

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**
For three-month and six-month periods ended 30 June 2024
with
INDEPENDENT AUDITORS' REPORT
**ON REVIEW OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For three-month and six-month periods ended 30 June 2024

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KPMG Professional Services

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Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Emaar The Economic City

Introduction

We have reviewed the accompanying 30 June 2024, condensed consolidated interim financial statements of Emaar The Economic City ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2024;
- the condensed consolidated statement of financial position as at 30 June 2024;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2024;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2024; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2024, condensed consolidated interim financial statements of Emaar The Economic City and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") 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. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقلقة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومحاميون" و هي عضو
غير شريك في الشبكة العالمية لشركات كي بي إم جي المسننة والتابعة لكي بي إم جي العالمية المحدودة، شركة لجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.

Independent auditor's review report on condensed consolidated interim financial statements (continued)

To the Shareholders of Emaar The Economic City

Emphasis of Matter

We draw attention to Note 1 of the condensed consolidated interim financial statements, which indicates that the Group incurred a net loss of SR 694 million during the six-month period ended 30 June 2024 and, as of that date, the Group's current liabilities exceeded its current assets by SR 7,451 million. In addition, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of SR 2,406 million (out of total balance amounting to SR 3,603 million) as at 30 June 2024 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. The Group's ability to meet its obligations as they fall due and to continue its operations without significant curtailment is therefore highly dependent on the successful execution of management's plans including debt restructuring, obtaining additional funding from shareholders and the sale of properties to generate sufficient cash flows. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

For KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



Jeddah, 15 August 2024
Corresponding to 11 Safar 1446H

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	Three-month		Six-month	
		<u>period ended 30 June</u>		<u>period ended 30 June</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	5	75,926	428,372	150,443	585,376
Cost of revenue		(122,546)	(193,931)	(235,432)	(333,216)
GROSS (LOSS) / PROFIT		(46,620)	234,441	(84,989)	252,160
Selling and marketing expenses		(8,176)	(11,430)	(25,815)	(19,841)
General and administrative expenses		(58,630)	(86,828)	(131,464)	(149,751)
(Impairment loss) / Reversal on financial assets and contract assets		(14,704)	9,997	(35,968)	(6,817)
Amortization of unearned interest		6,006	8,218	9,497	16,042
Other operating income		11,844	60,064	11,844	61,227
OPERATING (LOSS) / PROFIT		(110,280)	214,462	(256,895)	153,020
Financial income		2,405	320	3,629	797
Fair value gain on derivative financial liability		5,349	--	12,705	--
Financial charges		(180,350)	(111,940)	(316,719)	(208,981)
Share of (loss) / profit of equity accounted investee	11	(49,393)	977	(50,607)	1,458
(LOSS) / PROFIT BEFORE ZAKAT		(332,269)	103,819	(607,887)	(53,706)
Zakat	13	(10,000)	(8,750)	(86,032)	(22,500)
(LOSS) / PROFIT FOR THE PERIOD		(342,269)	95,069	(693,919)	(76,206)
OTHER COMPREHENSIVE INCOME					
<i>Items that will be reclassified to condensed consolidated statement of profit or loss in subsequent periods:</i>					
Share of other comprehensive income of equity accounted investees	11	2,282	12,593	1,379	10,477
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(339,987)	107,662	(692,540)	(65,729)
(Loss) / earnings per share:					
Basic and diluted (loss) / earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals per share)	6	(0.30)	0.08	(0.61)	(0.07)


Chairman Board of Directors


Chief Executive Officer


Chief Financial Officer

The attached notes 1 to 21 form integral part
of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
ASSETS			
Non-current assets			
Property and equipment	7	5,082,599	4,917,219
Right-of-use assets		48,956	54,784
Investment properties	8	4,597,988	4,619,250
Intangible assets		2,934	3,664
Investment in equity accounted investees	11	2,788,140	2,837,368
Development properties	9	482,810	482,287
Unbilled revenue		182,026	285,260
Employees' receivable - Home Ownership Scheme		54,192	57,765
Restricted cash		51	51
Total non-current assets		13,239,696	13,257,648
Current assets			
Development properties	9	834,315	839,341
Unbilled revenue		143,368	283,587
Current portion of employees' receivable - Home Ownership Scheme		3,422	3,473
Trade receivables and other current assets	10	646,031	583,183
Restricted cash – current portion		3,588	3,354
Cash and cash equivalents		282,227	179,077
Total current assets		1,912,951	1,892,015
Total assets		15,152,647	15,149,663
EQUITY AND LIABILITIES			
Equity			
Share capital	1	11,333,333	11,333,333
Statutory reserve		11,536	11,536
Accumulated losses		(5,631,161)	(4,938,621)
Total equity		5,713,708	6,406,248
Non-current liabilities			
Long-term borrowings	12	--	--
Lease liabilities		32,180	32,794
Employee benefit obligation		43,230	41,630
Total non-current liabilities		75,410	74,424

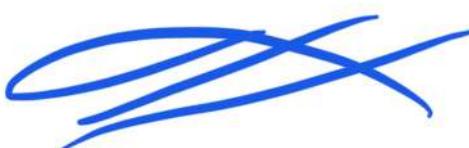
EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Current liabilities			
Lease liabilities – current portion		57,006	56,212
Loans and borrowings – current portion	12	7,571,858	6,747,091
Short-term borrowings		155,444	152,429
Trade and other payable		608,821	725,360
Contract liabilities		620,121	712,349
Other provisions		24,768	24,812
Zakat provision	13	325,511	250,738
Total current liabilities		9,363,529	8,668,991
Total liabilities		9,438,939	8,743,415
Total equity and liabilities		15,152,647	15,149,663



