61) of the Rules on the Offer of Securities and Continuing Obligations to provide the necessary information to enable the Company's shareholders to make an informed decision when voting on the Capital Reduction. Shareholders must read this Circular carefully and in full before making a decision about how to vote on the Capital Reduction.

Figures and financial information contained in this Circular have been rounded. If the numbers presented in the tables are added, there may be slight discrepancies in the numbers mentioned in this Circular compared to those stated in the financial statements due to rounding.

This Circular contains forward-looking statements. Such forward-looking statements can be identified through the use of future-oriented vocabulary and phrases, such as, without limitation, "anticipate", "target", "expect", "estimate", "intend", "plan", "will", "believe", "aim", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements in this Circular include, without limitation, statements relating to future plans of the Company including the Company's capital optimization plan, the impact of the Capital Reduction, expected timelines and other statements. These statements are subject to change due a number of factors that cannot be accurately ascertained, such as future market conditions and the behaviors of other market participants. Therefore, the recipient of this Circular should read these forward-looking statements considering this notice and may not rely on such statements.

This Circular is an unofficial English translation of the official Arabic Circular and is provided for informational purposes only. The Arabic Circular, as published on the Exchange's website and the CMA's website, is the sole official and legally binding version. In the event of any discrepancy between the two versions, the Arabic Circular shall prevail.

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1. Corporate directory

The Company

Emaar, The Economic City

2211 - Hejaz Boulevard – Bay La Sun - Unit No.1
King Abdullah Economic City 23965-7373
Kingdom of Saudi Arabia
Tel: +966 12 510 6872
Fax: +966 12 510 6903
E-mail: SHA@kaec.net
Website: www.kaec.net



Financial Advisor

SNB Capital Company

King Saud Road, SNB Regional Building
P.O. Box 22216, Riyadh 11495
Kingdom of Saudi Arabia
Tel: +966 920000232
Fax: +966 11 4060052
E-mail: Snbc.cm@alahlicapital.com
Website: www.alahlicapital.com



Legal Advisor

Zeyad Sameer Khoshaim Company (Professional Limited Liability Company)

17th Floor, Tower B, Olaya Towers, Olaya District
P. O. Box 230667, Riyadh 11321
Kingdom of Saudi Arabia
Tel: +966 11 461 8700
Fax: +966 11 461 8799
E-mail: info@khoshaim.com
Website: www.khoshaim.com



Auditor for the financial year ended 31 December 2023G and the nine-month period ending on 30 September 2024G, and the preparer of the limited assurance report regarding the proposed capital reduction based on the unaudited condensed consolidated interim financial statements for the nine-months ended 30 September 2024G

KPMG Professional Services

Zahrán Business Center
Prince Sultan Street
P.O. Box 55078, Jeddah 21534
Tel: +966 12 6989595
Fax: +966 12 6989494
E-mail: marketingsa@kpmg.com
Website: www.kpmg.com.sa



Note: Each of the advisors and the Auditor mentioned above has provided their written consent for the inclusion of their names, logos, statements, and reports (as applicable) in this Circular in the form and content stated herein, and none of them has withdrawn this consent as of the date of this Circular.

2. Definitions

Term	Definition
Auditor	KPMG Professional Services.
Board or Board of Directors	The Company's board of directors.
Capital Reduction	The proposed reduction in the Company's issued capital in an amount of SAR 6,100,734,250 from SAR 11,333,333,340 to SAR 5,232,599,090 by way of cancelling 610,073,425 ordinary shares of the Company's shares.
Capital Reduction EGA	The extraordinary general assembly of the Company convened to consider and vote on the Capital Reduction.
Circular	This circular prepared by the Company and submitted to the Capital Reduction EGA.
CMA	The Capital Market Authority.
Companies Law	The Companies Law issued by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G), which came into effect on 26/06/1444H (corresponding to 19/01/2023G).
Company	Emaar, The Economic City.
Edaa	The Security Depository Centre Company (Edaa).
Eligible Shareholders	The Company's Shareholders who own the Company's shares at the end of trading on the day of the Capital Reduction EGA, and whose names appear on the Company's shareholders' register maintained by Edaa at the end of the second trading day following the Capital Reduction EGA.
Exchange	The market, operated by the Saudi Exchange Company, where securities are traded in the Kingdom of Saudi Arabia.
G	Gregorian.
Group	Means the Company and companies it controls. "Control" in this context means the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (i) holding thirty percent. or more of the voting rights in a company; or (ii) the right to appoint thirty per cent. or more of the governing body.
H	Hijri.
KAEC	King Abdullah Economic City.
PIF	The Public Investment Fund.
SAR	Saudi Riyal.
Saudi Exchange Company	The Saudi Exchange Company, the entity responsible for operating the Exchange.
Senior Executives	Any natural person to whom the Board, or a member of the Board, has given responsibility, either alone or jointly with others, for management and supervision and either reports to the Board, a member of the Board or the Chief Executive Officer.
Shareholders	The Company's shareholders from time to time.

3. Company overview

Emaar, The Economic City is a Saudi public joint stock company established pursuant to ministerial resolution no. 609 dated 15/04/1427H (corresponding to 13/05/2006G), with initial commercial registration no. 4030164269 dated 08/09/1427H (corresponding to 26/09/2006G) issued in Jeddah, Saudi Arabia, then the headquarter moved and its commercial registration was amended to be no. 4602005884 dated 06/03/1436H (corresponding to 28/12/2014G) issued in Rabigh, Saudi Arabia.

The Company was listed on the Exchange on 14/09/1427H (corresponding to 07/10/2006G), and its current issued share capital is eleven billion three hundred thirty-three million three hundred thirty-three thousand three hundred and forty Saudi Riyals (SAR 11,333,333,340), divided into one billion one hundred thirty-three million three hundred thirty-three thousand three hundred thirty-four (1,133,333,334) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

The Company's main activity is being the master developer of KAEC. The KAEC project includes the establishment of a multi-purpose city of several main areas including the seaport, industrial zone, central business district, resorts and residential areas.

Pursuant to its commercial registration, the Company's activities consist of the following: (1) construction of all types of residential building (2) general construction of non-residential buildings such as schools, hospitals, hotels, etc. Pursuant to its bylaws, the Company's activities include the following:

1. Real estate auctions
2. Possessing real estate and movables required for holding companies
3. Real estate financing
4. Real estate refinancing
5. Buying, selling, and subdividing of land and real estate, and on-the-map selling activities
6. Management and leasing of real estate with own or leased property (residential)
7. Management and leasing of real estate with own or leased property (non-residential)
8. Residential real estate development using modern construction methods
9. Commercial real estate development using modern construction methods
10. Real estate brokerage
11. Intermediation in real estate management
12. Real property registration services
13. Real estate consultancy
14. Marketing of tourism real estate by time share
15. Owners' association of joint properties
16. Men's sports halls and centers
17. Women's sports halls and centers
18. Relaxation and personal care centers
19. Hotels
20. Motels
21. Heritage hotels

Contact information:

Governance and Compliance Department

2211 - Hejaz Boulevard – Bay La Sun - Unit No.1

King Abdullah Economic City 23965-7373

Kingdom of Saudi Arabia

Telephone: +966125106872

Fax: +966125106903

E-mail: SHA@kaec.net

3.1 The Company's Group

The company has seven subsidiaries, six of which are wholly owned directly or indirectly, as follows:

- Economic City Investments Company:** A limited liability company, registered with the commercial register under no. 4602003130 dated 12/11/1431H (corresponding to 20/10/2010G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on the purchase, sale, and management of real estate properties, as well as the operation of educational and technical institutions.
- Industrial Zones Development Company:** A limited liability company, registered with the commercial register under no. 4602211995 dated 18/05/1432H (corresponding to 22/04/2011G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on the sale, leasing, management, investment, and development of residential and non-residential properties under development.
- Economic City Real Estate Operation and Management Company:** A limited liability company, registered with the commercial register under no. 4602004968 dated 09/01/1435H (corresponding to 12/11/2013G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on the operation of hotels, centers, restaurants, and conferences.
- Economic City Pioneer Real Estate Management Company:** A limited liability company, registered with the commercial register under no. 4602004970 dated 09/01/1435H (corresponding to 12/11/2013G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on the establishment, management, development, operation, and leasing of residential properties.
- Economic City Real Estate Development Company:** A limited liability company, registered with the commercial register under no. 4602004969 dated 09/01/1435H (corresponding to 12/11/2013G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on owning, purchasing, investing, developing, and marketing properties under development in KAEC.
- Emaar Knowledge Company:** A limited liability company, registered with the commercial register under no. 4602006620 dated 06/01/1437H (corresponding to 19/10/2015G), with a capital of ten million (SAR 10,000,000) Saudi Riyals. Its activities focus on the management of colleges and university institutes.

