

REDUCING THE COMPANY'S CAPITAL BY

Two hundred and twenty one million (221,000,000) Saudi Riyals
from Three hundred and twenty million (320,000,000) Saudi Riyals
To Ninety nine million (99,000,000) Saudi Riyals

Extraordinary General Assembly (EGM)

//1443H (corresponding to **/**/2022G)

Financial advisor



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Information on the Company and its representatives:

Address of Company:

Saudi Arabian Amiantit Company

P.O Box 3361 Dammam 32234
First Industrial City - Dammam
Tel: +966 (13) 8471500
Fax: 920004070
Website: www.amiantit.com
E-mail: info@amiantit.com



Financial Advisor:

Al Wasatah Capital Company (Wasatah Capital)

Riyadh - Olaya Street
P.O Box 50315, Riyadh 11523,
Kingdom of Saudi Arabia
Tel: +966 11 4944067
Fax: +966 11 4944205
E-mail: info@wasatah.com.sa
Website: www.wasatah.com.sa



Auditor

Al Kharashi & Partners - Certified Public Accountants and Auditors,

Riyadh - Takhassusi St
P.O Box 8306 - Riyadh 11482
Kingdom of Saudi Arabia
Tel: 920028229
Fax: +966 11 4774924
E-mail: general@alkharashicaa.com
Website: www.alkharashicaa.com



Definitions and Terms:

Term	Meaning
Saudi Stock Exchange or Tadawul	Saudi Tadawul Company, a subsidiary of Saudi Tadawul Group.
CMA	The Capital Market Authority of the Kingdom of Saudi Arabia.
The Company	Saudi Arabian Amiantit Company
Circular	This shareholders' circular developed by the company for its shareholders for company's capital reduction
Eligible Shareholders	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly for the capital reduction and are registered in the Company's Shareholders Register held with the Depository Center at the end of the second trading day following the Extraordinary General Assembly on capital reduction dated **/**/1443H (corresponding to **/**/2022G).

Company Overview:

- Saudi Arabian Amiantit Company (hereinafter referred to as “the Company” or “the Group”), is a Saudi joint stock company that was transformed from a limited liability company to a joint stock company pursuant His Excellency the Minister of Commerce Resolution No. (886) dated 06/08/1414H (corresponding to 19/01/1994G). The company operates under Commercial Registration No. (2050002103) issued in Dammam on 17/03/1388H (corresponding to 14/06/1968G) with a capital of (320,000,000) Saudi Riyals divided into (32,000,000) ordinary shares with a nominal value of ten (10) riyals per share. The company's shares were listed on Tadawul on 01/05/1996G.
- The company's headquarters is located in the First Industrial City - 3361, Postal Code: 32234, Unit No.: 1, Additional Number: 3334 Dammam, Kingdom of Saudi Arabia.
- The company's activity, according to its commercial register, is to establish factories, own, manage and operate industrial facilities, market their products, establish and own industrial projects for the production of pipes, import pipes, their fittings and accessories, and all vertically and horizontally complementary industrial activities, as well as projects related to production of building materials and maintenance in general, and the operation and management of existing factories or those established or participated in by the company.

Contact information

Name of contact officer: Waleed Muhammad Abu Kishk

Tel: (13) 8471500 Ext: 1117

Fax: 920004070

E-mail: wkishk@amiantit.com

Website: www.amiantit.com

Company Overview:

The company's current capital is three hundred twenty million (320,000,000) Saudi Riyals divided into thirty-two million (32,000,000) ordinary shares with a nominal value of ten (10) riyals per share, paid in full. Below are the developments of the capital since the incorporation of the Company:

Year	Event
17/03/1388H (corresponding to 14/06/1968G)	The company was established as a Saudi limited liability company, headquartered in Dammam, and the company operates under commercial register no. (2050002103) issued in Dammam on 17/03/1388H (corresponding to 14/06/1968G).
06/08/1414H (corresponding to 19/01/1994G)	The company that was transformed from a limited liability company to a joint stock company pursuant His Excellency the Minister of Commerce Resolution No. (886) dated 06/08/1414H (corresponding to 19/01/1994G).
13/12/1416H (corresponding to 01/05/1996G)	The company has listed 7 million shares in Tadawul, which represents (100%) of the company's shares, i.e. (350) million Saudi Riyals, at a value of (50) riyals per share.
28/01/1421H (corresponding to 03/05/2000G)	The company's EGM, in its meeting held on 18/05/2000G, approved the company's board of directors' recommendation to increase the company's capital from (350,000,000) riyals to (400,000,000) riyals, through transferring 50 million Saudi Riyals from the retained earnings to the capital and distributing one bonus share for every 7 shares, thus increasing the number of shares from 7,000,000 shares to 8,000,000 shares.
08/02/1422H (corresponding to 02/05/2001G)	The company's EGM, in its meeting held on 02/05/2001G, approved the company's board of directors' recommendation to increase the company's capital from (400,000,000) riyals to (550,000,000) riyals, through transferring (36,675,000) Saudi Riyals from the retained earnings to the capital and distributing three bonus shares for every 8 shares, thus increasing the number of shares from (8,000,000) shares to (11,000,000) shares.
01/02/1423H (corresponding to 14/04/2002G)	The company's EGM, in its meeting held on 14/04/2002G, approved the company's board of directors' recommendation to increase the company's capital from (550,000,000) riyals to (650,000,000) riyals, through transferring 100 million Saudi Riyals from the retained earnings to the capital and distributing two bonus shares for every 11 shares, thus increasing the number of shares from (11,000,000) shares to (13,000,000) shares.

Company Overview:

Year	Event
03/04/1424H (corresponding to 03/06/2003G)	The company's EGM, in its meeting held on 03/06/2003G, approved the company's board of directors' recommendation to increase the company's capital from (650,000,000) riyals to (700,000,000) riyals, through transferring 50 million Saudi Riyals from the retained earnings to the capital and distributing one bonus share for every 13 shares, thus increasing the number of shares from (13,000,000) shares to (14,000,000) shares.
30/03/1425H (corresponding to 19/05/2004G)	The company's EGM, in its meeting held on 19/05/2004G, approved the company's board of directors' recommendation to increase the company's capital from (700,000,000) riyals to (770,000,000) riyals, through transferring 70 million Saudi Riyals from the retained earnings to the capital and distributing one bonus share for every 10 shares, thus increasing the number of shares from (14,000,000) shares to (15,400,000) shares.
12/06/1426H (corresponding to 18/07/2005G)	The company's EGM, in its meeting held on 18/07/2005G, approved the company's board of directors' recommendation to increase the company's capital from (770,000,000) riyals to (1,155,000,000) riyals, through listing (7,700,000) shares with a total nominal value of (385,000,000) Saudi Riyals, the subscription price amounted to 55 riyals, with a nominal value of 50 riyals per share, and an issue premium of 5 riyals per share, in order to enhance its financial position and support its local industrial projects in the field of pipe manufacturing and water management projects to keep pace with the country's needs of water pipes and other uses. This resulted in an increase in the company's shares from (15,400,000) shares to (23,100,000) shares.
09/01/1441H (corresponding to 08/09/2019G)	The company's EGM, in its meeting held on 08/09/2019G, agreed to reduce the company's capital from (1,155,000,000) Saudi Riyals to (344,517,000) Saudi Riyals, by canceling (81,048,300) issued shares, reducing the number of the company's shares from (115,500,000) shares to (34,451,700) shares, in order to extinguish the total accumulated losses amounting to (810,483,000) Saudi Riyals, which represents 70.2% of the company's capital. This approval was announced on Tadawul website.
16/04/1442H (corresponding to 01/12/2020G)	The company's EGM, in its meeting held on 01/12/2020G, agreed to reduce the company's capital from (344,517,000) Saudi Riyals to (200,000,000) Saudi Riyals, by canceling (14,451,700) issued shares, reducing the number of the company's shares from (34,451,700) shares to (20,000,000) shares. This approval was announced on Tadawul website.