Chairman Board of Directors



Chief Executive Officer



Chief Financial Officer

The attached notes 1 to 21 form integral part
 of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance as at 1 January 2023 (Audited)	11,333,333	11,536	(4,690,092)	6,654,777
Loss for the period	--	--	(76,206)	(76,206)
Other comprehensive loss for the period	--	--	10,477	10,477
Total comprehensive loss for the period	--	--	(65,729)	(65,729)
Balance as at 30 June 2023 (Unaudited)	11,333,333	11,536	(4,755,821)	6,589,048
Balance as at 1 January 2024 (Audited)	11,333,333	11,536	(4,938,621)	6,406,248
Loss for the period	--	--	(693,919)	(693,919)
Other comprehensive income for the period	--	--	1,379	1,379
Total comprehensive loss for the period	--	--	(692,540)	(692,540)
Balance as at 30 June 2024 (Unaudited)	11,333,333	11,536	(5,631,161)	5,713,708



Chairman Board of Directors



Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 21 form integral part
 of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

		For the six-month period ended 30 June	
	Notes	<u>2024</u> (Unaudited)	<u>2023</u> (Unaudited)
Operating activities			
Loss before Zakat		(607,887)	(53,706)
<i>Adjustments for:</i>			
Depreciation on property and equipment	7	95,759	98,297
Depreciation on investment properties	8	24,576	25,406
Depreciation on right-of-use asset		5,828	4,845
Impairment loss on financial and contract assets		35,968	6,817
Amortisation		966	413
Financial charges		316,718	208,981
Share of results of equity accounted investees	11	50,607	(1,458)
Financial income		(3,629)	(797)
Amortization of unearned interest		(9,497)	(13,430)
Gain on disposal of investment properties		(14,423)	(6,186)
Fair value gain on derivative financial liability		(12,705)	--
Gain on contribution of land		--	(28,224)
Impairment loss / (reversal) on investment properties	8	879	(2,087)
Impairment reversal on development properties		(814)	(3,964)
Provision for employee benefit obligation		4,735	4,970
		(112,919)	239,877
<i>Changes in operating assets and liabilities:</i>			
Employees' receivable – home ownership scheme		4,250	(787)
Unbilled revenue		252,323	47,288
Development properties		5,318	85,327
Trade receivables and other current assets		(98,817)	(151,981)
Trade and other payable		(116,539)	(151,430)
Restricted cash balances received		3,395	--
Other liabilities		(92,270)	(2,088)
Net cash (used in) / generated from operations		(155,259)	66,206
Financial charges paid		(26,052)	(129,494)
Zakat paid	13	(11,259)	(5,411)
Employees' terminal benefits paid		(3,135)	(1,093)
Net cash used in operating activities		(195,705)	(69,792)
Investing activities			
Financial income received		--	797
Additions to property and equipment	7	(261,140)	(23,250)
Additions to investment properties		(10,948)	--
Proceeds from sale of investment properties		21,178	51,209
Additions to intangible assets		(235)	--
Net cash (used in) / generated from investing activities		(251,145)	28,756

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(continued)

For the three-month and six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

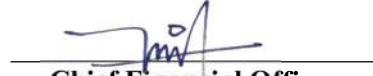
	For the six-month period ended 30 June	
	<u>2024</u> (Unaudited)	<u>2023</u> (Unaudited)
Financing activities		
Proceeds from loans and borrowings	550,000	300,000
Repayments of loans and borrowings	--	(46,705)
Net cash generated from financing activities	550,000	253,295
Net increase in cash and cash equivalents	103,150	212,259
Cash and cash equivalents at the beginning of the period	179,077	82,141
Cash and cash equivalents at the end of the period	282,227	294,400
Non-cash supplementary information:		
Transfer from investment properties to development properties	--	(41,984)
Contribution of development property to the Fund	--	249,470



Chairman Board of Directors



Chief Executive Officer



Chief Financial Officer

The attached notes 1 to 21 form integral part
of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month and six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION

Emaar The Economic City (the "Company" or the "Parent Company") is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia ("KSA") under Ministerial Decision No. 2533, dated 03 Ramadan 1427H, corresponding to 21 September 2006. The Company obtained its initial Commercial Registration No. 4030164269 on 8 Ramadan 1427H, corresponding to 26 September 2006.

The registered office of the Company has been shifted to Rabigh with a revised Commercial Registration No. 4602005884, dated 6 Rabi Awal 1436H, corresponding to 28 December 2014.

As of 30 June 2024, and 31 December 2023, the Company's authorized and issued share capital was Saudi Riyals 11,333.33 million consisting of 1,333.33 million shares of Saudi Riyals 10 each (2023: 1,133 million shares of Saudi Riyals 10 each), allocated as follows:

	Six-month periods ended 30 June 2024		For the year ended 31 December 2023	
	Number of Shares' 000	Capital	Number of Shares' 000	Capital
Issued for cash	680,000	6,800,000	680,000	6,800,000
Issued for consideration in kind	170,000	1,700,000	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity	283,333	2,833,333	283,333	2,833,333
	1,133,333	11,333,333	1,133,333	11,333,333

These condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Group is engaged in the development of real estate in the economic or other zones and other development activities including infrastructure, promotion, marketing and sale of land within development areas, transfer/lease of land, development of buildings/housing units, and construction on behalf of other parties. The main activity of the Group is the development of the King Abdullah Economic City ("KAEC").