The seventh subsidiary is **Port Development Company**, in which the Company holds a 50% stake. It is a closed joint-stock company, registered with the commercial register under no. 4602002009 dated 14/05/1431H (corresponding to 28/04/2010G), with a capital of five billion two hundred and ten million (SAR 5,210,000,000) Saudi Riyals. Its activities focus on executing contracts and managing, developing, maintaining, operating, financing, and investing in King Abdullah Port, as well as providing and implementing all necessary services for the management and operation of the port and its facilities.

3.2 Major developments in the Company's share capital

The Company was incorporated with a share capital of SAR 8,500,000,000. Since its incorporation, the Company has undergone only one share capital restructuring as summarized below:

Date	Type of Restructuring	Share Capital Pre-Restructuring	Share Capital Post-Restructuring	Method of the Capital Restructuring
26/09/2021G	Capital increase in the amount of SAR 2,833,333,340	SAR 8,500,000,000	SAR 11,333,333,340	Issuance of new shares to the PIF by way of debt conversion.

On [•]H (corresponding to [•]G), the Capital Reduction EGA will be convened to vote on reducing the share capital of the Company in an amount of SAR 6,100,734,250 from SAR 11,333,333,340 to SAR 5,232,599,090 by way of cancelling 610,073,425 shares of the Company's shares.

3.3 Board of Directors

The Board of Directors consists of nine (9) members appointed for a term starting from 11/03/1445H (corresponding to 26/09/2023G) and ending on 10/01/1448H (corresponding to 25/06/2026G). The following table sets out the members of the Board of Directors and the Company shares owned by each as of 02/06/1446H (corresponding to 03/12/2024G):

Name	Position	Classification	Number of Shares Owned		Percentage of Shares Owned %		Date of Appointment
			Direct	Indirect ⁽¹⁾	Direct	Indirect ⁽¹⁾	
Fahad Abduljalil AlSaif	Chairman	Non-Executive	N/A	N/A	N/A	N/A	26/09/2023G ⁽³⁾
Jamal Majed Bin Theniyah	Vice Chairman	Non-Executive	4,107	N/A	0.000362%	N/A	26/09/2023G ⁽³⁾
Mansour Abdulrahman Al-Salem	Member	Non-Executive ⁽²⁾	12,000	N/A	0.00106%	N/A	26/09/2023G
Mohammed Nabil Hefni	Member	Independent	N/A	N/A	N/A	N/A	26/09/2023G
Fahad Khalid AlSaud	Member	Non-Executive	5,000	N/A	0.000441%	N/A	26/09/2023G
Naif Saleh Alhamdan	Member	Non-Executive	N/A	N/A	N/A	N/A	26/09/2023G
Hesham Ahmed Heikal	Member	Independent	N/A	N/A	N/A	N/A	26/09/2023G
Osama Omar Barayan	Member	Independent	100	N/A	0.0000088%	N/A	26/09/2023G
Arif Abdullah Albastaki	Member	Independent	1,000	N/A	0.000088%	N/A	26/09/2023G

Source: The Company and the website of the Exchange.

⁽¹⁾ Means shares indirectly owned by members of the Board of Directors in the Company through (i) companies they control, or (ii) shares owned directly by a spouse or minor children.

⁽²⁾ Mr. Mansour AlSalem resigned from his executive position as Managing Director on 14 May 2024G, while continuing as a non-executive board member, effective as of 31 May 2024G.

⁽³⁾ The chairman and vice chairman were appointed to such roles by the Board on 4 October 2023G.

3.4 Senior Executives

The Company is managed by a highly experienced executive team with the necessary knowledge and skills to manage the Company's operations. The following table sets out the names of the Senior Executives team and the Company shares owned by each as of 02/06/1446H (corresponding to 03/12/2024G):

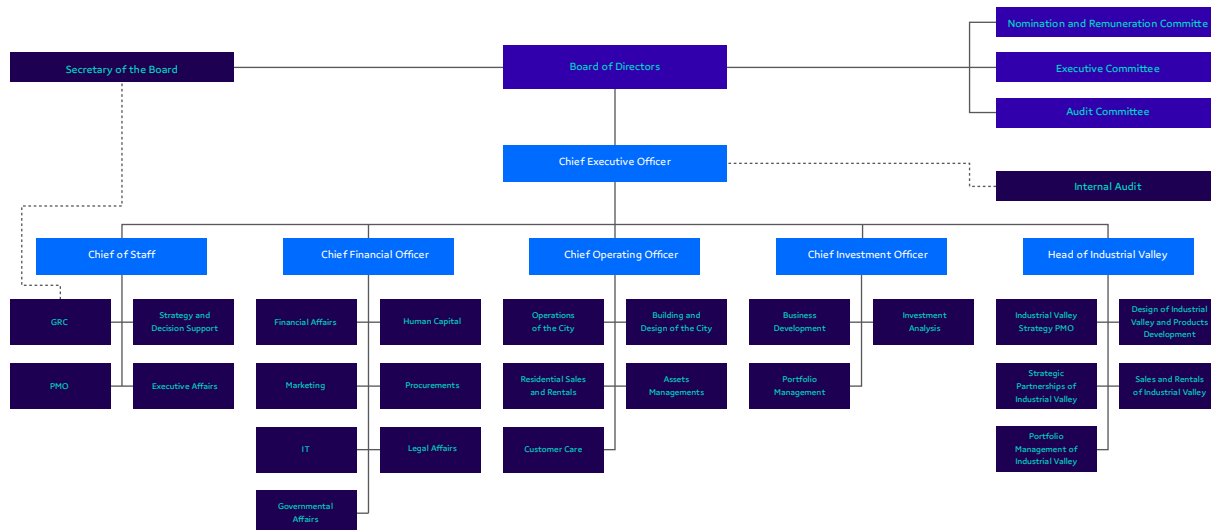
Name	Position	Number of Shares Owned		Percentage of Shares Owned %		Date of Appointment
		Direct	Indirect ⁽¹⁾	Direct	Indirect ⁽¹⁾	
Abdulaziz Alnowaiser	Chief Executive Officer	27,000	N/A	0.00238%	N/A	01/05/2024G
Mohammed Alarifi	Chief Financial Officer	N/A	N/A	N/A	N/A	28/01/2024G
Sami Alnajrani	Acting Chief Operating Officer	N/A	N/A	N/A	N/A	26/02/2023G
Tarek El Achi	Chief Investment Officer	N/A	N/A	N/A	N/A	11/03/2024G
Majed Matbouly	Head of Industrial Valley	N/A	N/A	N/A	N/A	04/07/2021G
Abdulrahman Basyouni	Secretary of the Board	N/A	N/A	N/A	N/A	01/10/2023G
Fadi Jamal	Head of Internal Audit	N/A	N/A	N/A	N/A	11/02/2019G

Source: The Company and the website of the Exchange.