Company Overview:

Year	Event
16/04/1442H (corresponding to 01/12/2020G)	The company's EGM, in its meeting held on 01/12/2020G, approved the company's board of directors' recommendation to increase the company's capital from (200,000,000) Saudi Riyals to (320,000,000) Saudi Riyals, through issuing twelve million shares (12,000,000) rights shares amounting to one hundred and twenty million Saudi Riyals (120,000,000) Saudi Riyals, which resulted in an increase in the number of issued shares from (20,000,000) shares to (32,000,000) shares.
18/04/1443H (corresponding to 23/11/2021G)	The company announced, through Tadawul website, the recommendation of its board of directors to reduce the company's capital from (320,000,000) Saudi Riyals to (99,000,000) Saudi Riyals, by canceling (22,100,000) issued shares. In addition, the Company's Board of directors recommended in the same EGM resolution, after completing the capital reduction, to increase the company's capital through a rights issue of 221,000,000 Saudi Riyals.
27/06/1443H (corresponding to 30/01/2022G)	The company announced, through Tadawul website, amending the board's recommendation to the shareholders' EGM dated 18/04/1443H corresponding to 23/11/2021G, regarding the capital increase. The recommendation was amended to increase the capital to 346,500,000 Saudi Riyals instead of 221,000,000 Saudi Riyals by issuing rights shares without making any adjustment to the capital reduction.
12/07/1443H (corresponding to 13/02/2022G)	The company announced, through Tadawul website, announced the board resolution dated 11/07/1443H (corresponding to 12/02/2022G), regarding the separation of capital reduction file and Through issuing preferred right shares, as the deadline granted to listed joint stock companies regarding suspending some provisions of articles of Companies Law as per Royal Decree No. (15016) dated 16/03/1442H is expiring soon.
16/07/1443H (corresponding to 17/02/2022G).	The CMA has approved a request to reduce the company's capital from (320,000,000) Saudi Riyals to (99,000,000) Saudi Riyals, by canceling (22,100,000) issued shares, to reduce the number of the company's shares from (32,000,000) shares to (9,900,000). This approval was announced on the websites of CMA and Tadawul.
//1443H (corresponding to **/**/2022G).	The company's EGM, in its meeting held on **/**/2022G, agreed to reduce the company's capital from (320,000,000) Saudi Riyals to (99,000,000) Saudi Riyals, by canceling (22,100,000) issued shares, to reduce the company's shares from (32,000,000) shares to (9,900,000) shares. This approval was announced on Tadawul website.

Company Overview - Board of Directors

Name	Position*	Capacity	Direct Owned Shares**	Percentage of Direct Owned Shares	Nationality	Membership date
His Highness Prince Ahmed bin Khalid bin Abdullah bin Abdul Rahman Al Saud	Chairman	Non-executive	216,310	0.676%	Saudi	01-01-2021
His Royal Highness Prince Abdulaziz bin Muhammad bin Fahd bin Abdulaziz Al Saud	Vice Chairman	Non-executive	22,939	0.072%	Saudi	01-01-2021
Dr. Suleiman Abdulaziz Al-Tuwaijri	Board member	Non-executive	-		Saudi	19-10-2021
Dr. Mohammed Saud Al-Badr	Board member	Independent	-		Saudi	01-01-2021
Eng. Mohammed Abdulrahman Al-Luhaidan	Board member	Independent	16	0.000%	Saudi	01-01-2021

Source: The Company and Tadawul.

** Board members have no indirect ownership in the company.

* The Company's Ordinary General Assembly, in its meeting held on 17/11/2020G, approved the election of board members: Prince Ahmed bin Khalid bin Abdullah bin Abdul Rahman Al Saud, Prince Abdulaziz bin Muhammad bin Fahd bin Abdulaziz Al Saud and Dr. Khalil Abdelfattah Kurdi and Dr. Mohammed Saud Al-Badr and Eng. Muhammad Abdulrahman Al-Luhaidan, starting from 01/01/2021G for a period of three years, ending on 31/12/2023G.

- Dr. Khalil Abdelfattah Kurdi resigned from board membership on 18/10/2021G.

- Dr. Suleiman Abdulaziz Al-Tuwaijri has been appointed in the vacant position in board membership as of 19/10/2021G till the end of the session, on 31/12/2023G. This appointment will be discussed by the EGM at its first meeting.

Note:

The above-mentioned board members suggested on 17/04/1443H (corresponding to 22/11/2021G) to reduce the company's capital from (320,000,000) Saudi Riyals to (99,000,000) Saudi Riyals, by canceling (22,100,000) issued shares.

Company Overview - Executive Management

Name	Position	Qualification	Nationality	Date of appointment
Dr. Khalil Abdelfattah Kurdi	Chief Executive Officer (CEO)	PhD in Accounting	Saudi	01/11/2021
Firas Ghasab Al-Harbi	Chief Financial Officer (CFO)	Master's in Finance and Accounting	Jordanian	01/06/2020
Walid Mohammed Abu Kishk	Legal Affairs and Compliance Director	Master of Laws	Jordanian	01/09/1990
Mohammed Saleh Alshamrani	Operations manager	Bachelor of Chemical Engineering	Saudi	08/11/2005
Ahmed bin Mohammed Qadam	Support Services Manager	Bachelor of Business Administration	Saudi	22/07/2000
Wathiq Ali Al-Hawara	Internal Audit Manager	Bachelor of Accounting	Jordanian	15/02/2021

Source: The Company.

Development of accumulated losses

Year	Net Loss	accumulated losses	Accumulated Losses to Capital (%)	Reason for increase/decrease of accumulated Losses
2016G	225.4 million	126.7 million	10.9 %	<ol style="list-style-type: none"> 1. The significant decrease in the internal sales of Group's Saudi subsidiaries 2. Low selling prices 3. The additional provisions, in addition to the low performance of construction and infrastructure sector in the Kingdom of Saudi Arabia and preparing for the expected transition to the application of International Financial Reporting Standards (IFRS)
2017G	91.5 million	217.9 million	18.8 %	<ol style="list-style-type: none"> 1. The significant decrease in the internal sales of Group's Saudi subsidiaries. 2. Low selling prices. 3. The increasing funding costs is due to an increase in the rates calculated by banks.
2018G	230.3 million	514.4 million	44.5 %	<ol style="list-style-type: none"> 1. The continuous decline or slowdown in infrastructure-related projects in the Kingdom from 2016G to the end of the financial year (2018G) 2. Restructuring some of the group's defaulter companies and amortizing the related assets.

Development of accumulated losses

Year	Net Loss	accumulated losses	Accumulated Losses to Capital (%)	Reason for increase/decrease of accumulated Losses
2019G	344.8 million	32.4 million	9.4 %	<ol style="list-style-type: none"> 1. Depreciation of fixed assets in accordance with the requirements of International Accounting Standards (IAS 36) "Depreciation of assets" for three local units of cash flow with a value of 125.7 million Saudi Riyals. 2. Depreciation of inventory in accordance with the requirements of International Accounting Standards (IAS2) "Standard of Inventory" assessed according to the net realizable value incurred by two local cash flow units of 10.0 million Saudi Riyals. 3. The subsidiary company, specialized in water management in Germany, incurred unexpected costs of 78.1 million Saudi Riyals. <p>Notes: On 08/09/2019G, the company's capital was reduced by 810.5 million Saudi Riyals.</p>
2020G	393.9 million	205.5 million	64.22%	<ol style="list-style-type: none"> 1. Sales decreased by 339.4 million Saudi Riyals (43.5%) compared to the previous year, as the operations of the company and its subsidiaries were badly affected by coronavirus (Covid-19) pandemic. 2. Allocating a provision for receivables losses amounting to 35.9 million Saudi Riyals. 3. Allocating a doubtful debts reserve (under legal procedure) amounting to 65.6 million Saudi Riyals. 4. A deduction on the guarantee of proper performance (performance bond) amounting to 4.13 million Saudi Riyals. 5. Allocating a guarantee provision amounting to 4.04 million Saudi Riyals. 6. Allocating an inventory provision amounting to 3.5 million Saudi Riyals. 7. The re-assessment of the employee shares ownership plans and their financial impact by amount of 12.7 million Saudi Riyals in 2020G. 8. Increasing the zakat provision in 2020G by 23.8 million Saudi Riyals compared to the previous year. 9. A decline test was conducted for the investment in the joint venture (Amiblu), which resulted in recording a loss of SAR 9.9 million in 2020G in accordance with International Accounting Standard 36 "Depreciation of Assets".