These condensed consolidated interim financial statements include the results, assets and liabilities of the following registered branches of the Group:

<u>Branch</u>	<u>Commercial Registration Number</u>
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602006934

The Company has the following subsidiaries as at 30 June 2024. The Company and its subsidiaries are incorporated in the Kingdom of Saudi Arabia. The subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month and six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of incorporation</u>	Effective ownership as at 30 June <u>2024</u>	Effective ownership as at 31 December <u>2023</u>	<u>Nature of activities</u>
Economic Cities Investments Company Limited (“ECIC”)	Kingdom of Saudi Arabia	2010	100%	100%	Buying, selling and management of real estate properties and operations of educational and technical institutions.
Industrial Zones Development Company Limited (“IZDCL”)	Kingdom of Saudi Arabia	2011	100%	100%	Sale/lease, investment, development of real estate development in industrial valley in KAEC.
Economic Cities Real Estate Properties Operation and Management Company (“REOM”)	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, invest, and lease of commercial properties.
Economic Cities Pioneer Real Estate Management Company (“REM”)	Kingdom of Saudi Arabia	2013	100%	100%	Construction, management, development, operation, lease of residential properties.
Economic Cities Real Estate Development Company (“RED”)	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, investment, development and marketing of real estate development in KAEC.
Emaar Knowledge Company Limited (“EKC”)	Kingdom of Saudi Arabia	2015	100%	100%	Construct and operate business educational institute in KAEC.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month and six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going concern

The Group incurred a net loss of SR 694 million during the period ended 30 June 2024 (30 June 2023: loss of SR 76 million) and as of that date its current liabilities exceeded its current assets by SR 7,451 million (31 December 2023: current liabilities exceed current assets by SR 6,777 million). Furthermore, as of 30 June 2024, the Group had accumulated losses amounting to SR 5,631 million (31 December 2023: accumulated losses amounted to SR 4,939 million). In addition to this, the Group has not complied with the requirements of covenants related to long-term borrowing facilities during the period ended 30 June 2024, resulting in borrowings with outstanding balance of SR 2,406 million (also see Note 12) as at 30 June 2024 (31 December 2023: SR 2,361 million) being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. These conditions, along with certain other events as disclosed in the subsequent paragraphs, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

King Abdullah Economic City (“KAEC” or the “City”) was announced in 2005, and development began in 2006. The City is intended to be a hub for various economic sectors, including industry, logistics, and tourism. It is planned to include residential areas, commercial centres, and other amenities, such as schools, hospitals, and recreational facilities. KAEC has faced challenges related to investment and development, besides logistical and infrastructure challenges. Building a city from scratch on a large scale is a complex undertaking. However, over the years, the Group has done massive development in the City. Apart from the Industrial Valley, the City has six distinctive residential districts each with its unique construction, location and facilities. Further, the City has multiple fully developed and functional facilities like luxury hotels, 18-hole championship golf course, resorts, beaches, a cinema, yacht club, karting centre, lagoon campsite, art centre, retail, schools, college, medical facilities, labour village etc. The Group is currently going through a restructuring plan.

Going concern plan

The Group had in the past significantly reduced its development activities pursuant to the continued overall lower economic activity in KAEC. Debt financing has been utilized to fund the development activities in KAEC and working capital requirements of the Group. The projected operating cash flows of the Group, for the next twelve-months, are insufficient to meet the repayment of debt and other obligations therefore the successful execution of management's plans to generate sufficient cash flows from debt restructuring, additional funding from shareholders and the sale of properties is important to meet both the Group's obligations when they become due and to continue its operations without significant curtailment.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month and six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)**Going concern (continued)**

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at 30 June 2024	Within 1 year	1-2 years	2-5 years	Over 5 years	Total contractual cash flows
Loans and borrowings	7,571,858	--	--	--	7,571,858
Trade and other payables	608,821	--	--	--	608,821
Short term borrowings	155,444	--	--	--	155,444
Lease liabilities	57,261	12,037	22,895	--	92,193
Total	8,393,384	12,037	22,895	--	8,428,316

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group's management has developed a plan which covers a period of at least twelve-months from 30 June 2024 to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern in both the short and long term.

Management has concluded that the Group will not be able to fully satisfy its cash requirements from the sale of properties alone and, accordingly, in such a scenario, the Group has already initiated discussions to restructure its borrowing facilities, which are elaborated below.

