# Right Issue Prospectus

## AYYAN Investment Company

أيان للاستثمار
AYYAN
— INVESTMENT —

**Ayyan Investment Company is a Saudi joint stock Company established by virtue of the Articles of Association dated 11/11/1413H (corresponding to 02/05/1993H) and by virtue of Ministerial Resolution No. 573 issued on 26/04/1414H (corresponding to 13/10/1993G), declaring the establishment of the Company and is registered under the Commercial Registration No. 2051064048 issued from Al-Khobar City on 19/07/1438H (corresponding to 16/04/2017G).**

**Offering twenty million (20,000,000) ordinary shares at an offering price of ten (10) Saudi riyals per share by issuing Rights Issue Shares with a total value of two hundred million (200,000,000) Saudi riyals, representing an increase in the Company's capital from eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares to one billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals divided into one hundred million six hundred and thirty-six thousand three hundred and twenty-eight (100,636,328) ordinary shares, i.e. an increase in the current capital of (24.80%).**

Trading Period — Starting from 08/01/1446H (corresponding to 14/07/2024G) and ending on 15/01/1446H (corresponding to 21/07/2024G)

Subscription Period — Starting from 08/01/1446H (corresponding to 14/07/2024G) and ending on 18/01/1446H (corresponding to 24/07/2024G)

AYYAN Investment Company (hereinafter referred to as the "**Company**", "**Ayyan**" or "**Issuer**") was established as a Saudi joint stock Company under the Articles of Association dated 11/11/1413H (corresponding to 02/05/1993G) and by virtue of Ministerial Resolution No. 573 issued on 26/04/1414H (corresponding to 13/10/1993G), declaring the establishment of the Company and is registered under the Commercial Registration No. 2051064048 issued from Al-Khobar City on 19/07/1438H (corresponding to 16/04/2017G). The headquarters of the Company is located in Al-Khobar City, Tariq Bin Ziad Street, Al Rakah Al Janubiyah, P.O. Box 77411, Al-Khobar 31952, Saudi Arabia.

The current capital of the Company is eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares with a fully paid nominal value of ten (10) Saudi riyals per share, and all of those shares are fully paid (individually referred to as "**Existing Share**" and collectively as "**Existing Shares**"). As of the date of this Prospectus, the Company has substantial shareholders who own 5% or more, namely Al-Othman Holding, a closed joint stock Company that owns (20.978%) of the Company's capital, and Manafea Al Salam for Medical Healthcare Holding Company, which owns (7.824%) of the Company's capital.

By its resolution dated 11/02/1445H (corresponding to 27/08/2023G), the Board of Directors of the Company recommended an increase in the Company's capital by a total amount of two hundred million (200,000,000) Saudi riyals. Accordingly, the Company's capital will be increased from eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals to one billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals through the issuance of Rights Issue Shares for a total amount of two hundred million (200,000,000) Saudi riyals after obtaining the necessary legal approvals and the approval of the Extraordinary General Assembly.

On 02/01/1446H (corresponding to 08/07/2024G), the Extraordinary General Assembly of the Company approved the increase of the capital of the Company from eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares to one billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals divided into one hundred million six hundred and thirty-six thousand three hundred and twenty-eight (100,636,328) ordinary shares, i.e. an increase in capital of 24.80% through the issuance of Rights Issue Shares. The Subscription consists of the offering of twenty million (20,000,000) new ordinary shares (the "**New Shares**" or the "Rights Issue Shares") at an offering price of ten (10) Saudi Riyals per share (the "**Offering Price**") and a nominal value of ten (10) Saudi Riyals per share.

The priority rights will be issued as tradable securities (individually referred to as "**Priority Right**" and collectively as "**Priority Rights**") to shareholders who own shares on the day of the Extraordinary General Assembly meeting regarding the capital increase and who are registered in the Company's shareholder register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Assembly meeting regarding the capital increase on 02/01/1446H (corresponding to 08/07/2024G) ("Eligibility Date") (Each of them shall be referred to as the "**Registered Shareholder**" and collectively shall be referred to as the "**Registered Shareholders**", provided that these rights are deposited in the registered shareholders' portfolios within two business days from the Eligibility Date, with approximately (0.2480) rights for each (1) share of the Company's shares owned by the shareholder on the Eligibility Date. Each right gives its holder the right to subscribe to a new share at the offering price.