Development of accumulated losses

Year	Net Loss	accumulated losses	Accumulated Losses to Capital (%)	Reason for increase/decrease of accumulated Losses
30/09/2021G	147.815 million	221.146 million	69.11 %	<ol style="list-style-type: none"> 1. Allocating a provision for expected credit losses in short-term receivables amounting to 31.9 million Saudi Riyals. 2. Allocating a doubtful debts reserve (under legal procedure) amounting to 43.6 million Saudi Riyals. 3. The deduction of the guarantee of proper performance (performance bond) amounting to 2.5 million Saudi Riyals. 4. Recording accounting profits against settlement deductions for some outstanding liabilities with some banks, amounting to approximately 20.1 million Saudi Riyals. 5. The recorded profits of selling the entire invested shares in AMETEK, Inc., Morocco, amounting to 12.4 million Saudi Riyals. 6. The recorded profits of the deductions incurred by some suppliers from cash payment, amounting to 3.9 million Saudi Riyals. 7. Recording accounting profits from reversing some fixed provisions in previous years during the current period, amounting to 23.8 million Saudi Riyals.

The company's plan and corrective Actions to stop the losses

long-term goals

- Since 2020G, and in anticipation of the continued intensity of competition in the local pipe market, the company has focused on improving cash flows. Accordingly, the company has taken the following actions:
- The repayment of all bank loans to banks with low receivables (Samba Financial Group, Bank Al Jazira, Gulf International Bank, Al Baraka Islamic Bank - Bahrain and Arab Banking Corporation (ABC) - Bahrain), and obtaining a deduction on repayment with a total of 33 million Saudi Riyals, and this deduction was recognized as profits in the financial statements for the years 2020 and 2021. The repayment of loans led to a decrease in the value of bank loans by 37.836 million Saudi Riyals during 2020G. and an amount of 67.205 million Saudi Riyals during 2021
- Reducing the interest rate on bank loans from 3.75% to 1.5% Saudi Arabian Interbank Offered Rate (SIBOR) for a period of ten years, including two years grace period, and this would improve cash flows.
- The deferred payment policy with customers has been restricted through the application of several procedures such as requirements for bank credits, promissory notes, advance payments and pre-negotiation with customers on payment terms. One of the most prominent conditions applied by the Saudi Arabian Ductile Iron Pipes Co. Ltd (SADIP) is that an advance payment equal to 50% of the order volume is required to reduce the cash payments made by the company and to secure purchase amounts for iron ore before the production begins.
- As per the forgoing, the cash flows from operations increased positively during the year 2021G to the amount of 29.420 million Saudi Riyals.

The company's plan and corrective Actions to stop the losses

The expansion of pipes and the high priority plans:

- Amiantit Research and Development Center was able to pass the long-term tests of amipox pipes in the presence of neutral inspectors to test the hydrostatic of the design principles to a degree of 95. Passing this test is a prerequisite for Saudi Aramco to qualify the product for use in firefighting systems.
- The expansion of production capacity in the Saudi Amicon Company Ltd. within the next two years, as a result of the high demand for this company products (valves), as it was relied on the factory internal capabilities to design and produce a full range of general-use valves and several multiple types of valves (butterfly valve, Gate valve, air valves), as well designing and executing solutions and methods for rubber injection of the rubber material in the valves of that company. Accordingly, the company saved nearly one million Saudi Riyals in case of purchase.
- Recently, Amicon Saudi Company Ltd. was able to obtain 3 certificates from the Saudi Standards, Metrology and Quality Organization, which helps to raise the market share of the factory.
- Amicon Saudi Company Ltd. was able to obtain Aramco approval for manufacturing valves. This approval enabled Amicon to obtain the first production order that was fully manufactured and delivered, at a value of 1.1 million Saudi Riyals.
- The factory of Amiantit Rubber Industries Limited (ARIL), succeeded in developing new parts for the fillings of tank belts for the Ministry of Defense in cooperation with the Saudi Mechanical Industries (SMI), and it was approved by the Ministry of Defense with an annual need amounting to 2.1 million Saudi Riyals.
- Designing and manufacturing the preheating furnace in the Amiantit factory for the production of epoxy pipes (Amipox) through the internal capabilities of the factory,, which contributed to raising the productivity by 20% at a cost not exceeding 100,000 Saudi Riyals.
- Designing and constructing an inner pipe lining application station in the Amipox plant, as this feature is desirable for companies operating in the oil and gas sector and qualifies the plant for future projects.
- Amiantit Fiberglass Industries Limited (AFIL) was able to produce the (Jacking Pipes) with a diameter of 700 mm on production machine No. 6 and with a wall thickness of up to 70 mm, which gives the Saudi Arabian Amiantit Company the ability to enter the market of Jacking Pipes using fiberglass Pipes .
- Upgrading the water pressure testing machine in Amiantit Fiberglass Industries Limited (AFIL) to 18 meters using the company internal capabilities, which enhances its competitiveness over future customer demands of this length.

The company's plan and corrective Actions to stop the losses

Enhancing efficiency and promoting resources:

- The cost of purchasing some of the necessary machines used in the installation of pipes and fittings produced by the Bondstrand Ltd. (BSL) factory has been reduced by contracting new suppliers from China with the same efficiency and competitive prices 80% lower than the previous suppliers.
- Enhancing the efficiency of our existing facilities for the production of containers, as well as developing and adopting new containers designs, which will reduce their cost significantly, and thus enhance our competitiveness, and ultimately increase our market share in this strategic sector.
- Focusing our limited resources on new high turnover rate products such as valves. In this regard, we are now seeking the approval of the Ministry of Environment, Water and Agriculture.
- Completing the manufacturing of an Automatic Resin Dispenser Machine at the Bondstrand Ltd. (BSL) factory using internal capabilities rather than purchasing it, enhancing the quality of the final product and reducing material waste by 15%.
- In view of the limited resources of iron ore necessary for manufacturing ductile iron pipes, we precisely and carefully choose the new businesses in which we will invest in this field. In this regard, we are more inclined to deal with high-margin projects in small quantities versus low-return projects in large quantities.

The company's plan and corrective Actions to stop the losses

The Cost Reduction Control Program:

- Promoting and developing the Control principles on overtime work, and intensively monitoring the performance and efficiency of the workforce in the factories, which contributed to saving 10.1 million Saudi Riyals over the course of the year.
- The utilization and sale of the old and accumulated inventory of fully manufactured goods with a value of 17.85 million Saudi Riyals through the coordination between the sales, production, planning, quality departments, and warehouses.
- The application of paperless electronic documentation in the central maintenance department to reduce paper consumption by 95%
- Analyzing the malfunctions to come up with a more effective preventive maintenance plan.
- Starting to apply electronic chip technology to identify products by implanting radio frequency identification (RIFD) in fiberglass products. This technology has contributed to raising the accuracy of the annual inventory of goods, and has reduced the cash transfer cycle by accelerating the arrival of goods to the shipping department. It is also characterized by speed and effectiveness as it does not require stopping production or shipment, and it also contributes to reducing the cost of manpower.