The plan comprises the Group's liquidity and forecasts cash flows taking into account reasonably possible outcomes over a fifteen-months period from 30 June 2024. As per the forecasted cash flows, management expects that there will be no loan repayment in the next 15 months. The Group has a Board approved business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of this plans to the lenders.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month and six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)**Going concern (continued)**

This plan principally includes:

<u>Plan</u>	<u>Description</u>	<u>Amount (Saudi Riyals)</u>	<u>Details</u>
Debt restructuring	Loan due to Ministry of Finance (“MoF”) - Note 12	2,926 million	<p>The Group is in discussion with the MoF to finalise a restructuring agreement to defer the repayment of the loan obligation amounting to SR 2,720 million, to be payable starting from June 2025, in six equal annual instalments, including interest due of SR 553.2 million classified under current liabilities.</p> <p>The Group has received an approval from the MoF, conditional upon signing of amendment to the original MoF loan agreement (which is under process as of 30 June 2024), wherein the MoF approved conversion of accrued interest, amounting to SR 553.2 million, as principal outstanding and deferral of the obligation, amounting to SR 2,720 million, with repayments starting from June 2024. However, the Group has requested to the MoF to approve further grace period of 12 months with first instalment due in June 2025.</p>

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month and six-month periods ended 30 June 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)**Going concern (continued)**

<u>Plan</u>	<u>Description</u>	<u>Amount (Saudi Riyals)</u>	<u>Details</u>
Debt restructuring	Loan due to local banks - Note 12	3,602 million	<p>The Group's obligations against lenders and banks carry financial covenants in respect of loans amounting to SR 3,602 million, disclosed in Note 12. During 2022, the Group did not comply with the requirements of covenants relating to long-term borrowing facilities. This position is unchanged till 30 June 2024. Consequently, the management has classified the outstanding obligation under current liabilities as at 30 June 2024.</p> <p>The Group has prepared a detailed business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of the business transformation plan to the lenders. However, in the intervening period, the Group has applied for support from all of the commercial banks, during which the Group has requested the commercial banks to postpone the principal repayments of the existing borrowing facilities.</p> <p>The unused balance of the short-term borrowings' facility as at 30 June 2024 amounted to SR 126.5 million (31 December 2023 amounted to SR 126.5 million).</p>
Additional financing	Loan from Public Investment Fund ("PIF") - Note 12	1,000 million	<p>During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 21 months through a single bullet payment at maturity. Financial costs on the facility is based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. As at 30 June 2024, management has drawn down SR 1,000 million from this facility.</p>

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1. GENERAL INFORMATION (continued)

Going concern (continued)

Based on the above plan, the Group has prepared a detailed cash flow forecast for the fifteen-months period from the reporting date which indicates a net positive cash flow position, subject to non-repayment of any loan outstanding amounts and additional shareholder funding. Although, there is a material uncertainty related to the successful execution and conclusion of the above plan, management continues to believe projected cash flows plan through debt restructuring, covenant waivers and, raising additional funding from shareholders and sale of properties is probable and these plans will be successful and it remains appropriate to prepare the condensed consolidated interim financial statements on a going concern basis as the above plan mitigates any shortfall that may arise during the next 12 months. The financial statements do not contain any adjustments which may be required if the Group was unable to continue as a going concern. In the event that there are changes to the circumstances described above, further enhanced disclosures in the financial statements of the Group for subsequent periods may be required.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

The condensed consolidated interim financial statements do not include all the information and disclosures required for the full set of annual financial statements. They should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements. In addition, the results for the six-month period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the year ending 31 December 2024.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accrual basis of accounting and the going concern concept.

2.3 Functional and presentation currency

The Group’s condensed consolidated interim financial statements are presented in Saudi Arabian Riyals, which is also the Parent Company’s functional currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. All figures are rounded off to the nearest thousands except when otherwise indicated.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The significant judgments made by management in applying the Group's accounting policies and the key assumptions concerning the future and other key sources of estimation uncertainty were the same as those described in the annual consolidated financial statements for the year ended 31 December 2023.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED

New and amended standards adopted by the Group

Following amendments and interpretations apply for the first time in 2024, which are effective for annual periods beginning on or after 1 January 2024 which do not have a material impact on these condensed interim consolidated financial statements:

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)
IAS 7 and IFRS 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect future periods.

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4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED (continued)

Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date</u></i>
IAS 21	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

5. REVENUE

	Three-month periods ended 30 June		Six-month periods ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Types of revenue from contracts with customers:				
Sale of development properties				
	6,774	360,563	6,350	435,236
Utilities and other related services (“City operations”)	27,620	27,956	54,836	57,043
Accommodation	8,357	10,793	23,881	30,163
Tuition and other fees (“Education”)	14,866	8,278	30,596	20,885
Food and beverages and other related services	2,612	3,158	8,370	8,350
Leisure services	1,958	2,067	5,784	5,393
Total	62,187	412,815	129,817	557,070
Timing of revenue recognition				
Over time	59,109	409,657	120,246	545,744
Point-in-time (*)	3,078	3,158	9,571	11,326
Revenue from contract with customers				
	62,187	412,815	129,817	557,070
Lease rental income				
Industrial	9,302	9,432	11,890	19,288
Residential	4,437	6,125	8,736	9,018
Total lease rental income	13,739	15,557	20,626	28,306
Total revenue	75,926	428,372	150,443	585,376

(*) Revenue from point-in-time includes food and beverage services amounting to Saudi Riyals 8.4 million and leisure services amounting to Saudi Riyals 1.2 million.

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6. (LOSS) / EARNING PER SHARE

(Loss) / earning per share has been calculated by dividing the loss for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period. The Parent Company does not have any dilutive potential share and therefore diluted loss per share is the same as basic loss per share.