Registered shareholders and other general investors ("**New Investors**"), who are entitled to trade the Rights and subscribe to the New Shares, will be able to trade and subscribe to the Rights Issue Shares on the Saudi Stock Exchange ("**Tadawul**" or the "**Exchange**"). The Trading Period and Subscription Period will commence three (3) business days from the approval of the Extraordinary General Assembly including the approval of the capital increase on 08/01/1446H (corresponding to 14/07/2024G) provided that the trading period ends on 15/01/1446H (corresponding to 21/07/2024G) ("**Trading Period**"), while the subscription period continues until the end of 18/01/1446H (corresponding to 24/07/2024G) ("**Subscription Period**"). It should be noted that the trading period and the subscription period start on the same day, while the trading period lasts until the end of the sixth day of the start of the period and the subscription period lasts until the end of the ninth day of the start of the same period.

Registered shareholders will be able to trade the priority rights during the trading period by selling the acquired rights or part of them or buying additional rights through the Market. They also have the right not to take any action regarding the rights they own. New investors during the trading period will also be able to buy rights via the Market and sell the rights purchased during the trading period.

The subscription for the new shares (during the Subscription Period) will be available in one phase according to the following:

- In this period, all registered shareholders and new investors will be able to subscribe to new shares.
- The registered shareholder will be able to subscribe directly to the number of its shares or less than the number of its shares during the Subscription Period. In the event that it buys new rights, it will be able to subscribe to them after the end of the settlement period (two business days).
- New investors will be able to subscribe to new shares after the expiry of their settlement period (2 business days).
- Subscription will be available electronically through the investment portfolio on trading platforms and applications through which the sale and purchase orders are entered, as well as through other channels and means provided by the broker, provided that only a number of new shares due under the priority rights in the investment portfolio are approved for subscription.

If any shares remain unsubscribed after the end of the Subscription Period (the "**Rump Shares**"), they will be offered at no less than the Offer Price to a number of institutional investors (the "**Institutional Investors**") (this offering process shall be referred to as the "**Rump Offering**"). Such Institutional Investors shall submit their offers for purchasing the Rump Shares. These offers will be received starting at (10:00) am on 23/01/1446H (corresponding to 29/07/2024G) until (5:00) pm on 24/01/1446H (corresponding to 30/07/2024G), ("**Rump Offering Period**"). The Rump Shares will be allocated to the Institutional Investors with the highest bid and then the lowest bid (provided that it is not less than the offering price), provided that the shares are allocated proportionally to the Institutional Investors that submit the same bid. As for the fractions of the shares, they will be added to the Rump Shares and treated similarly. The total offering price of the proceeds from the rump offering process of the Company shall be paid. The rest of the proceeds of the Rump Offering process (if any) without calculating any fees or deductions (exceeding the offering price) shall be distributed to their beneficiaries, each according to its entitlement, no later than 18/02/1446H (corresponding to 22/08/2024G). It should be noted that an investor who has not subscribed or sold its rights, and holders of fractional shares, may not receive any consideration if the sale is made during the Rump Offering period at the offering price.

In the event that the Institutional Investors do not subscribe to all the Rump Shares and fractions of the shares, the rest of the shares shall be allocated to the Underwriter who will purchase them at the offering price (please refer to Section 12 "**Details on Shares and Offering Terms and Conditions**") of this Prospectus). The Final Allocation will be announced no later than 29/01/1446H (corresponding to 04/08/2024G) (the "**Allocation Date**") (please refer to Section 12 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus).

After the completion of the subscription process, the capital of the Company will be one billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals, divided into one hundred million six hundred and thirty-six thousand three hundred and twenty-eight (100,636,328) ordinary shares. The net proceeds of the Offering will be used in the purchase of medical devices and equipment for Al-Salam Hospital of Al-Salam Medical Services Company (a Subsidiary), the payment for the suppliers of subsidiaries (Al-Ahsa Medical Services Company and Al-Salam Medical Services Company), the payment of obligations owed by Al-Salam Medical Services Company (a Subsidiary) to financing entities, and the payment of operating expenses of Al-Salam Medical Services Company (a Subsidiary) (please refer to Section 6 ("**Using the Proceeds of the Offering**") of this Prospectus).

All the shares of the Company are of one class. No share gives its holder preferential rights. The new shares shall be fully paid and fully equal to the existing shares. Each share shall entitle its holder to one vote and each shareholder of the Company (the "**Shareholder**") shall be entitled to attend and vote at ordinary and extraordinary general meetings of shareholders (the "**General Meeting**"). The holders of the new shares shall be entitled to any dividend (if any) announced by the Company to be distributed after the date of issue.