⁽¹⁾ Means shares indirectly owned by members of the Senior Executives in the Company through (i) companies they control, or (ii) shares owned directly by a spouse or minor children.

3.5 Organizational Structure

The graph below shows the organizational structure of the Company:



3.6 Company's Shareholding Structure

The Company has three substantial shareholders (i.e., a person who owns 5% or more of the Company's share capital) as follows:

Shareholder(s)	Before the Capital Reduction		After the Capital Reduction	
	Number of Shares	Ownership Percentage	Number of Shares	Ownership Percentage
PIF	283,333,334	25%	130,814,977	25%
Dayim Modern Real Estate Management Co.	135,000,000	11.912%	62,329,489	11.912%
ME Royal Capital LLC	80,000,000	7.059%	36,935,994	7.059%
Others (non-substantial shareholders)	635,000,000	56.029%	293,179,449	56.029%
Total	1,133,333,334	100.0%	523,259,909	100.0%

Source: The Company and the website of the Exchange as on 3 December 2024G.

4. Evolution of the Company's accumulated losses

The following table summarizes the evolution of the accumulated losses in chronological order since the accumulated losses started:

Financial Period (as of its end)	Net Losses (SAR '000)	Accumulated Losses (SAR '000)	Share Capital (SAR '000)	Ratio of Accumulated Losses to Share Capital	Reason for the Increase/Decrease of the Accumulated Losses (Numbers in 000)
Year ended 31 December 2018	(129,661)	(634,077)	8,500,000	7.46%	The Company had adopted IFRS in 2017 and as a result of retained earning turned into accumulated losses at the year-end 2017. The Company reported increase in accumulated losses of (SAR 129,661) due to decrease in gross profit and increased selling, general and administrative expenses.
Year ended 31 December 2019G	(522,619)	(1,157,305)	8,500,000	13.62%	In the year ended 31 December 2019G, the Company reported an increase in accumulated losses of (SAR 523,228), out of which (SAR 609) relates to initial application of IFRS 16. The Company was not able to generate enough gross profit to cover its general and administrative expenses and financial charges
Year ended 31 December 2020G	(1,258,982)	(2,668,263)	8,500,000	31.39%	In the year ended 31 December 2020G, the Company reported an increase in accumulated losses of (SAR 1,510,958) out of which (SAR 251,976) is related restatement of the 2019G financial year due to IAS 23 agenda decision. The Company made gross loss as compared to gross profit in last year. The major factor affecting this change include in increase in impairment loss and financial charges.
Year ended 31 December 2021G	(778,557)	(3,465,598)	11,333,333	30.58%	In the year ended 31 December 2021G, the Company reported an increase in accumulated losses of (SAR 797,335) out of which (SAR 18,778) relates to transaction of equity of conversion. The Company was not able to generate enough gross profit to cover its selling, general and administrative expenses and financial charges.
Year ended 31 December 2022G	(1,122,030)	(4,690,092)	11,333,333	41.38%	In the year ended 31 December 2022G, the Company reported an increase in accumulated losses of (SAR 1,224,494) out of which (SAR 102,466) relates to restatement in prior years. The major factors affecting this change include an increase in gross loss, increased selling, general and administrative expenses, higher financial charges and increased zakat and legal provisions, with minor variances in other items.
Year ended 31 December 2023G	(248,529)	(4,938,621)	11,333,333	43.58%	In the year ended 31 December 2023G, the Company reported an increase in accumulated losses of (SAR 248,529) compared to (SAR 1,122,030) in the previous year. Although the Company posted a total profit of SAR 431,632, decreased its selling, general and administrative expenses and Zakat charges, and operational expenses; the higher financial charges resulted in loss of (SAR 248,529).
Nine months ended 30 September 2024G	(1,162,113)	(6,100,734)	11,333,333	53.83%	In the nine months period ended 30 September 2024G, the Company reported an increase in accumulated losses of (SAR 1,162,113) due to gross loss during the period coupled with an increase in selling expenses, general and administrative expenses, Zakat expenses, increased financial charges and share of results of equity accounted investees.

Source: The Financial Statements

5. Company's plan and steps taken to prevent losses

On 28/07/1444H (corresponding to 19/02/2023G), the PIF provided a SAR 1,000 million facility to ensure EEC had sufficient liquidity during 2023G and beyond, to provide a stable platform to commence a turnaround. During 2023G, the Company:

- appointed external consultants to assist the Company with the design of a new long-term strategy and implementation plan;
- appointed financial advisors to assist the Company in restructuring its financial liabilities, aligned to the projections derived from the long-term strategy and alleviating the immediate pressure of the Company's debt burden;
- engaged with creditors in pursuit of a consensual financial restructuring; and
- appointed an interim management team to bolster internal capability:
 - enhancing business development processes and income generation;
 - assisting with organizational restructuring and implementation; and
 - implementation cost optimization and mitigation initiatives.

During 2024G, the Company:

- appointed a Chief Executive Officer to lead the Company's executive team;
- appointed a Chief Financial Officer to lead the capital optimization plan initiatives and optimize the use of financial resources within the Company;
- appointed a Chief Investment Officer to bolster internal sales capability and execute it in line with the long-term strategy;
- progressed on the restructuring of its financial liabilities, with the support of the appointed financial advisors and in line with the plan set out in prior year;
- continued to proactively engage with its bank creditors to reach and expand on mutual payment plan agreements to improve working capital; and
- implemented stringent cost controls mechanisms spanning the full lifecycle of its Purchase to Pay process (P2P).

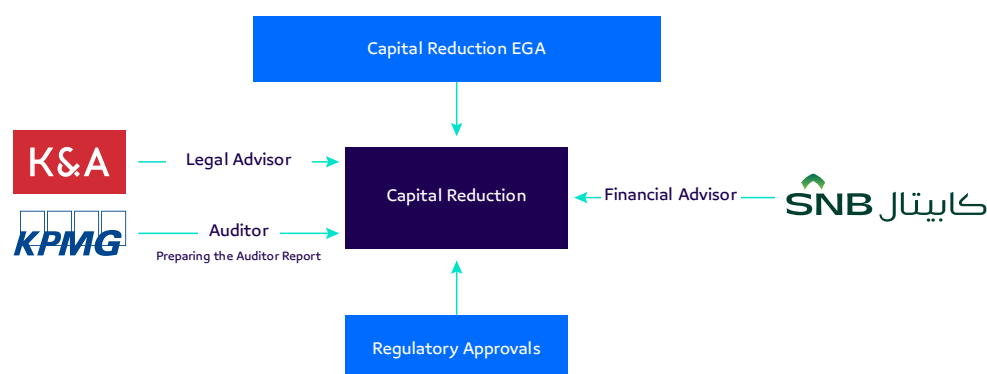
On 05/03/1446H (corresponding to 08/09/2024G), the Company announced its capital optimization plan, which aims to enhance its ability to move forward with its growth plans. The elements of the capital optimisation plan are summarized as follows:

1. **Bank Debt Restructuring:** The Company signed a non-binding term sheet on 04/03/1446H (corresponding to 07/09/2024G) to reschedule its financing agreements with Alinma Bank, Saudi Awwal Bank, Banque Saudi Fransi and The Saudi National Bank (together, the "Banks"), to reschedule all amounts due to the Banks from the Company, standing at approximately SAR 3,471 million, under one new common terms agreement. As part of the rescheduling, a new credit facility would be made available to the Company by the Banks, with total commitment of approximately SAR 301.4 million. As of the date of this Circular, the Company is still in discussion with the Banks to finalize the binding long form documents.
2. **New Shareholder Loan:** The Company signed a non-binding term sheet on 04/03/1446H (corresponding to 07/09/2024G) with the PIF in relation to a potential shareholder loan of up to SAR 1,000 million. As of the date of this Circular, the Company is still in discussion with the PIF to finalize the binding long form documents.
3. **Capital Reduction,** subject to this Circular. The Board issued its recommendation to reduce the capital on 05/03/1446H (corresponding to 08/09/2024G) to decrease of the Company's capital for an amount SAR 5,631,161,650, through cancelling 563,116,165 shares of the Company's shares, representing 49.69% of the Company's capital, to extinguish the accumulated losses amounting to as of 30 June 2024G. Following the issuance of condensed interim unaudited consolidated financial statements for the period ended on 30 September 2024G, the board issued a revised resolution on 23/04/1446H (corresponding to 26/10/2024G) to amend the previous recommendation to be to reduce the Company's capital from SAR 11,333,333,340 to SAR 5,232,599,090 by way of cancelling 610,073,425 shares, equating to the cancellation of 0.5383 share for every one share owned.
4. **Debt Conversion:** The Company's Board issued its resolution on 04/03/1446H (corresponding to 07/09/2024G) recommending the increase of the Company's capital through converting the debt of the PIF, which totals SAR 3,972,415,090, to ordinary new shares, which represents the amounts due by the Company to the PIF under: (a) the shareholder loan agreement with the PIF dated 28/07/1444H (corresponding to 19/02/2023G), and (b) the debt recently novated from the Ministry of Finance to the PIF on 02/03/1446H (corresponding to 05/09/2024G). The Company also entered the related conversion agreement with the PIF on 04/03/1446H (corresponding to 07/09/2024G). This debt conversion is planned to take place after the Capital Reduction, and after obtaining the relevant regulatory approvals on the same.

6. Structure of the capital reduction process

6.1 Graph of the Capital Reduction

The following graph shows the parties involved in the Capital Reduction:



6.2 General Structure of the Capital Reduction

- The current issued share capital of the Company is SAR 11,333,333,340, divided into 1,133,333,334 ordinary shares with a fully paid nominal value of SAR 10 per share.
- On 05/03/1446H (corresponding to 08/09/2024G), the Company announced that its Board of Directors had recommended to reduce the Company's share capital in an amount of SAR 5,631,161,650 from SAR 11,333,333,340 to SAR 5,702,171,690 by cancelling 563,116,165 shares of the Company's shares.
- Following the issuance of the unaudited condensed consolidated interim financial statements for the nine-months ended 30 September 2024G, the Board issued its resolution on 23/04/1446H (corresponding to 26/10/2024G) to amend the previous recommendation to be to reduce the Company's capital from SAR 11,333,333,340 to SAR 5,232,599,090 by way of cancelling 610,073,425 shares, equating to the cancellation of 0.5383 share for every one share owned.
- The issued share capital is being reduced by 53.83% by way of cancelling 610,073,425 shares of the Company's shares, by cancelling 0.5383 share for every one share owned to extinguish the accumulated losses.
- The financial statements date which was used to determine the values for the purposes of the Capital Reduction: the unaudited condensed consolidated interim financial statements for the nine-months ended 30 September 2024G.
- The fractional shares (if any) resulting from the Capital Reduction will be collected in one portfolio to be sold on the Exchange at the prevailing price at that time. The net proceeds of their sale will be distributed to the Eligible Shareholders, each according to their ownership in such fractional shares, within thirty (30) days from the day of the approval of the Capital Reduction EGA.

7. Steps taken to implement the capital reduction

The Company has carried out various steps to implement the Capital Reduction, which are as follows:

- A. On 05/03/1446H (corresponding to 08/09/2024G), the Company announced that its Board of Directors had recommended to reduce the Company's share capital by 49.69% by cancelling 563,116,165 shares of the Company's shares, by way of cancelling 0.4969 share for every one share owned to extinguish the accumulated losses of the Company amounting to SAR 5,631,161,654 as of 30 June 2024G. Following the issuance of the unaudited condensed consolidated interim financial statements for the nine-months ended 30 September 2024G, the Board issued its resolution on 23/04/1446H (corresponding to 26/10/2024G) to amend the previous recommendation to be to reduce the Company's capital from SAR 11,333,333,340 to SAR 5,232,599,090 by way of cancelling 610,073,425 shares, equating to the cancellation of 0.5383 share for every one share owned, to extinguish the accumulated losses amounting to SAR 6,100,734,257 as of 30 September 2024G (noting that SAR 7 will remain as accumulated losses).
- B. On 05/03/1446H (corresponding to 08/09/2024G), the Company appointed **SNBC** as a financial advisor in connection with the Capital Reduction
- C. The Company also appointed **Zeyad Sameer Khoshaim Company (Professional Limited Liability Company)**, as a legal advisor in connection with the Capital Reduction, and **KPMG Professional Services** as an auditor to prepare the report on the Capital Reduction.
- D. On 17/03/1446H (corresponding to 20/09/2024G), the Company submitted an application file to the CMA requesting its approval of the Capital Reduction in accordance with article (61) of Rules on the Offer of Securities and Continuing Obligations.
- E. On 03/06/1446H (corresponding to 04/12/2024G), the Company obtained the approval of the CMA to reduce the Company's share capital from SAR 11,333,333,340 to SAR 5,232,599,090 by cancelling 610,073,425 shares of the Company's shares, by way of cancelling 0.5383 share for every one share owned. Such approval was announced on the CMA's website on 03/06/1446H (corresponding to 04/12/2024G).
- F. On [●]H (corresponding to [●]G), the Company submitted a notice to the Saudi Exchange Company regarding the Capital Reduction in accordance with annex (5) of the Listing Rules.
- G. The Company called for a meeting of the extraordinary general assembly for the Company's shareholders to vote on the Capital Reduction and announced the meeting on the Saudi Exchange Company's website on [●]H (corresponding to [●]G). A copy of this Circular was also included in the announcement.
- H. In the event the shareholders approve the Capital Reduction at the Capital Reduction EGA, the resolution will become effective from the date of the approval, and trading of the Company's shares will be suspended for a period of two trading days starting on [●]H (corresponding to [●]G), which is the day after the Capital Reduction EGA approval, and then trading will resume with the adjusted price on [●]H (corresponding to [●]G).
- I. Any fractional shares resulting from the Capital Reduction, if any, will be collected into one portfolio to be sold in the market at the prevailing price. The net proceeds from the sale will be distributed to the eligible shareholders, each according to their share of the fractional shares, within thirty (30) days from the date of the approval of the Capital Reduction EGA. An announcement regarding this will be made in due course.
- J. The Company will take the necessary steps to update its commercial register at, and deposit the amended bylaws with, the Ministry of Commerce.

8. Reasons for the capital reduction

On 05/03/1446H (corresponding to 08/09/2024G), the Company announced that its Board of Directors had recommended to reduce the Company's share capital by 49.69% by cancelling 563,116,165 shares of the Company's shares, by way of cancelling 0.4969 share for every one share owned to extinguish the accumulated losses of the Company amounting to SAR 5,631,161,654 as of 30 June 2024G. Following the issuance of the unaudited condensed consolidated interim financial statements for the nine-months ended 30 September 2024G, the Board issued its resolution on 23/04/1446H (corresponding to 26/10/2024G) to amend the previous recommendation to be to reduce the Company's capital from SAR 11,333,333,340 to SAR 5,232,599,090 by way of cancelling 610,073,425 shares, equating to the cancellation of 0.5383 share for every one share owned, to extinguish the accumulated losses amounting to SAR 6,100,734,257 as of 30 September 2024G (noting that SAR 7 will remain as accumulated losses).