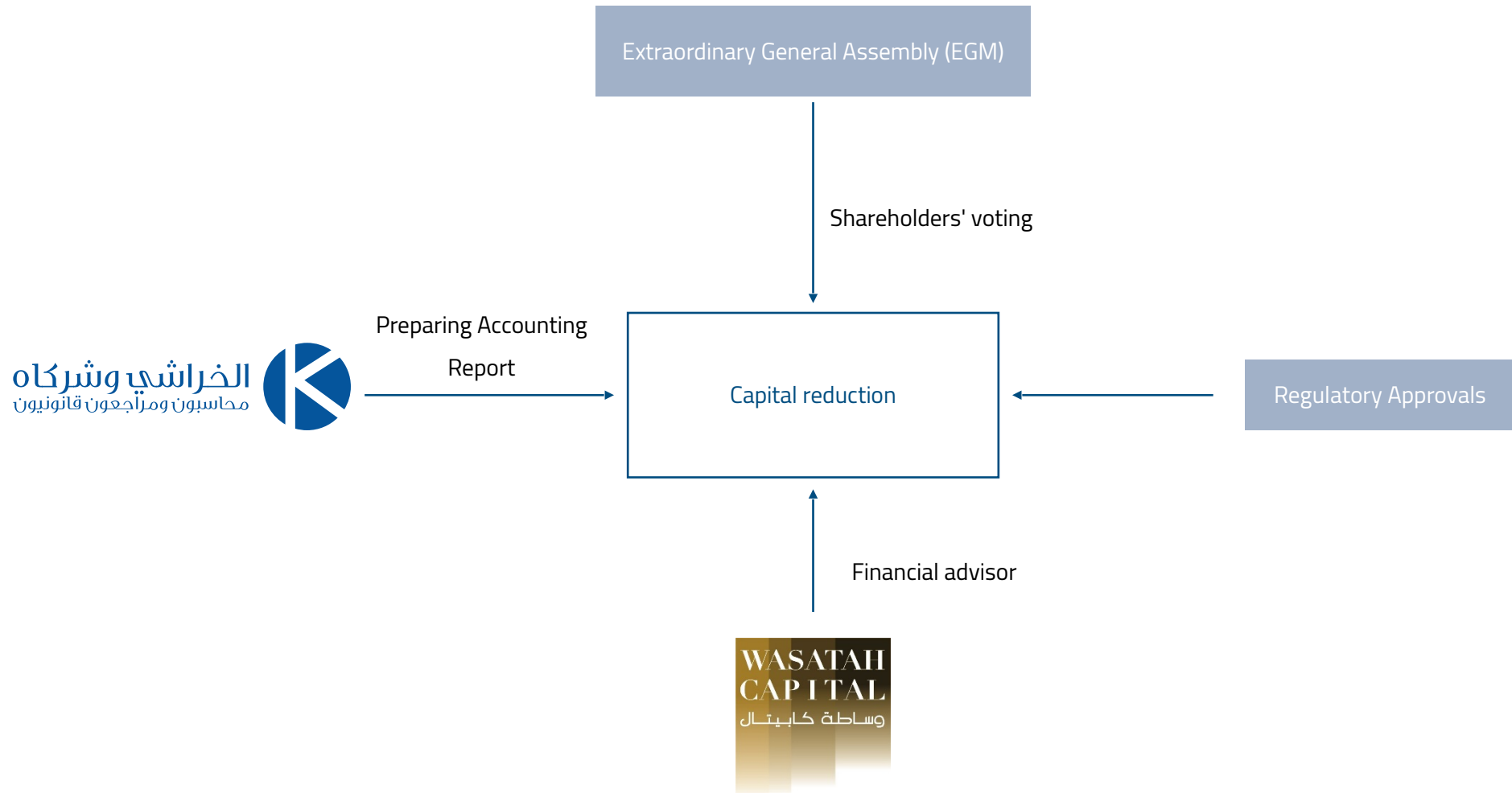
The company's plan and corrective Actions to stop the losses

The Collection plan:

- A department called “Credit Department” was established in the “Company” in the middle of 2019 and this department reports to the Chief Financial Officer of the “Group” and contains all the information for all its debtors such as companies’ locations on the map, contact information, commercial records pictures, value-added tax number and deferred sale facility files, Balance sheet reconciliation, and payment schedules.
- Entering into negotiations with all defaulting clients and discuss new payment plans to reschedule outstanding balance, restore cash flow and increase accounts receivable turnover.
- The Company has become a member of the Saudi Credit Bureau (SIMAH). It is an important step in accessing clients' credit behaviors, obtaining accurate and up-to-date information, and accessing execution court judgments, thus enhancing creditworthiness assessment and increasing risk mitigation.
- The Department shall continuously conduct collection rounds according to a clear schedule approved by the Financial Department, mentioning the results of the visits and submitting them to the Head of the Financial Department through the Collection Department. All collection staff are requested to daily follow up the collection rounds to speed up the collection process and obtain recent reconciliations of receivable balances.
- Consolidating the main and subsidiary accounts of clients in one account to measure the creditworthiness of the client uniformly, given that we have more than one account for the same client in different projects, regions or commercial records with the same owner.
- The credit department, in the Company, has established a credit management unit on Systems Applications and Products (SAP), and has made great effort to coordinate between debtors, sales, customer relations and shipping department to control all products delivered based on pre-agreed credit limits.
- The Company has established a clear credit management policy and procedure.
- The Company collected 543.6 million Saudi Riyals in 2021, representing 124% of the total sales for the same year (439 million Saudi Riyals), compared to collecting 525 million Saudi Riyals in 2020, which represents 119% of total sales for the same year (441 million Saudi Riyals).), and the Company collected 759.5 million Saudi Riyals in 2019, which represents 106% of the total sales for the same year (718 million Saudi Riyals).

Capital Reduction

The figure below shows structure of the parties involved in the capital reduction:



General structure of the proposed capital reduction

- The company's current capital is three hundred twenty million (320,000,000) Saudi Riyals divided into thirty-two million (32,000,000) ordinary shares with a nominal value of ten (10) riyals per share, paid in full.
- The company's capital will be reduced to ninety-nine million (99,000,000) Saudi Riyals, divided into nine million nine hundred thousand (9,900,000) ordinary shares with a nominal value of (10) riyals per share.
- The capital will be reduced by 69.06%, and the reduction will be done through cancellation of twenty two million and one hundred thousand (22,100,000) shares, i.e. a cancellation of 1 share for every 1.447 shares to extinguish 99.93% of the total accumulated losses amounting to two hundred and twenty one million one hundred and forty six thousand and five hundred (221,146,500) Saudi Riyals.
- The company will collect any fractional shares (if any) in one portfolio that will result from capital reduction, then sell such fractional shares in the market at the prevailing price at that time, and then the proceeds of such sales will be distributed to shareholders, in proportion to their shares, within (30) thirty days from the date of approval Shareholders in EGM to reduce the company's capital.
- Date of the financial statements that were relied upon for the purpose of reducing the capital: the unaudited interim financial statements for the nine-month period ending on September 30, 2021G

Reasons for capital reduction, management's discussion and analysis in this regard:

- The company's management worked on developing a strategy to support the company's future growth and financial performance, and made a decision to restructure the company's capital through reducing the capital and then increasing the same through issuing rights shares. This is for the purpose of restructuring the capital, raising the financial solvency and improving the operational and financial performance. Accordingly, the Board of Directors issued a recommendation to reduce the company's capital from (320,000,000) Saudi Riyals to (99,000,000) Saudi Riyals, by canceling twenty-two million one hundred thousand (22,100,000) of the company's issued shares with a decrease of (69.06%), i.e. cancelling 1 share for every 1,447 shares to extinguish 99.93% of the total accumulated losses amounting to two hundred and twenty-one million, one hundred and forty-six thousand and five hundred (221,146,500) Saudi Riyals.
- The company obtained the CMA approval on the Company's capital reduction request on 16/07/1443H (corresponding to 17/02/2022G).and such approval was announced on the websites of CMA and Tadawul on 12/07/1443H (corresponding to 13 /02/2022G).
- The Company called for this EGM and announced for the same on Tadawul website on **/**/1443H (corresponding to **/**/2022G). A copy of this offer was also included in the announcement.

Effect of Capital Reduction on the Company's Liabilities

- The company has appointed Al Kharashi & Partners (Certified Public Accountants and Auditors) as an auditor to prepare an auditor's report on capital reduction (a report on the agreed procedures for capital reduction) through which the method of reduction and its expected effect on the Company's liabilities are defined.
- There will be no impact of capital reduction on the company's liabilities according to the auditor's report (Annex (A)).

Effect of capital reduction on shareholders' equity

- The company's accumulated losses amounting to two hundred and twenty-one million, one hundred and forty-six thousand and five hundred (221,146,500) Saudi Riyals as on September 30, 2021G. Reducing the capital by two hundred and twenty-one million (221,000,000) Saudi Riyals will extinguish 99.93% of the total accumulated losses.
- The impact on shareholders' equity will be based on the financial statements for the nine-month period ending September 30, 2021G.

Equity as on September 30, 2021G	Before capital reduction (SAR Thousand)	After capital reduction (SAR Thousand)	effect
capital	320,000	99,000	(221,000)
Statutory Reserve	-	-	
accumulated losses	(221,146)	(146.5)	221,000
Employee stock ownership program and reserve	(2,282)	(2,282)	
Reserve for foreign currency translation	(109,422)	(109,422)	
Total Equity attributable to the Company's shareholders	(12,850)	(12,850)	
Non-controlling shares	20,186	20,186	
Total shareholders' equity	7,336	7,336	

Source: attached auditor's report, and financial statements as on September 30, 2021G.