The Company was established in the name of "Al-Ahsa Development Company" by virtue of the Articles of Association dated 11/11/1413H (corresponding to 02/05/1993G) and by virtue of Ministerial Resolution No. 573 dated 26/04/1414H (corresponding to 13/10/1993G), declaring the announcement of the establishment of the Company and under the Commercial Registration No. 2252021816 issued by the city of Al-Mubarraz on 01/06/1414H (corresponding to 15/11/1993G). The Company has listed and registered three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi riyals per share on the Saudi Stock Exchange ("**Tadawul**"). The founding shareholders subscribed to one million nine hundred thousand (1,900,000) ordinary shares, and one million one hundred thousand (1,100,000) ordinary shares were offered as an initial public offering, representing 36.67% of the Company's capital. The capital of the Company upon its listing in Tadawul amounted to three hundred million (300,000,000) Saudi riyals divided into three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi riyals per share. On 13/01/1419H (corresponding to 29/04/1998G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to amend the shares of the Company and their nominal value from three hundred million (300,000,000) Saudi riyals divided into three million (3,000,000) shares with a nominal value of one hundred (100) Saudi riyals to three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) shares with a nominal value of fifty (50) Saudi riyals per share. On 03/11/1426H (corresponding to 05/12/2005G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) ordinary shares to three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of fifty (50) Saudi riyals per share. On 11/05/1427H (07/06/2006G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares to four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares by granting a free share for every four (4) shares owned by the shareholders registered in the shareholders register with a nominal value of ten (10) Saudi riyals per share. At the same meeting, approval was given to amend the nominal value of the share from fifty riyals (50) Saudi riyals to ten (10) Saudi riyals, and the increase was met by transfer from the balance of retained earnings. On 03/12/1429H (corresponding to 01/12/2008G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares to four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of ten (10) Saudi riyals per share. On 08/06/1441H (corresponding to 02/02/2020G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares to seven hundred and thirty-seven million three hundred and twenty-six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares through the acquisition of the full shares of the partners in Al-Salam Medical Services Company. On 04/11/1441H (corresponding to 25/06/2020G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to amend the name of the Company from "Al-Ahsa Development Company" to "Ayyan Investment Company" and to relocate the headquarters of the Company from the city of Al-Mubarraz to the city of Al-Khobar. Accordingly, the Commercial Registration of the Company was amended from No. 2252021816 to No. 2051064048 under the Commercial Registration dated 19/07/1438H (corresponding to 16/04/2017G). On 04/04/1443H (corresponding to 09/11/2021G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from seven hundred and thirty-seven million three hundred and twenty thousand six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares to eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares by acquiring an additional share of 26.43% in the capital of Al-Ahsa Medical Services Company, which increased its ownership from 69.9% to 96.3% (after previously increasing its share from 53.61% to 69.9% in 2019). On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company. On 02/01/1446H (corresponding to 08/07/2024G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital of the Company from eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares to one billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals divided into one hundred million six hundred and thirty-six thousand three hundred and twenty-eight (100,636,328) ordinary shares through the issuance of Rights Issue Shares. The number of shares listed at the date of this Prospectus is eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) shares.

The Company's existing shares are currently traded on the Market. The Company has submitted an application to the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Authority**") to register and offer the new shares. It has also submitted an application to the Market to accept the listing of new shares. This Prospectus has been approved, all the required documents have been submitted and all the requirements have been met by the relevant authorities. The New Shares are expected to be traded in the Market within a short period of time after the completion of the new shares allocation process and the refund of the surplus (please refer to page (xii) of this Prospectus ("**Key Dates and Subscription Procedures**") of this Prospectus). Trading in the new shares, after their registration and acceptance for listing, will be available to nationals and legal residents of the Kingdom of Saudi Arabia, citizens of GCC member states, companies, banks, Saudi investment funds, GCC companies and institutions, as well as qualified foreign investors under the rules governing foreign investment in securities. Furthermore, other categories of foreign investors are entitled to receive the economic benefits related to the new shares by entering into swap agreements with persons licensed by the Authority (the "**Licensed Person**"). In such a case, the licensed person shall be the registered legal owner of the shares.

This Prospectus should be completely read and the section ("**Important Notice**") on page i and section 2 ("**Risk Factors**") contained therein should be carefully considered before making any investment decision relating to the new rights or shares.