The (Loss) / earning per share calculation is given below:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2024 (Unaudited)	2023	2024 (Unaudited)	2023
(Loss) / earning for the period attributable to owners of the Company (Saudi Riyals '000)	(342,269)	95,069	(693,919)	(76,206)
Weighted average number of ordinary shares (in thousands)	1,133,333	1,133,333	1,133,333	1,133,333
(Loss) / earning per share (Saudi Riyals) - Basic and Diluted	(0.30)	0.08	(0.61)	(0.07)

7. PROPERTY AND EQUIPMENT

	For the six-month period ended 30 June 2024 (Unaudited)	For the year ended 31 December 2023 (Audited)
Cost:		
At the beginning of the period/year	7,127,541	7,081,788
Additions during the period/year	261,140	53,785
Transfers during the period/year	--	(8,031)
At the end of the period/year	7,388,681	7,127,542
Accumulated depreciation and impairment:		
At the beginning of the period/year	2,210,323	2,016,864
Depreciation charge for the period/year	95,759	193,971
Impairment charge for the period/year	--	(512)
At the end of the period/year	2,306,082	2,210,323
Net book value at the end of the period / year	5,082,599	4,917,219

a) Included within property and equipment is capital work in progress amounting to Saudi Riyals 1,973 million (2023: Saudi Riyals 1,712 million) which mainly represents construction costs in respect of the infrastructure and other projects at KAEC.

The Group has relied on the impairment assessment performed as of 31 December 2023. Management of the Group believes that the recoverable value of the Group's properties didn't significantly change from the assessment performed for the purpose of the Group's last audited consolidated financial statements for the year ended 31 December 2023, up to the six-month period ended 30 June 2024.

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8. INVESTMENT PROPERTIES

	For the six-month period ended 30 June 2024	For the year ended 31 December 2023
Cost:		
At the beginning of the period / year	5,090,703	5,166,384
Additions during the period / year	10,948	1,037
Transfer to development properties	--	(59,574)
Disposals during the period / year	(6,755)	(17,144)
At the end of the period/year	5,094,896	5,090,703
Accumulated depreciation and impairment:		
At the beginning of the period/year	471,453	427,349
Depreciation charge for the period/year	24,576	50,796
Impairment charge for the period/year	879	--
Reversal of impairment	--	(2,546)
Disposals during the period/year	--	(4,146)
At the end of the period/year	496,908	471,453
Net book value at the end of the period / year	4,597,988	4,619,250

- a) Included within investment properties as at 30 June 2024 is capital work in progress amounting to Saudi Riyals 984 million (31 December 2023: Saudi Riyals 1,013.1 million) which represents assets under construction relating to a commercial centre's expansion and infrastructure development work on the land parcels.
- b) As at 30 June 2024 the Group's investment properties with a carrying amount of Saudi Riyals 928 million (31 December 2023: Saudi Riyals 928 million) were mortgaged as collateral against loans and borrowings.
- c) Following is the fair value and carrying amount of investment properties held for various purposes:

	Fair value		Carrying amount	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Rental income	9,917,674	9,917,674	1,807,617	1,828,377
Currently undetermined future use	24,995,503	25,000,000	2,790,371	2,790,873
	34,913,177	34,917,674	4,597,988	4,619,250

- d) As at 30 June 2024 and 31 December 2023, the Group has no contractual obligation for future repairs and maintenance which are not recognized as liability.

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8. INVESTMENT PROPERTIES (continued)

The Group has relied on the impairment assessment performed as of 31 December 2023. Management of the Group believes that the recoverable value of the Group's properties didn't significantly change from the assessment performed for the purpose of the Group's last audited consolidated financial statements for the year ended 31 December 2023, up to the six-month period ended 30 June 2024.

9. DEVELOPMENT PROPERTIES

	For the six-month period ended 30 June 2024 (Unaudited)	For the year ended 31 December 2023 (Audited)
Cost incurred to - date – opening balance	1,492,986	1,549,852
Transferred from investment properties	--	59,574
	1,492,986	1,609,426
Add: additions	987	--
Less: disposals	(6,304)	(116,440)
Less: provision for development properties	(170,544)	(171,358)
Total	1,317,125	1,321,628
Current portion of development properties	834,315	839,341
Non-current portion of development properties	482,810	482,287

9.1 Disposals from development properties are recognised as expense within cost of revenue.

10. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Financial assets		
Trade receivables	826,711	730,604
Amounts due from related parties	705	86,992
Less: impairment on trade receivables	(394,521)	(358,553)
	432,895	459,043
Commission receivable on Murabaha term deposits	1,083	1,083
Others	28,275	31,619
	462,253	491,745
Non-financial assets		
Prepayments	14,018	13,445
Advances to suppliers	85,829	64,911
Others	83,931	13,082
	183,778	91,438
Trade receivables and other current assets	646,031	583,183

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11. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The entities are incorporated in the Kingdom of Saudi Arabia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Effective ownership interest (%)		30 June 2024	31 December 2023	30 June 2024	31 December 2023
					(Unaudited)	(Audited)
Investment in Ports Development Company "PDC" (see note (a) below)	50%		50%		2,503,550	2,552,079
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	20%		20%		45,790	45,790
Investment in Albilad Tourism Fund (see note (c) below)	41.15%		41.15%		238,800	239,499
					2,788,140	2,837,368

a) Investment in PDC - Joint Venture

PDC is a closed joint stock company and is principally engaged in the development, finance, operation and maintenance of the King Abdullah Port through its own and third parties' resources.