Effect of capital reduction on shareholders' equity

- The company intends to reduce its capital from Three hundred twenty million (320,000,000) Saudi Riyals to ninety-nine million (99,000,000) Saudi Riyals by canceling twenty two million and one hundred thousand (22,100,000) of the company's issued shares, i.e. cancellation of (1) shares for every (1.447) shares.
- The company will collect any fractional shares (if any) in one portfolio that will result from capital reduction, then sell such fractional shares in the market at the prevailing price at that time, and then the proceeds of such sales will be distributed to shareholders, in proportion to their shares, within (30) thirty days from the date of approval Shareholders in EGM to reduce the company's capital.
- The company's capital reduction will not affect the market value of shareholders' portfolios, as shown below, an example of a shareholder who owns one thousand (1,000) of the company's shares.

item (estimated)	In case of capital reduction	without capital reduction
Owned shares before the capital reduction	1,000	1,000
Share's price before capital reduction closing on Thursday (10/02/2022G)*	17.30	17.30
canceled shares	691	N/A
Owned shares after the capital reduction	309	N/A
Share price after capital reduction (estimated) **	55.92	N/A
Market value of shares before the capital reduction (estimated)	17,300	17,300
Market value of shares after the capital reduction (estimated)	17,279.03	N/A
Value of compensation resulting from fractional shares (estimated)	20.97	N/A

* The offer to shareholders will be updated by adding the share closing price on the EGM date.

** The expected share price has been rounded up after capital reduction from 55.9191 to 55.92 SAR.

Effect of capital reduction on shareholders' equity

- It should be noted that shareholders who hold one share in their portfolio will have this share canceled and compensated, and the following table shows the effect on the shareholders holding up to 10 shares:

item (estimated)										
Owned shares before the capital reduction	1	2	3	4	5	6	7	8	9	10
Share's price before capital reduction closing on Thursday (10/02/2022G)	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3
canceled shares	1	2	3	3	4	5	5	6	7	7
Owned shares after the capital reduction	0	0	0	1	1	1	2	2	2	3
Share price after capital reduction (estimated) **	55.92	55.92	55.92	55.92	55.92	55.92	55.92	55.92	55.92	55.92
Market value of shares before the capital reduction (estimated)	17.30	34.60	51.90	69.20	86.50	103.80	121.10	138.40	155.70	173.00
Market value of shares after the capital reduction (estimated)	0.00	0.00	0.00	55.92	55.92	55.92	111.84	111.84	111.84	167.76
Value of compensation resulting from fractional shares (estimated)	17.30	34.60	51.90	13.28	30.58	47.88	9.26	26.56	43.86	5.24

* The offer to shareholders will be updated by adding the share closing price on the EGM date.

** The expected share price has been rounded up after capital reduction from 55.9191 to 55.92 SAR.

Method of Calculating Share Price After Capital Reduction

- It was considered that the share price before the reduction represents the closing price of the Saudi Arabian Amiantit Company share on Thursday (10/02/2022G), which amounts to (17.30) Saudi Riyals; the below table shows how to calculate the share price after the capital reduction.

clause	
(A) Share's price before capital reduction closing on Thursday (10/02/2022G)	17.3
(B) Number of shares before reduction	32,000,000
(C) Market value of company's share before capital reduction = (A) X (B)	553,600,000
(D) Number of shares after capital reduction	9,900,000
Share price after capital reduction = (C) ÷ (D) *	55.92

*The expected share price has been rounded up after capital reduction from 55.9191 to 55.92 SAR.

Potential Risks resulting from Capital reduction

- After the capital reducing, the accumulated losses will become (146,500) Saudi Riyals, and there are no guarantees that the company will not record additional losses.
- In the event that the percentage of accumulated losses amounted to (20%) or more of the Company's capital, the Company will be subject to the Authority's regulation on "Procedures and instructions for companies whose shares are listed in the market whose accumulated losses amounted to (20%) or more of its capital." In case the accumulated losses reaches (50%) or more, the Company will be subject to a number of stricter requirements, in particular Article 150 of the Companies Law.
- In case the accumulated losses reaches (50%) or more, the Company will be subject to a number of stricter requirements, in particular Article 150 of the Companies Law. With reference to CMA announcement on 02/12/2020G, where it referred to Royal Decree No. (15016) dated 16/03/1442H regarding the suspension of some provisions of the articles of the Companies Law, issued by Royal Decree No. (M/3) dated 28/01/1437H, and with reference to the joint coordination between CMA and Ministry of Commerce, one of the instructions of the Royal Decree regarding the listed joint stock companies is:
 1. As an exception to Article (150) of the Companies Law:
 - A. Extending the period during which the Board of Directors must call for EGM, upon its knowledge that the company's losses reached 50% or more of its capital, to (60) days from the date the board becomes aware of losses and for (two years) from the date 01/08/1441H.
 - B. Extending the period during which the Board of Directors must call for EGM to (180) days from the date it becomes aware of losses and for (two years) from the date 01/08/1441H.
 2. Paragraph (2) of Article (150) of the Companies Law shall be suspended for a period of (two years) from 01/08/1441H, which stipulates that the Company will be considered dissolved by the force of law if the EGM did not meet within the period specified, or if it met and was unable to issue a decision on the matter, or if it decided to increase the capital in accordance with the conditions established in this article and the subscription for all the capital increase was not completed within (90) days from the issuance of the Assembly's decision to increase the capital. Joint stock companies must, when their losses reach the amount specified in paragraph (1) of Article (150) of the Companies Law, continuously disclose the developments of its losses in accordance with the regulations set by Ministry of Commerce and CMA - each in its jurisdiction.
 3. The above conditions shall no longer be valid on 30/07/1443H, and in case the company fails to take the appropriate measures, it shall be subject to dissolution under the Companies Law. Therefore, the company announced, on 29/03/1443H (corresponding to 04/11/2021G), that the accumulated losses reached 69.11% of the capital, and on 17/04/1443H (corresponding to 22/11/2021G) the board of directors decided to recommend to the EGM that the company's capital should be reduced and then increased, which was announced on Tadawul website on 18/04/1443H (corresponding to 23/11/2021G). The company has to obtain the EGM approval before termination of the extension period, otherwise the company shall be deemed dissolved by the force of law.

Timeframe of Capital Reduction Process

Date	Event
18/04/1443H (corresponding to 23/11/2021G)	Announcing the appointment of financial advisor for the company's capital reduction.
18/04/1443H (corresponding to 23/11/2021G)	Announcing the board of directors' recommendation to reduce the capital from (320,000,000) Saudi Riyals to (99,000,000) Saudi Riyals.
12/07/1443H (corresponding to 13 /02/2022G).	Submit a request to Capital Market Authority for company's capital reduction.
16/07/1443H (corresponding to 17/02/2022G).	CMA approval on the capital reduction request, and announcing this approval on websites of Capital Market Authority and Tadawul.
//1443H (corresponding to **/**/ 2022G).	Calling for this EGM and announcing the same on Tadawul website. A copy of this offer was also included in the announcement.
//1443H (corresponding to **/**/ 2022G).	Announcing the start of electronic voting on the agenda of EGM on capital reduction (first meeting).
//1443H (corresponding to **/**/ 2022G).	Convening EGM on capital reduction (first meeting), and in case the quorum necessary for holding the first meeting is not met, the second meeting shall be held one hour after the period set for the first meeting is expired. In case the quorum necessary for holding the second meeting is not met, the third meeting shall be held (21) days after the period set for the second meeting is expired.
//1443H (corresponding to **/**/ 2022G).	Announcing the results of EGM.
//1443H (corresponding to **/**/ 2022G).	Announcing the deposit of returns (if any) from selling fractional shares resulting from capital reduction at the accounts of eligible shareholders. within (30) days from shareholders' approval at EGM on capital reduction.

Capital Reduction

Capital reduction procedures:

the capital reduction will be subject to the following procedures:

- The company's board of directors' recommendation to reduce the capital.
- Appointing a financial advisor for capital reduction.
- Appointing an auditor to prepare the accounting report on capital reduction.
- Preparing and submitting a capital reduction request to CMA in accordance with provisions of Article 58 of the Rules on Offering Securities and Continuing Obligations, related to the conditions of capital reduction.
- CMA approval on capital reduction.
- Submit a notification to Tadawul in the form provided in Annex (5) of the Listing Rules.
- EGM approval on capital reduction.