Article (132) of the Companies Law states that if the losses of a joint-stock company reached half (50%) of the issued capital, the board of directors shall, within 60 days from the date of its knowledge thereof, announce the losses and the recommendations relating thereto, and shall, within 180 days from the date of its knowledge, call for an extraordinary general assembly meeting to consider the continuation of the company and taking necessary measures to resolve such losses or the dissolution of the company. The Company's management considers that a capital reduction is necessary to offset the accumulated losses within this statutory period, and the Board of Directors' recommendation to reduce the Company's share capital was issued based on management's analysis of the Company's financial situation. In this regard, the Board adopted a critical decision to extinguish the accumulated losses to enhance the financial position of the Company.

9. The impact of the capital reduction on the company's liabilities

The Company has appointed KPMG Professional Services to prepare an accounting report on the Capital Reduction, explaining the reasons for reducing the capital and the impact of the Capital Reduction on the Company's liabilities. Based on the report prepared by KPMG Professional Services, attached herein as Appendix (1), the Capital Reduction will have no negative effect on the Company's liabilities.

10. The impact of the capital reduction on shareholders' equity

The total accumulated losses of the Company amounted to SAR 6,100,734,257 as of 30 September 2024G. Reducing the Company's share capital by SAR 6,100,734,250 will extinguish the Company's accumulated losses as of 30 September 2024G (noting that SAR 7 will remain). The Company will reduce its share capital from SAR 11,333,333,340 to SAR 5,232,599,090 by way of cancelling 610,073,425 shares of the Company's shares, by cancelling 0.5383 share for every one 1 share owned.

According to the report prepared by the Auditor, the Capital Reduction has no negative effect on the Company's liabilities and shareholders' equity, as reducing the share capital will be reflected as an entry in the Company's books to write off the accumulated losses by transferring SAR 6,100,734,250 from the share capital account to the accumulated loss account.

The table below sets out the details of the impact of the Capital Reduction on shareholders' equity based on the Company's reviewed interim financial statements for the period ending on 30 September 2024G:

Shareholders' equity	Before the Capital Reduction	After the Capital Reduction	Net Impact
Share capital	11,333,333,340	5,232,599,090	(6,100,734,250)
Statutory reserve	11,536,000	11,536,000	-
Accumulated losses	(6,100,734,257)	(7)	6,100,734,250
Total	5,244,135,083	5,244,135,083	-

Source: The Auditors' report

Impact on Portfolio

The Company intends to reduce its capital by SAR 6,100,734,250 from SAR 11,333,333,340 to SAR 5,232,599,090 by cancelling 610,073,425 shares of the Company's issued shares, at a cancellation rate of 0.5383 shares for every one share

The fractional shares (if any) resulting from the Capital Reduction will be collected in one portfolio to be sold on the Exchange at the prevailing price at that time. The net proceeds of their sale will be distributed to the Eligible Shareholders, each according to their ownership in such fractional shares, within thirty (30) days from the day of the approval of the Capital Reduction EGA.

The reduction of the Company's share capital will not affect the market value of the Company's shareholders portfolios, as demonstrated by the hypothetical example below, which is based on a shareholder owning 1,000 shares of the Company's shares in his portfolio:

Item	Before Capital Reduction	After Capital Reduction
Number of shares owned prior to the Capital Reduction	1,000 shares	N/A
Share price prior to the Capital Reduction*	SAR 7.89	N/A
Market value of shares before the Capital Reduction (estimated)	SAR 7,890	N/A
Capital Reduction percentage	N/A	53.83%
Number of shares cancelled	N/A	539
Shares owned after the Capital Reduction	N/A	461
Share price after the Capital Reduction (estimated)*	N/A	SAR 17.09
Market value of shares after the Capital Reduction (estimated)*	N/A	SAR 7,878
Fractional equity compensation	N/A	11.96

* Based on closing price as of 3 December 2024G.

Note: Please note that the above table has been prepared on the basis of the closing share price of SAR 7.89 as of close of trading on 3 December 2024G. The actual market value of the Company's shares after the Capital Reduction will depend on the Company's share price as of close of trading on the day of the Capital Reduction EGA.

The table below sets out the impact of the Capital Reduction on shareholders, by showing the impact on shareholders who own from 1 share to 10 shares. As observed, a shareholder owning two shares or less before the Capital Reduction will no longer hold any shares afterward and will cease to be a shareholder, receiving only the compensation value for the fractional shares:

Item	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value
Shares owned prior to the Capital Reduction	1 share	2 shares	3 shares	4 shares	5 shares	6 shares	7 shares	8 shares	9 shares	10 shares
Share price before the Capital Reduction (as of close of trading on 3 December 2024G)	7.89	7.89	7.89	7.89	7.89	7.89	7.89	7.89	7.89	7.89
Shares cancelled	1	2	2	3	3	4	4	5	5	6
Shares owned after the Capital Reduction	0	0	1	1	2	2	3	3	4	4
Share price after the Capital Reduction (estimated)	17.09	17.09	17.09	17.09	17.09	17.09	17.09	17.09	17.09	17.09
Market value of the shares before the Capital Reduction	7.89	15.78	23.67	31.56	39.45	47.34	55.23	63.12	71.01	78.90
Market value of shares after the Capital Reduction (estimated)	N/A	N/A	17.09	17.09	34.18	34.18	51.27	51.27	68.36	68.36
Compensation amount as a result of fractional shares (estimated)	7.89	15.78	6.58	14.47	5.27	13.16	3.96	11.85	2.65	10.54

Note: Please note that the above table has been prepared on the basis of the closing share price of SAR 7.89 as of close of trading on 3 December 2024G. The actual market value of the Company's shares after the Capital Reduction will depend on the Company's share price as of close of trading on the day of the Capital Reduction EGA.

11. The method of calculating the share capital after capital reduction

The following table demonstrates how to calculate the price of the share after the Capital Reduction:

Share	Value (SAR)
(a) Share price before the Capital Reduction*	7.89
(b) Number of shares before the Capital Reduction	1,133,333,334
(c) Market value of the Company's shares before the Capital Reduction = (a) x (b)	8,942,000,005
(d) Number of shares after the Capital Reduction	523,259,909
Market value of a Company's share after the Capital Reduction = (c) ÷ (d)	17.09

* Based on closing price as of 3 December 2024G.

Note: Please note that the above table has been prepared on the basis of the closing share price of SAR 7.89 as of close of trading on 3 December 2024G. The actual market value of the Company's shares after the Capital Reduction will depend on the Company's share price as of close of trading on the day of the Capital Reduction EGA.

Note: Numbers are rounded.

12. Risk factors

According to the report prepared by the Auditor, the Capital Reduction has no effect on the Company's shareholders' equity or liabilities, as reducing the share capital will be reflected as an entry in the Company's books to write off the accumulated losses by transferring SAR 6,100,734,250 from the share capital account to the accumulated loss account. However, the Capital Reduction does include inherent risks, including without limitation those mentioned in this section.

It should be noted that the occurrence of any of these risks may have a material adverse effect on the Company's and its Group's business, financial position, operating results, and future prospects, and may result in a decline in the share price, weaken the Company's ability to distribute dividends to shareholders, and could lead to investors losing part or all of their investment in the Company's shares. The risks mentioned in this section include material risks related to the Capital Reduction and do not cover any commercial or legal risks related to the Group's business or risks related to the market and sector in which the Company operates, as well as other economic, political, and regulatory risks. Therefore, all shareholders must carefully evaluate the risks associated with the Capital Reduction and not rely on them as general risks about the Company and its Group. The risks listed below are not arranged in order of importance or expected impact.