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Beginning of the period / year	2,552,079	2,540,950
Share of (loss) / profit for the period / year	(49,908)	8,960
Share of other comprehensive income for the period / year	1,379	2,169
End of the period / year	2,503,550	2,552,079

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(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)**11. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)****b) Investment in Biyoutat - Associate**

Biyoutat is a limited liability company which was incorporated in 2016. It is principally engaged to build, own and manage a residential compound at KAEC. The Company has not yet started its operations. Hence, the share of results of Biyoutat for the period are insignificant for the Group.

c) Investment in Albilad Tourism Fund - Equity investment

During 2023, the Group invested in the Albilad Toursim Fund (the “Fund”). The Group entered into a property sale agreement to sell a prime beachfront land plot, in Murooj Golf Community District in KAEC, as an in-kind contribution to the Fund.

In return for the land sale, the Group acquired units in the Fund amounting to Saudi Riyals 269.2 million, representing 41.15% of the Fund’s equity. The Fund’s term is 12 years and is extendable up to 3 additional years. The Group has performed an assessment of the criteria to determine whether the Group has control over the Fund and concluded that the Group does not have control, but significant influence over the Fund. Accordingly, the Fund is being accounted as equity investment in the condensed consolidated interim financial statements for the six-month period ended 30 June 2024.

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Initial investment	239,499	269,204
Elimination of share of profit on contribution of land (*)	--	(22,481)
	239,499	246,723
Opening balance of investment	239,499	246,723
Share of loss for the period	(699)	(7,224)
Closing investment	238,800	239,499

(*) The amount pertains to profit derived by the Group on contribution of land to the Fund.

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12. LOANS AND BORROWINGS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Ministry of Finance (“MoF”) loan (Note (a) below)	2,166,667	2,166,667
Accrued commission	759,781	651,813
	2,926,448	2,818,480
Current portion	(2,926,448)	(2,818,480)
Non-current portion	--	--
Facility from local banks (Note (a) below)	3,317,894	3,317,894
Accrued commission	284,766	158,196
	3,602,660	3,476,090
Current portion	(3,602,660)	(3,476,090)
Non-current portion	--	--
Facility from a shareholder (Note (b) below)	966,708	413,476
Accrued commission	76,042	31,565
Derivative financial liability	--	7,480
	1,042,750	452,521
Current portion	(1,042,750)	(452,521)
Non-current portion	--	--
Total long-term borrowings	7,571,858	6,747,091
Current portion of long-term borrowings*	(7,571,858)	(6,747,091)
Non-current portion of long-term borrowings	--	--

*The Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of SR 2,406 million as at 30 June 2024 being immediately due and payable on demand in accordance with the terms and conditions of the borrowings. Such borrowings have been classified as current portion in the above schedule.

- (a) There are no changes in term and conditions of the borrowings from the consolidated financial statements for the year ended 31 December 2023.
- (b) During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 21 months through a single bullet payment at maturity. Financial costs on the facility is based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. As at 30 June 2024, management has fully drawn down SR 1,000 million from this facility.

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12. LOANS AND BORROWINGS (continued)

The loan contains an embedded derivative due to the presence of a call option in the loan arrangement. The Group has recognized fair value gain amounting to SR 12.7 million as a result of change in fair value from year end 31 December 2023. The carrying value of the embedded derivative is nil. There are non-financial debt covenants related to the facility including cross-default clauses in respect of loan facilities with commercial banks. As at 30 June 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

13. ZAKAT**Movement in provision**

The movement in the Zakat provision is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
At the beginning of the period / year	250,738	215,458
Charge for the period / year	86,032	45,000
Payments during the period / year	<u>(11,259)</u>	<u>(9,720)</u>
At the end of the period / year	325,511	250,738

13.1 Components of zakat base

The Company and its fully owned Saudi Arabian subsidiaries file zakat declarations on a consolidated basis in accordance with the regulations of the ZATCA. The significant components of the zakat base under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of period, loans and borrowings and estimated income subject to zakat, less deductions for the net book value of property and equipment, investment properties and certain other items. Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the period) and at 2.5% of the adjusted net profit for the period.

13.2 Status of final assessments

There have been no changes to the status of open zakat assessments as of 30 June 2024, as disclosed in the Group's consolidated financial statements for the year ended December 31, 2023. However, with regards to zakat assessments for the years 2015 to 2018, the Group received notification from TVDAC during the period ended 30 June 2024, resulting in additional zakat charge amounting to SR 66 million.

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14. RELATED PARTY TRANSACTIONS

Related parties include shareholders, directors, associated companies and key management personnel of the Group. Further, these also includes entities controlled or jointly controlled such parties.

The Government of Kingdom of Saudi Arabia controls Public Investment Fund which exercises significant influence over the Group due to its shareholding. As a result, the Government of Saudi Arabia, semi-Government and other entities with Government ownership or control, including, but not limited to ministries, regulatory bodies and authorities are related parties of the Group. In accordance with the exemption in IAS 24, the management has adopted a partial exemption for disclosure of transactions and balances for government-related entities as required under IAS 24.