Declaration of Board of Directors:

- The company's board of directors confirms, according to their knowledge and belief, that the capital reduction is in the interest of the company and shareholders.

Regulatory approvals necessary for capital reduction

- The company obtained the CMA approval on 16/07/1443H (corresponding to 17/02/2022G) on a request to reduce the company's current capital from three hundred twenty million (320,000,000) Saudi Riyals to ninety-nine million (99,000,000) Saudi Riyals, i.e. a decrease by 69.06%, thus reducing the number of the company's shares from thirty-two million (32,000,000) shares to nine million and nine hundred thousand (9,900,000) shares, and this approval was announced on the websites of CMA and Tadawul on 16/07/1443H (corresponding to 17/02/2022G).
- The capital reduction depends on EGM approval, and shareholders should note that if EGM approval is not obtained for capital reduction, the capital reduction shall be ceased completely.
- In case the shareholders' approval of the capital reduction is obtained, the company will continue the procedures for reducing its capital and address the Ministry of Commerce to obtain its approval to amend the company's articles of association and commercial register.
- Other than what was mentioned above, there are no other regulatory approvals are required so that the company can perform the capital reduction.

Related laws, regulations and instructions

- Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G).
- Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G) and amendments thereto.
- Rules on the Offer of Securities and Continuing Obligations issued by CMA Board pursuant to Resolution No. 3-123-2017 dated 04/09/1439H (corresponding to 27/12/2017G), amended by Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G) issued by CMA's board.
- Listing rules approved by by CMA Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), amended by CMA Board Resolution No. 1-104-2019 dated 01/02/1441H (corresponding to 30/09/2019G), and amended by CMA Board Resolution No. 1-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
- Company's Articles of Association
- Procedures for listed companies whose accumulated losses amounted to 20% or more of their capital, issued by CMA Board pursuant to Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G) based on Capital Market Law and its amendments issued by Royal Decree No. M/30 dated 02/06/1424H, and amended by CMA Board Resolution No. 1-77-2018 dated 05/11/1439H (corresponding to 18/07/2018G).

Auditor's Report

- The company has appointed Suleiman Abdullah Al-Kharashi Company (Al-Kharashi & Partners, Certified Public Accountants and Auditors) to prepare a limited examination report to study the reasons for the capital reduction and the impact of that reduction on the company's liabilities and shareholders' equity in order to obtain the CMA approval on the capital reduction request.
- Reciting the auditor's report, in compliance with Article 144 of Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) and amendments thereto, stipulating that the reduction resolution shall only be issued after reciting a special report prepared by the auditor on the reasons for such resolution, company's obligations, and the effect of reduction on such obligations.
- A copy of auditor's report was included in the call for EGM on Tadawul website on 12/07/1443H (corresponding to 13 /02/2022G).

Important Information

- With reference to procedures and instructions for listed companies whose accumulated losses amounted to 20% or more of its capital, issued by CMA's Board Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G), based on Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, as amended by CMA Board Resolution No. 1-77-2018 dated 15/11/1439H (corresponding to 18/07/2018G).
- Based on the Companies Law issued by the Ministry of Commerce in 2015G (1437H), and in particular Article (150) thereof (stipulating that: If the company's losses amount to half of the paid capital, at any time during the fiscal year, any of company's officials or the auditor must immediately inform the Chairman of Board of Directors, and the Chairman of Board of Directors must immediately inform the board members, and the Board of Directors must, within fifteen days from becoming aware thereof, call the EGM for meeting within forty-five days from the date of becoming aware of the losses, to decide either to increase or reduce the company's capital in accordance with the provisions of law, to the extent that the losses drops below half of the paid capital, or to dissolve the company before the date set in the company's articles of association. The company shall be deemed dissolved by force of law if the EGM fails to meet within 45 days, or if it fails to issue a resolution on such issue, or if it decides to increase the capital in accordance with the conditions established in this article and every capital increase was not subscribed to within ninety days from the date of EGM on capital increase.
- Disclose to the public immediately and without delay, through a separate announcement, when its accumulated losses reach 20% or more and less than 35% of its capital, provided that the announcement states the amount of accumulated losses, the percentage of such losses to the capital and the main reasons for such losses, and the announcement shall indicate that such procedures and instructions will be applied. In case the disclosure required in accordance with this paragraph coincides with the announcement of the initial or annual financial results, the company shall be exempted from such disclosure, through a separate announcement, if it included it in the announcement of the initial or annual financial results.
- Disclose to the public immediately and without delay, through a separate announcement, when its accumulated losses reach 35% or more and less than 50% of its capital, provided that the announcement states the amount of accumulated losses, the percentage of such losses to the capital and the main reasons for such losses, and the announcement shall indicate that such procedures and instructions will be applied. In case the disclosure required in accordance with this paragraph coincides with the announcement of the initial or annual financial results, the company shall be exempted from such disclosure, through a separate announcement, if it included it in the announcement of the initial or annual financial results.

Important Information

- The company must disclose to the public immediately and without delay, through a separate announcement, when its accumulated losses reach 50% or more of its capital, provided that the announcement states the amount of accumulated losses, the percentage of such losses to the capital and the main reasons for such losses, and the announcement shall indicate that procedures and instructions of listed companies, with accumulated losses of 50% or more, will be applied. In case the disclosure required in accordance with this paragraph coincides with the announcement of the initial or annual financial results, the company shall be exempted from such disclosure, through a separate announcement, if it included it in the announcement of the initial or annual financial results.
- According to Article (94) of Companies Law, EGM meeting shall only be valid if attended by shareholders representing at least half of the company's capital. If such quorum is not met at the first meeting, a second meeting shall be called for, which will be valid if attended by shareholders representing at least a quarter of the capital. If such quorum is not met at the second meeting, a third meeting shall be called for, which will be valid regardless of the number of shares represented therein, after obtaining approvals of competent authorities.
- In accordance with Article (94) of Companies Law, the EGM resolutions are issued by a two-thirds majority of the shares represented in the meeting, unless this resolution is related to an increase or decrease in the capital, or prolongation of the company's term, or dissolution of the company before the expiry of term specified in its bylaws, or its merger with another company or institution, in such case the resolution shall only be valid if issued by a majority of three quarters of the shares represented at the meeting.
- In case the company's shareholders agree to reduce the capital, the reduction resolution shall be effective for all shareholders registered in the company's records with Tadawul at the end of trading on the second day following the date of EGM, including shareholders who did not attend the EGM, as well as shareholders who attended the meeting and did not vote for or against the resolution of capital reduction.

Documents available for Inspection

- The shareholders' circular shall be communicated and made available to the public at least (14) days before the date of EGM on capital reduction.
- The company will provide the following documents for review at the company's head office in Dammam, from the date of CMA approval on 16/07/1443H (corresponding to 17/02/2022G).until the date of EGM meeting on **/**/1443H (corresponding to **/**/2022G) during official working hours from 7 a.m to 4 p.m:
- A copy of the company's board of directors' recommendation to reduce the company's capital.
- A copy of the letter of appointment of the financial advisor
- A copy of the limited audit report on the company's capital reduction.
- A printed copy of Capital Market Authority's approval of the company's capital reduction request published on the websites of the Capital Market Authority's and Tadawul.
- A copy of this shareholders' circular (the offer made to company's shareholders at the EGM meeting).

Attachments

- A copy of auditor's report
- A Power of attorney form to attend the EGM meeting (if approved by the state or competent authorities, in case of face-to-face meetings).