The Financial Advisor, Lead Manager and Underwriter

الإنمـاء للاستـثـمـار
alinma investment



**This Prospectus was issued on 14/11/1445H (corresponding to 22/05/2024G).**

أيان للاستثمار
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INVESTMENT

Advancing Healthcare,
Advancing Returns

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# Important Notice

This Prospectus ("**Prospectus**") contains full details of information about to the Company and the Rights Issue Shares offered for subscription. When submitting an application to subscribe to Rights Issue Shares, investors will be treated on the basis that their application are based on the information contained in this Prospectus, a copy of which can be obtained from the Company headquarters or from the Lead Manager, or by visiting the Company's website (www.ayyan.com.sa), the Financial Advisor (www.alinmainvestment.com.sa) and the Authority (www.cma.org.sa).

The Prospectus will be published and made available to the public within no less than (14) days before the date of the Extraordinary General Assembly meeting regarding the capital increase. In the event that the extraordinary general assembly for the capital increase is not approved within six (6) months from the date of the Authority's approval to register and offer priority rights, the Authority's approval shall be null and void.

The Company has appointed Alinma Investment Company as a financial advisor ("**Financial Advisor**"), Lead Manager ("**Lead Manager**") and underwriter for the offering ("Underwriter") (please refer to Section 10 ("**Underwriting**") of this Prospectus for more information.) regarding the offering of Rights Issue Shares in order to increase the Company's capital pursuant to this Prospectus.

This Prospectus contains information submitted in accordance with the requirements of OSCO Rules issued by the CMA Board pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) based on the Capital Market Law issued under the Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/01/2003G), as amended by CMA Board Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G). The members of the Board of Directors whose names appear in this Prospectus are collectively and individually fully responsible for the accuracy of the information contained in this Prospectus. They shall confirm, according to their knowledge and belief, after conducting all possible studies and to the reasonable extent, that there are no other facts that non-inclusion thereof in this Prospectus would result in making any statement contained herein misleading. The CMA and Saudi Exchange do not take any responsibility for the content of this Prospectus, do not make any representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

Although the Company has conducted reasonable studies and investigations to ensure the accuracy of the information contained in this Prospectus as of the date of its issuance, a large portion of the information contained in this Prospectus related to the market and industry in which the Company operates was obtained from external sources. Despite the Company or any of its directors, members of its Board of Directors, financial advisor or any of the Company's advisors whose names appear on page ("v") of this Prospectus ("**Advisers**") have any reason to believe that the information contained on the market and industry is not materially accurate, however this information has not been independently verified by the Company or its advisors. Therefore no assurance or warranty may be given as to its accuracy or completeness.

The information contained in this Prospectus as of the date of its issuance is subject to change, especially since the Company's financial position and the value of shares may be negatively affected as a result of any future developments such as inflation factors, profit rates, taxes, or other economic and political factors, or any other factors beyond the Company's control ( Please see Section 2 ("**Risk Factors**") of this Prospectus). This Prospectus or any oral or written information related to the Rights Issue Shares should not be considered, construed or relied upon, in any way, as a promise, assurance or representation regarding the realization of any future revenues, results or events.

This Prospectus may not be considered a recommendation by the Company, members of its Board of Directors or its advisers to participate in the subscription process to the Rights Issue Shares. Furthermore, the information contained in this Prospectus is of a general nature and has been prepared without taking into account the individual investment objectives, financial position or investment needs of persons wishing to invest in Rights Issue Shares. Before making an investment decision, everyone who receives this prospectus bears the responsibility of obtaining independent professional advice from a financial adviser licensed by the Authority regarding subscription to the new shares in order to evaluate the suitability of investment opportunity and the information contained in this Prospectus for its goals, conditions and financial needs.

Registered shareholders and other general investors ("**New Investors**") will be able to trade and subscribe to the Rights Issue Shares on the Saudi Stock Exchange (**Tadawul**). The Trading Period and Subscription Period start three (3) business days after the approval of the Extraordinary General Assembly including the approval of the capital increase on 08/01/1446H (corresponding to 14/07/2024G) provided that the trading period ends on 15/01/1446H (corresponding to 21/07/2024G) ("**Trading Period**"), while the subscription period continues until the end of 18/01/1446H (corresponding to 24/07/2024G) ("**Subscription Period**"). It should be noted that the trading period and the subscription period start on the same day, while the trading period lasts until the end of the sixth day of the start of the period and the subscription period lasts until the end of the ninth day of the start of the same period.