The related parties, other than subsidiaries and associates, include the following:

<u>Name</u>	<u>Relationship</u>
Ports Development Company	Joint Venture
Biyoutat Progressive Company for Real Estate Investment & Development	Joint Venture.
Public Investment Fund (PIF)	Holds Significant influence.
Lucid Limited Liability Company	Government related entities
CEER National Automotive Company	(subsidiaries of PIF)
Dar Al Himmah Projects Company Limited	

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14. RELATED PARTY TRANSACTIONS (continued)

In addition to Notes 11 and 12, following are the details of major related party transactions during the period and the related balances at period / year end:

Related party	Nature of transactions	Amount of transactions for the three-month period ended			Amount of transactions for the six-month period ended			Balance as at 30 June 2024	Balance as at 30 June 2023	Balance as at 31 December 2023
		30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023			
Amounts due from related parties										
Lucid Limited Liability Company	Lease, Service and Utility charges	32	—	60	12	36	36			
CEER National Automotive Company	Sale	—	366,763	—	366,763	—	67,952			
Dar Al Himmah Projects Co. Ltd	Sale	—	—	—	—	—	—	18,338		
RIXOS Albilad Tourism Fund	Contribution of land to the fund	—	—	—	—	269,204	—			
International Medical Center	Lease, Service and Utility Charges	—	411	—	—	411	—	—		
Defaf Logistics Company	Lease, Service and Utility Charges	—	169	—	—	169	—	—		
Biyyutat Progressive Company for	Lease, Service and Utility Charges	—	—	—	—	—	—	401	402	
Real Estate Investment & Development	Lease, Service and Utility Charges	1	—	1	—	—	—	181	180	
Ports Development Company	Lease, Service and Utility Charges									
Key Management Personnel										
Sale of Properties, Utilities and Service Charges		—	6	—	—	6	—	—	—	8
Board of Directors										
Lease, Service and Utility Charges		4	4	9	—	9	87	76	705	86,992
Total										

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14. RELATED PARTY TRANSACTIONS (continued)

<u>Related party</u>	<u>Nature of transactions</u>	Amount of transactions for the three-month period ended		Amount of transactions for the six-month period ended		Balance as at	
		30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	31 December 2023
Amounts due to related parties							
Public Investment Fund	Loan	250,000	--	550,000	--	(1,042,750)	(445,041)
	Accrued Interest	24,268	--	45,024	--	--	--
Halwani Brothers KSA	Lease, Service and Utility Charges	--	172	--	172	--	--
TAL Aramex	Other	--	5	--	5	--	--
Key Management Personnel							
Board of Directors	Remuneration	3,285	--	5,913	4,676	--	--
	Lease, Service and Utility Charges	--	238	--	238	--	--
	Remuneration and meeting fees	1,430	1,100	2,860	2,200	(2,860)	(4,400)
	Advances	--	--	--	--	(16)	(16)
						<u>(1,045,626)</u>	<u>(449,457)</u>

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14. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Group

	Amounts of transactions for the three-month period ended		Amounts of transactions for the six-month period ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	(Unaudited)		(Unaudited)	
Short-term employee benefits	3,052	4,026	5,463	8,148
Non-monetary benefits	97	244	208	518
Post-employment benefits	136	162	242	342
Termination benefits	--	675	--	775
	3,285	5,107	5,913	9,783

Key management personnel comprise Chief Executive Officer and heads of departments. Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

15. CONTINGENT LIABILITIES AND COMMITMENTS

There are no changes in contingent liabilities and commitments, as 30 June 2024, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2023, except as mentioned below:

- (a) The Group has outstanding commitments related to future expenditure for the development of KAEC in the coming few years related to property and equipment, investment properties and development properties amounts to SR 557.91, SR 155.11 million and SR 91.74 million respectively (31 December 2023: SR 297.43 million, SR 156.33 million and SR 58.55 million respectively).
- (b) The Group's outstanding commitments related to letter of guarantee and letters of credit amounting to SR 22.89 million and SR 1.50 million respectively (31 December 2023: SR 22.82 million and SR 1.50 million respectively).
- (c) The Group's share in the capital commitments of the joint venture is SR 124.21 million (31 December 2023: SR 130.41 million).

16. SEGMENT REPORTING

Basis of segmentation

For management purposes, the Group has six strategic divisions, which are its operating segments. These divisions offer different products and/or services and are managed separately. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group and makes strategic decisions including resource allocation.

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16. SEGMENT REPORTING (continued)

The CODM primarily uses a measure of profit / loss before tax to assess the performance of the operating segments. However, the CODM also receives information about the segments' revenue on a quarterly basis.

The profit / loss before tax of the Group's operating segments reported to the CODM are measured in a manner consistent with that in condensed interim consolidated statement of profit or loss and other comprehensive income. Hence, a reconciliation is therefore not presented separately.

Financial income charges are not allocated to operating segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

<u>Reportable segments</u>	<u>Operations</u>
Residential business	Includes revenue from sale/lease rental income of land and units for residential purposes.
Industrial development	Includes revenue from sale/lease rental income of land and units for commercial purposes and situated in industrial zone.
Hospitality and leisure	Includes room rent, food and beverages and other related services from operations of hotels, resorts and other leisure clubs.
Education services	Includes revenue from tuition and other fees from schools and colleges operated by the Group.
City operations	Includes revenue from utilities and other city management services by the Group in KAEC.