- **Risks relating to the decrease in capital:** The Company will reduce its capital from SAR 11,333,333,340 to SAR 5,232,599,090, representing a 53.83% reduction in capital. A lower capital means that, if the Company incurs accumulated losses in the future, those losses will represent a larger percentage of the capital compared to the current situation. Consequently, the Company may reach the 50% threshold more quickly, which could negatively impact the Company's business, financial position, operating results, and future prospects. Additionally, reducing the capital limits the Company's ability to reduce it further in the future and restricts the percentage that can be reduced. This may also negatively affect other parties' perceptions, including lenders, of the Company's financial solvency, which could adversely affect the Company's business, financial position, operating results, and future prospects.
- **Risk relating to Company's reputation:** capital reduction by companies is generally interpreted negatively by the market. It may also lead to assumptions and expectations about the Company's financial and business position, which may not be accurate or correct, potentially impacting the share price and trading behaviour, and could also negatively affect the Company's business, financial position, operating results, and future prospects.
- **Risks relating to counterparties:** The Company's relationship with the commercial entities it contracts with is critical to its business. The Capital Reduction may negatively impact these parties' perception of the Company and its ability to fulfil obligations, potentially influencing their willingness to transact with the Company. This could adversely affect the Company's business, financial position, operating results, and future prospects. Additionally, the Company may breach contracts with these parties if such contracts restrict the Capital Reductions, as the Company has not obtained any contractual approvals for the Capital Reduction. If the Company's contracts restrict the Capital Reduction and the other party considers this a breach, they may have the right to terminate the contract or claim compensation, which could negatively impact the Company's business, financial position, operating results, and future prospects.
- **Risks relating to the Company's continuity:** Article (132) of the Companies Law states that if the losses of a joint-stock company reached half (50%) of the issued capital, the board of directors shall, within 60 days from the date of its knowledge thereof, announce the losses and the recommendations relating thereto, and shall, within 180 days from the date of its knowledge, call for an extraordinary general assembly meeting to consider the continuation of the company and taking necessary measures to resolve such losses or the dissolution of the company. The Company's accumulated losses have exceeded half of its capital, amounting to SAR 6,100,734,257 as of 30 September 2024G, representing 53.83% of its capital. If the Company fails to take the necessary measures to address these losses, it may affect its ability to continue operations.
- **Risks relating to share price fluctuations and fractional share compensation:** The Company's share price may experience significant fluctuations and instability due to several factors, including market conditions, sectoral regulatory changes, general economic fluctuations, political conditions in the region, the Company's financial and operational performance, the extent to which it achieves its announced capital optimization plan, among other factors. Therefore, the Capital Reduction may not result in an increase in the share price as anticipated as of this Circular's date or any other prior or subsequent date. The fractional shares will also be aggregated and sold in the market at the prevailing price at the time, which may differ from, and be lower than, the share price as of the date of this Circular or at the date of the Capital Reduction EGA, resulting in shareholders owning fractional shares not receiving adequate or comparable compensation to what they would have gotten any other time.
- **Risks relating to owning two shares or less:** Shareholders owning two shares or less will have their shares cancelled and will be compensated with the net proceeds from selling the fractional shares they are entitled to. As a result, they will no longer be shareholders in the Company after the Capital Reduction and their ownership will be 0%, and they will lose all shareholder rights. Furthermore, as noted above, the compensation received may not be adequate.

- **Risks relating to future expectations and unknown events:** Some of the statements in this circular represent forward-looking expectations and statements that include known and unknown risks and uncertainties affecting the Company's financial results. These statements include, but are not limited to, the Company's future plans, the effects of the Capital Reduction, and the capital optimization plan. Future results and performance cannot be accurately predicted and may differ from what is outlined in this Circular. The Company's performance and ability to adapt will determine its actual results. The inaccuracy of these expectations is a risk borne by shareholders when approving the Capital Reduction. If the Company's future expectations differ from actual results, this could negatively impact the share price.

The Capital Reduction will extinguish the Company's accumulated losses as of 30 September 2024G. However, there are no guarantees that the Company will not incur additional losses in the future. If the Company's accumulated losses reach 20% or more of its share capital, the Company will be subject to the "Procedures and Instructions Related to Listed Companies with Accumulated Losses Amounting to 20% or more of its Share Capital" issued by the CMA. In the event that the accumulated losses of the Company reach 50% or more of its share capital, then the Company will be subject to Article (132) of the Companies Law (for more details regarding the application of Article (132) of the Companies Law, please refer to Section (18(c)) of this Circular). Moreover, if the Company incurs accumulated losses in the future, this will adversely impact the Company's financial position and operations and may also result in the Company being in breach of its obligations under certain agreements.

13. Expected timeline of the capital reduction

Expected schedule of the Capital Reduction	Date
Procedures related to obtaining the CMA's approval of the Capital Reduction	
The Company's announcement of the Board of Directors recommendation to reduce the Company's share capital and the appointment of the financial adviser.	05/03/1446H (corresponding to 08/09/2024G)
Submission of the application file to the CMA to approve the Capital Reduction.	17/03/1446H (corresponding to 20/09/2024G)
The Company's announcement of the Board of Directors resolution to amend the recommendation of the Capital Decrease	24/04/1446H (corresponding 27/10/2024G)
Receipt of the CMA's approval of the request to reduce the Company's share capital. This approval is announced on the CMA's website and the Exchange's website.	03/06/1446H (corresponding to 04/12/2024G)
Procedures related to the Capital Reduction EGA	
Publishing the invitation to attend the Capital Reduction EGA. A copy of this Circular was attached as part of the invitation.	[•]
Making the documents available for inspection available to the shareholders (must be available at least 14 days before the EGA date).	[•] (from 10 am to 3 pm)
Announcement of the commencement of electronic voting on the agenda items of the Capital Reduction EGA.	[•]
Meeting of the Capital Reduction EGA.*	[•]
Capital Reduction EGA approval of the Capital Reduction.	[•]
Announcement of the results of the Capital Reduction EGA.	[•]
Procedures related to completing the Capital Reduction	
Suspension of the Company's shares' trading.	Two trading days from [•] to [•]
Effecting the Capital Reduction and commencement of trading at the adjusted price.	[•]
Announcement of the deposit of any amounts to be returned to the Eligible Shareholders from the sale of fractional shares.	Within (30) days from the Capital Reduction EGA

* Pursuant to Article (32) of the Company's bylaws, in the event that the quorum necessary to hold the first meeting is not met, a second meeting shall be held within one (1) hour following the time set for the preceding meeting provided that the notice shall expressly allow holding such meeting. The second meeting shall be valid if attended by a number of shareholders representing at least a quarter (25%) of the share capital. If the quorum is not met at the second meeting, a third meeting will be called to be held at least (21) days after the date of the second meeting. The third meeting will be valid regardless of the number of shares represented in the meeting.

14. Board of directors confirmation

The Board of Directors confirms that, in its view, the Capital Reduction is in the best interest of the Company and the Shareholders.

15. Legally required approvals

- A. The Company obtained the approval of the CMA for the Capital Reduction on 03/06/1446H (corresponding to 04/12/2024G). Such approval has been announced on the CMA's website on 03/06/1446H (corresponding to 04/12/2024G) and the Saudi Exchange's website on 04/06/1446H (corresponding to 05/12/2024G).
- B. The Company submitted a notification to the Saudi Exchange Company in relation the Capital Reduction on 09/06/1446H (corresponding to 10/12/2024G).
- C. The requisite shareholders' approval on the Capital Reduction in the Capital Reduction EGA, which is scheduled to be convened on [●]H (corresponding to [●]G). It is worth noting that the Capital Reduction is contingent upon the approval of the shareholders in the Capital Reduction EGA. If such approval is not obtained, the Capital Reduction will not proceed.
- D. In the event that the shareholders' approval is obtained at the Capital Reduction EGA, the Company will approach the Ministry of Commerce to effect the amendments to the commercial register and to deposit the amended bylaws, and will also amend its information (as needed) with the Economic Cities and Special Zones Authority.
- E. Other than the above, there are no other regulatory approvals that the Company has to obtain to effect the Capital Reduction.