The Saudi Arabian Amiantit Company
(Saudi Joint Stock Company)
Capital reduction and
Report of factual findings

The Saudi Arabian Amiantit Company
(Saudi Joint Stock Company)
Capital reduction and report of factual findings

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Report of factual findings**To the shareholders****The Saudi Arabian Amiantit Company**

(Saudi Joint Stock Company)

Dammam - Saudi Arabia

We have performed the procedures agreed with you and enumerated below in accordance with the terms of the letter of engagement signed on 13-01-2022 (corresponding to 10-06-1443H), with respect to the limited assurance of assessing the reasons that related to the proposed capital reduction of the Saudi Arabian Amiantit Company (the "Company") and that was recommended to the extraordinary general assembly by the company's board of directors and the effect of this reduction on the company's obligations. where the board of directors recommended in his meeting held on Rabi' al-Thani 17, 1443H (corresponding to November 22, 2021G) to reduce the company's capital from 320,000,000 Saudi riyals to 99,000,000 Saudi riyals (only ninety-nine million Saudi riyals) by canceling 22,100,000 shares. The engagement was undertaken in accordance with the International Standard on Related Services endorsed in the Kingdom of Saudi Arabia ("ISRS 4400") applicable to agreed-upon procedures engagements. The procedures were carried out solely for the purpose of assisting management to finalize the legal formalities related to registration of the Company's reduced share capital, which are summarized as follows:

1. The board of directors' resolution dated Rabi' Al-Thani 17, 1443H (corresponding to November 22, 2021G), were obtained and in which the Board had decided to recommend to the Extraordinary General Assembly to reduce the capital from 320,000,000 Saudi riyals to 99,000,000 Saudi riyals (ninety-nine million riyals) at a reduction rate of 69.06%.
2. Accounting entries that related to the Capital reduction transaction were reviewed.
3. Accounts prepared by management for the period ended 30-09-2021 were obtained and the Company's adjusted capital was confirmed to be SAR 99,000,000, which corresponds to the Board resolution of 17-04-1443 (i.e. 22-11-2021)

Our findings:

- a. With respect to item (1), we verified the date of the Board's decision to approve a reduction in the Company's capital and no exceptions were noted.
- b. With respect to item (2), we verified the accounting entry for capital reduction transaction, and no exceptions were noted.
- c. With respect to item (3), we verified the accounts prepared by management for the period ended September 30, 2021, and ensured that the Company's adjusted capital amounted to SAR 99,000,000, which corresponds to the Board resolution dated 17-04-1443 (i.e. 22-11-2021) and no exceptions have been noted.

Because the above procedures do not constitute a review or examination in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters may have come to our attention that would have been reported to you.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and does not extend to any financial statements of Company, taken as a whole.

About Al-Kharashi & Co.**Suleiman Abdullah Al , Kharashi****License No. (91)**

Riyadh

27 January 2022

24 Jumada II 1443H



1- Description of the Company's requirements:

- As of September 30, 2021, the Company's accumulated losses amounted to SAR 221,146,000, which accounted for 69.11% of the capital.
- The Board of Directors of the Company decided at its meeting held 17-04-1443 (i.e. 22-11-2021) to make a recommendation to the Extraordinary General Assembly to reduce the Company's capital to extinguish accumulated losses as follows:
 - 1) Capital before reduction is 320,000,000 Saudi riyals, and Capital after reduction will be 99,000,000 Saudi riyals (ninety-nine million riyals).
 - 2) Capital reduced by 69.06%.
 - 3) The number of shares prior to the reduction is 32,000,000 shares, and the number of shares after the reduction is 9,900,000 (nine million and nine hundred thousand shares).
 - 4) Reason for capital reduction is restructuring the Company's capital to absorb accumulated losses by SAR 221,000,000 (two hundred and twenty-one million Saudi riyals and nothing else).
 - 5) Capital reduction method: Cancellation of 22,100,000 shares of the Company, reduced 1 share per (1.447) shares.
 - 6) There is no substantial impact of capital reduction on the Company's financial, operational, or regulatory liabilities - operations or performance.

The Company is currently under process to obtain the approval of the CMA.

2- Related articles

2.1 CMA:

Article (58) of Chapter II of the Securities Offering Rules and continuing obligations issued by the CMA:

The Company who wishes to reduce its capital must submit an application to the Authority to obtain its approval before obtaining the approval of the extraordinary general assembly to reduce the capital, provided that the application is accompanied, among other requirements, with the following:

- 1- A report from the chartered accountant on the reasons for reducing the capital and the impact of the reduction on the Company's liabilities.
- 2- The proposed method of capital reduction and the expected impact of the reduction.
- 3- Any other documents requested by the Capital Market Authority.

2.2 The Companies Law:

Article (144) of the Companies Law: The Extraordinary General Assembly may decide to reduce the capital if it exceeds the Company's needs or if it suffers losses. In the latter case, the capital may be reduced below the limit stipulated in Article (54) of the system. The reduction decision shall not be taken except after a special report is obtained from the auditor on the reasons for it, the obligations of the Company, and the effect of the reduction in these obligations.

2- Related articles (continued)

2.2 Companies Law (continued):

Article (146) of the Company Law: Capital is reduced in one of the following ways:

1. The cancellation of a number of shares equal to the amount to be reduced.
2. The Company's purchase of a number of its shares is equivalent to the amount to be reduced, and therefore cancelled.

Article (147) of the Companies Law: If the capital reduction is by canceling a number of shares, equality between the shareholders must be considered, and those shareholders must submit to the Company, on the date it determines, the shares decided to be cancelled, otherwise they are considered cancelled.

2.3 The Company's Regulations:

Article (7) of the Company's Regulations: Set the Company's capital at SAR 320,000,000 divided into 32,000,000 shares, each stated at SAR 10 all of which are ordinary shares.

Article (8) of the Company's Regulations: Shareholders subscribed to the full Capital of 32,000,000 (thirty-two million shares) paid in full.

Article (15) of the Company's Regulations: By decision of the Extraordinary General Assembly, the Company's capital may be reduced if it is required by the Company or if the Company suffers losses. The decision shall not be issued; unless reading the auditor's report for the related reasons, the obligations of the company, and the effect of the reduction in these obligations.

The Saudi Arabian Amiantit Company
(Saudi Joint Stock Company)
Capital reduction and report of factual findings (continued)
Appendix-3

3- Notes to the Company's financial statements:

Accumulated losses

The Company's accumulated losses amounted to 221,146 thousand Saudi riyals reduced to 146 thousand Saudi riyals as of September 30, 2021.

3.1 Capital:

The Capital before the reduction is SAR 320,000,000 divided into 32,000,000 shares stated at SAR 10 per share

4- Reasons for capital reduction and the impact of the reduction on the company's commitments

4.1 Reasons why reduction is necessary:

Restructuring the Company's capital to absorb SAR 221,000 thousand from the accumulated losses.

4.2 The impact of capital reduction

The impact on shareholders' equity based on interim condensed consolidated financial statements for the nine-month period ended September 30, 2021, will be as follows:

Shareholders' equity	Before the reduction	After the reduction	Change
	(Saudi riyals thousands)		
Capital	320,000	99,000	(221,000)
Accumulated losses	(221,146)	(146)	221,000
Employee ownership program and reserve	(2,282)	(2,282)	-
Foreign currency translation reserve	(109,422)	(109,422)	-
Total shareholders' equity attributable to the Company's shareholders	(12,850)	(12,850)	-

The capital reduction will have no impact on the Company's cash and cash equivalents. In addition, there will be no impact on net shareholders' equity and Company's liabilities.

The Saudi Arabian Amiantit Company

(Saudi Joint Stock Company)

Capital reduction and report of factual findings (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2021

Appendix-4

	September 30, 2021 000 Saudi riyals (Unaudited)	December 31, 2020 000 Saudi riyals (Audited)
Assets		
Current assets		
Cash and cash equivalents	97,128	53,255
Trade receivables	256,640	343,852
Contract assets	377,940	372,358
Prepayments and other receivables	88,152	202,731
Inventories	258,881	271,551
Total current assets	1,078,741	1,243,747
Non-current assets		
Non-current receivables	328,934	345,371
Equity accounted investments	418,173	429,692
Property, plant and equipment	194,923	217,319
Other non-current assets	16,392	16,779
Total non-current assets	958,422	1,009,161
Total assets	2,037,163	2,252,908
Liabilities and equity		
Short-term borrowings		
Accounts payable	1,116,029	1,142,730
Accrued expenses and other liabilities	261,070	325,047
Contract liabilities	83,423	87,296
Current maturity of lease liabilities	76,184	81,901
Zakat and foreign taxes payable	130	1,039
Short-term borrowings	207,652	188,195
Total current liabilities	1,744,488	1,826,208
Non-current liabilities		
Employees' termination benefits	65,600	66,558
Warranty provision	5,331	8,896
Provisions for onerous contracts	205,180	175,145
Lease liabilities	6,946	7,343
Other non-current liabilities	2,282	-
Total non-current liabilities	285,339	257,942
Total liabilities	2,029,827	2,084,150
Equity		
Share capital	320,000	320,000
Statutory reserve	-	132,176
Accumulated losses	(221,146)	(205,499)
Employee share ownership plan and reserve	(2,282)	(7,146)
Foreign currency translation reserve	(109,422)	(90,952)
Equity attributable to the shareholders of the Company	(12,850)	148,579
Non-controlling interests	20,186	20,179
Total equity	7,336	168,758
TOTAL LIABILITIES AND EQUITY	2,037,163	2,252,908