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16. SEGMENT REPORTING (continued)

Condensed consolidated statement of profit or loss and other comprehensive income:

	<u>Residential business</u>	<u>Industrial development</u>	<u>Hospitality and leisure</u>	<u>Education</u>	<u>City Operations</u>	<u>Total segments</u>	<u>Adjustments & eliminations</u>	<u>Total</u>
<i>Six-month period ended:</i>								
<u>30 June 2024 (Unaudited)</u>	<u>46,813</u>	<u>19,595</u>	<u>39,432</u>	<u>30,596</u>	<u>10,803</u>	<u>147,239</u>	<u>3,204</u>	<u>150,443</u>
	<u>698</u>	<u>—</u>	<u>14,626</u>	<u>—</u>	<u>34,087</u>	<u>49,411</u>	<u>(49,411)</u>	
	<u>47,511</u>	<u>19,595</u>	<u>54,058</u>	<u>30,596</u>	<u>44,890</u>	<u>196,650</u>	<u>(46,207)</u>	<u>150,443</u>
Results								
Cost of inventories and services recognised as an expense	(45,110)	(11,969)	(17,026)	(2,332)	(40,555)	(116,992)	29,966	(87,026)
Impairment loss on financial assets	(21,073)	(10,646)	(2,799)	(760)	(276)	(35,554)	(415)	(35,969)
Financial charges	(77)	—	(1,064)	(232)	—	(1,373)	(315,345)	(316,718)
Depreciation	(19,075)	(10,781)	(31,507)	(7,144)	(1,010)	(69,517)	(56,646)	(126,163)
Amortisation	—	—	—	(5)	—	(5)	(961)	(966)
Share of results of equity accounted investee	—	—	—	—	—	—	(50,607)	(50,607)
Other (expenses) / income	(16,089)	14,351	(24,432)	(42,085)	(9,134)	(77,389)	(63,492)	(140,881)
Loss before zakat	<u>(53,913)</u>	<u>550</u>	<u>(22,770)</u>	<u>(21,962)</u>	<u>(6,085)</u>	<u>(104,180)</u>	<u>(503,707)</u>	<u>(607,887)</u>

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16. SEGMENT REPORTING (continued)

Condensed consolidated statement of profit or loss and other comprehensive income:

	<u>Residential business</u>	<u>Industrial development</u>	<u>Hospitality and leisure</u>	<u>Education</u>	<u>City Operations</u>	<u>Total segment</u>	<u>Adjustments & eliminations</u>	<u>Total</u>
<i>Six-month period ended:</i>								
30 June 2023 (Unaudited)	120,873	282,840	107,829	21,158	12,437	545,137	40,239	585,376
	4,834	—	16,585	—	35,290	56,709	(56,709)	
	125,707	282,840	124,414	21,158	47,727	601,846	(16,470)	585,376
Results								
Cost of inventories and services recognised as an expense	(61,146)	(69,299)	(36,489)	(890)	(36,443)	(204,267)	17,396 1,451	(186,871)
(Reversal of) / impairment loss on financial assets	(9,836) (74)	(3,268) —	4,394 (1,233)	(377) 9,066	819 —	(8,268) 7,759	(216,740) 797	(6,817) (208,981)
Financial charges	—	—	—	—	—	—	—	797
Financial income	(17,682) (17)	(11,215) —	(34,004) —	14,738 (20)	(1,282) —	(49,445) (37)	(79,103) (376)	(128,548) (413)
Depreciation	—	—	—	—	—	—	1,458	1,458
Amortisation	—	—	—	—	—	—		
Share of results of equity accounted investee								
Other (expenses) / income	(5,792)	18,439	(23,147)	(21,660)	(9,626)	(41,786)	(67,921)	(109,707)
Profit / (loss) before zakat	31,160	217,497	33,935	22,015	1,195	305,802	(359,508)	(53,706)

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17. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the Management of the Group's capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Discussion regarding the restructuring of the loans and repayment plans are already in progress with the lenders (Note 1).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

30 June 2024 (Unaudited)	Less than 12 months	More than 12 months	Total ("000")
	("000")	("000")	
Loans	7,571,858	--	7,571,858
Lease liabilities	57,261	34,932	92,193
Short-term borrowings	155,444	--	155,444
Accounts payable and accruals	608,821	--	608,821
	8,393,384	34,932	8,428,316
<hr/>			
31 December 2023 (Audited)	Less than 12 months	More than 12 months	Total ("000")
	("000")	("000")	
Loans	6,747,091	--	6,747,091
Lease liabilities	58,018	35,706	93,724
Short-term borrowings	152,429	--	152,429
Accounts payable and accruals	725,360	--	725,360
	7,682,898	35,706	7,718,604

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18. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the period.

As at the reporting date, management believes that, in lieu of the tenor and interest rate profile (where applicable), the carrying value of Group's financial assets and liabilities approximate their fair values and are measured at amortized cost.

19. COMPARATIVE FIGURES

Depreciation and amortization expenses pertaining to six-month period ended 30 June 2024 amounting to SR 17.99 million and SR 0.41 million respectively are reclassified from the face of condensed consolidated statement of profit or loss and other comprehensive income to cost of revenue and administrative expenses for better presentation purposes.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

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20. SUBSEQUENT EVENTS

No matter has occurred up to and including the date of the approval of these condensed consolidated interim financial statements by the Board of Directors which could materially affect these condensed consolidated interim financial statements and the related disclosures for the three-month and six-month periods ended 30 June 2024.

21. DATE OF APPROVAL AND AUTHORISATION FOR ISSUE

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 7 August 2024 corresponding to 3 Safar 1446H.