16. Relevant laws and regulations

- A. The Companies Law issued by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G).
- B. The Implementing Regulation of the Companies Law for Listed Joint Stock Company issued pursuant to the CMA's board resolution no. 8-127-2016 dated 16/01/1438H (corresponding to 17/10/2016G), and its amendments.
- C. The Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G) as amended.
- D. The Rules on the Offer of Securities and Continuing Obligations issued pursuant to the CMA's board resolution no. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended.
- E. The Corporate Governance Regulations issued pursuant to the CMA's board resolution no. 8-16-2017 dated 16/05/1438H (corresponding to 27/12/2017G), as amended.
- F. The Listing Rules issued pursuant to the CMA's board resolution no. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended.
- G. Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or More of Their Share Capital issued pursuant to the CMA's board resolution no. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G), as amended.
- H. The Company's bylaws.

17. Auditor's report

The Company has appointed KPMG Professional Services to prepare an accounting report on the Capital Reduction, explaining the reasons for reducing the capital and the impact of the Capital Reduction on the Company's liabilities and shareholders' rights.

It should be noted that the shareholders' approval of the Capital Reduction during the Capital Reduction EGA will not take place until this Auditor's report, which covers reasons for the Capital Reduction, its reasons, Company's obligations and the impact of the reduction on such obligations, has been read in accordance with Article (134) of the Companies Law.

A copy of the Auditor's report is attached as an appendix to this Circular and in the invitation of the Capital Reduction EGA.

18. Important information

- A. Article (133) of the Companies Law states that the capital can be reduced in one of the following ways:
- i. cancelling shares equal to the amount to be reduced;
 - ii. reducing the nominal value of the share by writing off a part of it equivalent to the loss suffered by the company;
 - iii. reducing the nominal value of the share by returning part of it to the shareholder or releasing the shareholder from any or all of the unpaid amount of the share value; or
 - iv. purchasing back a number of its shares equivalent to the amount required to be reduced and then cancel them.
- B. Article (134) of the Companies Law states that the extraordinary general assembly may resolve to reduce the capital if it exceeds the company's needs or if the company suffers losses. Only in the latter case may the capital be reduced below the limit provided for in Article (59) of the Companies Law. The reduction resolution shall only be issued after reading a statement prepared by the board on the reasons giving rise to reduction, the obligations incurred by the company, and the impact of the reduction on these obligations, accompanied with an auditor report.
- C. Article (132) of the Companies Law states that if the losses of a joint-stock company reached half (50%) of the issued capital, the board of directors shall, within 60 days from the date of its knowledge thereof, announce the losses and the recommendations relating thereto, and shall, within 180 days from the date of its knowledge, call for an extraordinary general assembly meeting to consider the continuation of the company and taking necessary measures to resolve such losses or the dissolution of the company.
- D. According to Article (32) of the Company's bylaws, a meeting of the extraordinary general assembly shall not be valid unless attended by shareholders representing at least half (50%) of the Company's share capital. In the event that the quorum necessary to hold the first meeting is not met, a second meeting shall be held within one (1) hour following the time set for the preceding meeting provided that the notice shall expressly allow holding such meeting. The second meeting shall be valid if attended by a number of shareholders representing at least a quarter (25%) of the share capital. If the quorum is not met at the second meeting, a third meeting will be called to be held at least (21) days after the date of the second meeting. The third meeting will be valid regardless of the number of shares represented in the meeting.
- E. According to (93(4)) of the Companies Law and Article (34) of the Company's bylaws, resolutions of the extraordinary general assembly to reduce the company's share capital must be approved by at least three-quarters of the voting shares represented in the meeting.
- F. In the event that the Company's shareholders approve the Capital Reduction, the Capital Reduction's resolution will be enforceable upon all of the Eligible Shareholders. This includes shareholders not attending the Capital Reduction EGA, as well as shareholders who attended and did not vote or voted against the Capital Reduction's resolution.

19. Documents available for inspection

The Company will make the following documents available for inspection by the shareholders during official working hours from 10 am until 3 pm at the Company's headquarters in Bay La Sun, Unit No. 1, Juman Street KAEC 23965-7373 starting from the first business day after the date of inviting the Capital Reduction EGA, provided that this period is not less than 14 days before the date of such extraordinary general assembly meeting. These documents will remain available for inspection until the date of the Capital Reduction EGA on [●]H (corresponding to [●]G):

- A. A copy of the Board of Directors recommendation resolution to reduce the share capital and the resolution to amend the recommendation.
- B. A copy of the financial advisor's appointment letter.
- C. A copy of the legal advisor's appointment letter.
- D. A copy of the announcement of the CMA's approval of the Capital Reduction, which was published on the CMA and the Exchange's websites on 03/06/1446H (corresponding to 04/12/2024G).
- E. A copy of this Circular.
- F. A copy of the Auditor's report on the Capital Reduction.

20. Appendixes

- A. A copy of the Auditor's report on the Capital Reduction.
- B. Proxy form for attending the Capital Reduction EGA.

Appendix (1): Auditor Report



KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص. ب. 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Limited Assurance Report to Emaar The Economic City on the Decrease in Share Capital as Proposed by the Company's Board of Directors on 26 October 2024 (corresponding to 23 Rabi Al Thani 1446H) To the Shareholders of Emaar The Economic City

We were engaged by the management of Emaar The Economic City (the "Company") to report on the decrease in share capital as proposed by the Company's Board of Directors on 26 October 2024 (corresponding to 23 Rabi Al Thani 1446H) as detailed below ("Subject Matter") and the accompanying management's statement thereon as set out in Appendix 1, in the form of an independent limited assurance conclusion that based on our work performed and evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter is not properly prepared, in all material respects, based on the applicable criteria ("Applicable Criteria") below.

Subject Matter

The Subject Matter for our limited assurance engagement is related to the decrease in share capital of the Company as proposed by the Company's Board of Directors on 26 October 2024 (corresponding to 23 Rabi Al Thani 1446H) as set out in Management Schedule "Appendix 1" prepared by the Company.

The management schedule "Appendix 1" sets out the Company's rationale for the proposed decrease in share capital from SR 11,333,333,340 (Eleven billion three hundred thirty-three million three hundred thirty-three thousand three hundred forty Saudi Riyals) to SR 5,232,599,090 (five billion two hundred thirty two million five hundred ninety-nine thousand ninety Saudi Riyals) by SR 6,100,734,250 (six billion one hundred million seven hundred thirty-four thousand two hundred fifty Saudi riyals) through the cancellation of 610,073,425 shares by cancelling (0.5383) share for every one (1) share owned and the impact of the proposed decrease in the share capital on the liabilities of the Company.

Applicable Criteria

We have used the following as the Applicable Criteria:

1. Article 132, 133 and 134 of the Companies Law issued under Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30 June 2022G), as amended from time to time;
2. Article 16 of the Company's bylaws;
3. Article 76, Chapter 2 of the Rules on The Offer of Securities and Continuing Obligations Issued by the Board of the Capital Market Authority issued under Resolution Number 3-123-2017 dated 9/4/1439H (Corresponding to 27/12/2017G), as amended from time to time; and
4. Board of Directors' resolution dated 26 October 2024 (corresponding to 23 Rabi Al Thani 1446H) which proposes the decrease in share capital from SR 11,333,333,340 (Eleven billion three hundred thirty-three thousand three hundred forty Saudi Riyals) to SR 5,232,599,090 (five billion two hundred thirty two million five hundred ninety-nine thousand ninety Saudi Riyals) by SR 6,100,734,250 (six billion one hundred million seven hundred thirty-four thousand two hundred fifty Saudi riyals) through the cancellation of 610,073,425 shares by cancelling (0.5383) share for every one (1) share owned.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR70,000,000 and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. Commercial Registration of the headquarters in Riyadh is 1010425494.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة منقطة، مسجلة في المملكة العربية السعودية، رأس مالها (70,000,000) ريال سعودي مدفوع بالكامل، وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والتابعة لكي بي إم جي العالمية المحدودة، شركة الجائزة محدودة بضمان. رقم السجل التجاري لمركز الرياض هو 1010425494



Emaar The Economic City's Responsibility

The management of the Company is responsible for preparing the Subject Matter information that is free from material misstatement in accordance with the Applicable Criteria and for the information contained therein. The management the Company is also responsible for preparing the Subject Matter information (i.e. Appendix 1).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of the Subject Matter that information is free from material misstatement, whether due to fraud or error. It also includes selecting the Applicable Criteria and ensuring that the Company complies with the Companies Law issued under Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30 June 2022G); designing, implementing and effectively operating controls to achieve the stated control objectives; selecting and applying policies; making judgments and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the Subject Matter information.