The Saudi Arabian Amiantit Company

(Saudi Joint Stock Company)

Capital reduction and report of factual findings (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three-month and nine-month periods ended September 30, 2021

Appendix-5

Appendix 5

		For the three-month period ended September 30		For the nine-month period ended September 30	
		2021	2020	2021	2020
	Clarify	Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations:					
Revenue from contracts with customers	12	96,110	115,969	321,768	361,197
Cost of revenue		(129,738)	(122,205)	(398,553)	(388,259)
Gross loss		(33,628)	(6,236)	(76,785)	(27,062)
Net impairment loss on financial assets		(14,629)	(12,967)	(16,002)	(77,941)
Selling, general and administrative expenses		(21,158)	(20,730)	(74,355)	(65,925)
Operating loss		(69,415)	(39,933)	(167,142)	(170,928)
Other income (expenses), net		(780)	(4,266)	37,793	(26,556)
Share in results of equity accounted investments	9	2,941	8,119	10,578	21,634
Finance (costs) income		(8,734)	(14,075)	1,652	(55,727)
Loss before zakat and foreign income tax		(75,988)	(50,155)	(117,119)	(231,577)
Zakat		(10,000)	(5,000)	(30,103)	(17,024)
Foreign income tax		(75)	(93)	(565)	(281)
Loss from continuing operations		(86,063)	(55,248)	(147,787)	(248,882)
Discontinued operations:					
Loss after zakat from discontinued operations	2.1.1	(1)	(65)	(28)	804
Loss for the period		(86,064)	(55,313)	(147,815)	(248,078)
Attributable to:					
Shareholders of the company		(87,347)	(55,498)	(147,797)	(244,088)
Non-controlling interests		1,283	185	(18)	(3,990)
		(86,064)	(55,313)	(147,815)	(248,078)
Loss per share					
Loss per share from continuing operations attributable to the shareholders of the Company:					
Basic (SR) (2020: restated)		(2.74)	(1.74)	(4.64)	(7.67)
Diluted (SR) (2020: restated)		(2.74)	(1.74)	(4.64)	(7.67)
Loss per share from continuing operations:					
Loss per share from continuing operations attributable to the shareholders of the Company:					
Basic (SR) (2020: restated)		(2.70)	(1.74)	(4.64)	(7.82)
Diluted (SR) (2020: restated)		(2.70)	(1.74)	(4.64)	(7.82)
Weighted average number of shares outstanding:					
Basic ('000 shares) (2020: restated)		31,829	31,829	31,829	31,829
Diluted ('000 shares) (2020: restated)		31,829	31,829	31,829	31,829

The Saudi Arabian Amiantit Company

(Saudi Joint Stock Company)

Capital reduction and report of factual findings (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended September 30, 2021

Appendix-6

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2021	2020	2021	2020
	SR '000	SR '000	SR '000	SR '000
	(Unaudited)			
LOSS FOR THE PERIOD	(86,064)	(55,313)	(147,815)	(248,078)
Other comprehensive (loss) income				
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(7,735)	21,029	(18,445)	41,908
Change in the fair value of interest rate swap	-	-	-	30
	<u>(7,735)</u>	<u>21,029</u>	<u>(18,445)</u>	<u>41,938</u>
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:				
Other comprehensive loss from equity accounted investments	-	-	(26)	-
	<u>-</u>	<u>-</u>	<u>(26)</u>	<u>-</u>
OTHER COMPREHENSIVE (LOSS) INCOME	(7,735)	21,029	(18,471)	41,938
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(93,799)</u>	<u>(34,284)</u>	<u>(166,286)</u>	<u>(206,140)</u>
Attributable to:				
Shareholders of the Company	(95,034)	(35,463)	(166,293)	(204,287)
Non-controlling interests	1,235	1,179	7	(1,853)
	<u>(93,799)</u>	<u>(34,284)</u>	<u>(166,286)</u>	<u>(206,140)</u>

The Saudi Arabian Amiantit Company

(Saudi Joint Stock Company)

Capital reduction and report of factual findings (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended September 30, 2021

Appendix-7

	Share capital	Statutory reserve	Accumulated losses	Employee share ownership plan and reserve	Change in fair value of interest rate swap	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
2021:									
As January 1, 2021 (audited)	320,000	132,176	(205,499)	(7,146)	-	(90,952)	148,579	20,179	168,758
Loss for the period	-	-	(147,797)	-	-	-	(147,797)	(18)	(147,815)
Other comprehensive loss	-	-	(26)	-	-	(18,470)	(18,496)	25	(18,471)
Total comprehensive loss	-	-	(147,823)	-	-	(18,470)	(166,293)	7	(166,286)
Employee share ownership plan and reserve movement	-	-	-	4,864	-	-	4,864	-	4,864
Transfer from statutory reserve (note 16)	-	(132,176)	132,176	-	-	-	-	-	-
BALANCE AS AT SEPTEMBER 30, 2021 (unaudited)	320,000	-	(221,146)	(2,282)	-	(109,422)	(12,850)	20,186	7,336
2020:									
As January 1, 2020 (audited)	344,517	189,472	(18,294)	(31,914)	(30)	(146,483)	337,268	24,939	362,207
Loss for the period	-	-	(244,088)	-	-	-	(244,088)	(3,990)	(248,078)
Settlement of interest rate swap	-	-	-	-	30	-	30	-	30
Other comprehensive income	-	-	-	-	-	39,771	39,771	2,137	41,908
Total comprehensive income (loss)	-	-	(244,088)	-	30	39,771	(204,287)	(1,853)	(206,140)
Absorption of losses	-	(57,296)	57,296	-	-	-	-	-	-
BALANCE AS AT SEPTEMBER 30, 2020 (unaudited)	344,517	132,176	(205,086)	(31,914)	-	(106,712)	132,981	23,086	156,067

Saudi Arabian Amiantit Company

(Saudi Joint Stock Company)

Capital reduction and report of factual findings (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended September 30, 2021

Appendix-8

	For the nine-month period ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(147,815)	(248,078)
<i>Adjustments for non-cash items:</i>		
Depreciation and amortisation	23,244	26,385
Share in results of equity accounted investments	(10,578)	(21,634)
Zakat and foreign income tax	30,668	17,305
Employees' termination benefits, net	(958)	1,426
Warranty provision, net	717	1,194
Gain on sale of investment	(12,412)	(7,500)
Foreign currency translation reserve	-	23,190
Property, plant and equipment write off	742	966
Provision for onerous contract	40,289	-
Gain on loan rescheduling settlement	(20,100)	
Finance costs incurred, net	1,652	55,727
	(94,551)	(151,019)
<i>Changes in working capital:</i>		
Trade receivables (current and non-current) and contract assets	79,326	151,224
Prepayments and other receivables	113,486	(246)
Inventories	12,558	59,571
Accounts payable	(62,429)	(25,002)
Accrued expenses, contract liabilities and other liabilities	(6,107)	7,043
	42,283	41,571
Zakat and foreign income tax paid	(11,211)	-
Finance costs paid	(1,652)	(55,727)
Net cash flows from (used in) operating activities	29,420	(14,156)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash proceeds from sale of investment	12,412	7,500
Dividends received from equity accounted investments	9,238	7,665
Purchase of property, plant and equipment	(1,671)	(2,052)
Net change in other non-current assets	8	-
Net cash flows from investing activities	19,987	13,113
CASH FLOWS FROM FINANCING ACTIVITIES		
Movement in short-term borrowings	(6,439)	9,026
Net movement in long-term borrowings	-	(28,156)
Net change in lease obligations	(1,306)	285
Net change in other non-current liabilities	2,927	(76)
Net cash used in financing activities	(4,818)	(18,921)
Net change in cash and cash equivalents	44,589	(19,964)
Cash and cash equivalents at the beginning of the period	53,255	89,819
Foreign currency translation effect on cash and cash equivalents	(716)	1,245
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	97,128	71,100