The management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities. The management of the Company is responsible for ensuring that staff involved with the preparation of the Subject Matter information are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Responsibility

Our responsibility is to examine the Subject Matter information prepared by the Company and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" endorsed in the Kingdom of Saudi Arabia and the terms and conditions for this engagement as agreed with the Company's management. That standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Subject Matter information is properly prepared, in all material respects, as the basis for our limited assurance conclusion.

The firm applies International Standard on Quality Management 1 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our understanding of the Subject Matter and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In obtaining an understanding of the Subject Matter and other engagement circumstances, we have considered the process used to prepare the Subject Matter information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's process or internal control over the preparation and presentation of the Subject Matter information.

Our engagement also included: assessing the appropriateness of the Subject Matter, the suitability of the criteria used by the Company in preparing the Subject Matter information in the circumstances of the engagement, evaluating the appropriateness of the procedures used in the preparation of the Subject Matter information and the reasonableness of estimates made by the Company.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We did not perform procedures to identify additional procedures that would have been performed if this were a reasonable assurance engagement.



Our Responsibility (continued)

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Subject Matter information nor of the underlying records or other sources from which the Subject Matter information was extracted.

Procedures Performed

- Comparing the proposed decrease in the share capital of the Company as set out in Management Schedule "Appendix 1" with the resolution of the Board of Directors of the Company, in respect of the decrease in capital from SR 11,333,333,340 (Eleven billion three hundred thirty-three million three hundred thirty-three thousand three hundred forty Saudi Riyals to SR 5,232,599,090 (five billion two hundred thirty-two million five hundred ninety-nine thousand ninety Saudi Riyals) by SR 6,100,734,250 (six billion one hundred million seven hundred thirty-four thousand two hundred fifty Saudi Riyals) through the cancellation of 610,073,425 shares by cancelling (0.5383) share for every one (1) share owned.
- Comparing the financial information in Management Schedule "Appendix 1" with the unaudited condensed consolidated interim financial statements of the Company as at 30 September 2024.
- Ensuring the mathematical accuracy in Management Schedule "Appendix 1".

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter information is not prepared, in all material respects, in accordance with the Applicable Criteria.

Other Matter

The proposed decrease in the share capital of **Emaar The Economic City** will be reflected in the accounting records of the Company after receiving approval from the Shareholders of the Company and the Capital Market Authority ("CMA").

This report supersedes our previously issued Independent Limited Assurance Report on decrease in share capital dated 18 November 2024. The revision has been made due to changes in the management schedule "Appendix 1".

Restriction of Use of Our Report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, its shareholders, Ministry of Commerce ("MOC") and Capital Market Authority ("CMA") for any purpose or in any context. Any party other than the Company, its shareholders, MOC and CMA who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company, its shareholders, MOC and CMA for our work, for this independent limited assurance report, or for the conclusions we have reached.



Restriction of Use of Our Report (continued)

Our report is released to the Company, its shareholders, MOC and CMA on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382



Jeddah, 2 December 2024
Corresponding to 1 Jumada Al Thani 1446H

Appendix 1: Management Schedule

1. A description of the Company's requirements.

The accumulated losses of the Company amounted to SAR 6,100,734,257 as of 30 September 2024 which represents 53.83 % of the Company's capital.

Board of Directors 's resolution dated 26 October 2024 (corresponding to 23 Rabi AlThani 1446H) recommended to decrease the share capital from SAR 11,333,333,340 (Eleven billion three hundred thirty-three million three hundred thirty-three thousand three hundred forty Saudi Riyals) to SAR 5,232,599,090 (five billion two hundred thirty two million five hundred ninety-nine thousand ninety Saudi Riyals) by SAR 6,100,734,250 (six billion one hundred million seven thirty-four thousand two hundred fifty Saudi riyals) through the cancellation of 610,073,425 shares by cancelling (0.5383) share for every one (1) share owned.

The Company is currently completing the legal procedures to obtain the approval of the Capital Market Authority and the Shareholders to reduce the capital.

On 26 October 2024 (corresponding to 23 Rabi AlThani 1446H), the Board decided to recommend to the Extraordinary General Assembly to reduce the Company's capital as follows:

- The capital before the reduction is SAR 11,333,333,340, the capital after the reduction will be SAR 5,232,599,090, with a decrease of 53.83% based on 30 September 2024 financial statements.
- The number of shares before the reduction is 1,133,333,334 shares, the number of shares after the reduction will be 523,259,909 shares.
- The reason for reducing the share capital: Extinguish the accumulated losses.
- Method for reducing the share capital: cancellation of 610,073,425 shares.
- The impact of reducing the capital on the Company's obligations: There is no impact of reducing the Company's capital on its financial obligations.

The ownership percentage of each Shareholder in the Company (except shareholders who own two or less shares) will not change due to the reduction of the number of shares, and the total value of the Shareholder's investments will not change due to the process of reducing the number of shares alone and any share decimals that will result from the process of reducing the capital will be collected and sold, and then the net proceeds of their sale will be distributed to the Shareholders according to each Shareholder's eligibility in those decimals. As such, the shares of a shareholder who owns 2 shares or less will be cancelled, and he will be proportionally compensated.



2. The reasons why it is necessary to reduce the capital and the liabilities of the Company, and the effect of the proposed reduction on these liabilities

2.1 Reasons why reduction is necessary

Article (132) of the Companies Law states that if the losses of a joint-stock company reached half (50%) of the issued capital, the board of directors shall, within 60 days from the date of its knowledge thereof, announce the losses and the recommendations relating thereto, and shall, within 180 days from the date of its knowledge, call for an extraordinary general assembly meeting to consider the continuation of the company and taking necessary measures to resolve such losses or the dissolution of the company. The Management of the Company believe that the capital decrease is necessary to extinguish the accumulated losses within such prescribed regulatory timeline.


2.2 Impact of Capital Reduction

The impact on shareholders' equity will be based on the financial statements for the period ended on 30 September 2024, which are summarized as follows:

Shareholders' equity	Before reduction (SAR)	After reduction (SAR)	Impact (SAR)
Share capital	11,333,333,340	5,232,599,090	(6,100,734,250)
Share premium	-	-	-
Statutory reserve	11,536,000	11,536,000	-
Accumulated losses	(6,100,734,257)	(7)	(6,100,734,250)
Total equity	5,244,135,083	5,244,135,083	-

Management believes that the proposed share capital reduction through the cancellation of 610,073,425 shares will not have any impact on the liabilities or obligations of the Company as it is a non-cash transaction which will not change the total equity of the Company before and after the proposed share capital decrease.

Yours faithfully,

Chief Financial Officer (CFO)	Chief Executive Officer (CEO)
	



Appendix (2): Proxy Form

The proxy form is not available, as the Capital Reduction EGA will be held virtually through Tadawulaty system (which is free for all shareholders).