Registered shareholders will be able to trade the priority rights during the trading period by selling the acquired rights or part of them or buying additional rights through the Market. They also have the right not to take any action regarding the rights they own. New investors during the trading period will also be able to buy rights via the Market and sell the rights purchased during the trading period.

The subscription for the new shares (during the Subscription Period) will be available in one phase according to the following:

- In this period, all registered shareholders and new investors will be able to subscribe for new shares.
- The registered shareholder will be able to subscribe directly to the number of its shares during the Subscription Period.
- In the event that it buys new rights, it will be able to subscribe to them after the end of the settlement period (two business days).
- New investors will be able to subscribe to new shares after the expiry of their settlement period (2 business days).

- Subscription will be available electronically through the investment portfolio on trading platforms and applications through which buy and sell orders are entered, in addition to subscribing to other channels and means available to the broker, provided that only a number of new shares due under the priority rights in the investment portfolio are approved for subscription.

In the event that shares remain unsubscribed, those shares will be offered at a minimum offer price to a number of institutional investors (the "**Institutional Investors**") (this offering process shall be referred to as the "**Rump Offering**"). These Institutional Investors shall submit their bids to purchase the Rump Shares. These bids will be received starting at ten o'clock (10:00) am on 23/01/1446H (corresponding to 29/07/2024G) until five o'clock (5:00) pm on 24/01/1446H (corresponding to 30/07/2024G), ("**Rump Offering Period**"). The Rump Shares will be allocated to the Institutional Investors with the highest bid and then the lowest bid (provided that it is not less than the offering price), provided that the shares are allocated proportionally to the Institutional Investors that submit the same bid. As for the fractions of the shares, they will be added to the Rump Shares and treated similarly. The total offering price of the proceeds from the Rump Offering process of the Company shall be paid. The rest of the proceeds of the Rump Offering process (if any) without calculating any fees or deductions (exceeding the offering price) shall be distributed to their beneficiaries, each according to its entitlement, no later than 18/02/1446H (corresponding to 22/08/2024G). It should be noted that an investor who has not subscribed or sold its rights, and holders of fractional shares, may not receive any consideration if the sale is made during the Rump Offering Period at the offering price. In the event that the Institutional Investors do not subscribe to all the Rump Shares and fractions of the shares, the rest of the shares shall be allocated to the Underwriter who will purchase them at the offering price (please refer to Section 10 ("**Underwriting**") and Section 12 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus).

In the event that the Institutional Investors do not subscribe to all the Rump Shares and fractions of the shares, the rest of the shares shall be allocated to the Underwriter who will purchase them at the offering price (please refer to Section 12 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus). The Final Allocation will be announced no later than 29/01/1446H (corresponding to 04/08/2024G) (the "**Allocation Date**") (please refer to Section 12 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus).

The offering of Rights Issue Shares is subject to the approval of the shareholders to increase the capital in accordance with the recommendation of the Board of Directors and the Company's obtaining the legal approvals. On 05/12/1445H (corresponding to 11/06/2024G), an invitation to the Extraordinary General Assembly of the Company has been published to approve the increase of the Company's capital through the issuance of Rights Issue Shares.

## Market and Industry Data

The information and data related to the Saudi economy, the health care sector, the production of dates and their derivatives, and the market data contained in this Prospectus were obtained from public and various sources. Although there is no reason to believe that this information is inherently inaccurate, the directors, shareholders and advisors have not independently verified the correctness of this information and data. Therefore, no clear statement or assurance may be given with regard to the correctness and completeness of this information.

## Forecasts and Forward-Looking Statements

The forward-looking forecasts contained in this Prospectus have been prepared on the basis of assumptions based on the Company's market experience as well as publicly available market information. Future conditions of the Company may differ from the assumptions used and therefore there is no warranty or undertaking as to the accuracy or completeness of any such forecasts. The Company confirms that the statements contained in this Prospectus were made with due professional care.

Certain statements in this Prospectus constitute "forecasts and forward-looking statements". Such statements may generally be identified by their use of forward-looking words such as "may", "will", "plans", "intends", "estimates", "believes", "anticipates", "should", "expected", "can" "would be", "maybe", "probably" or the negative or other variation of such terms.

or comparable terminology. These forecasts and statements reflect the Company's current view and management regarding future events, but do not constitute a guarantee or assurance of any future actual performance of the Company. There are many factors that may affect the Company's actual performance, achievements or results and cause them to differ significantly from what was explicitly or implicitly expected. The most important risks and factors that may lead to such an effect have been reviewed more detailed in other sections in this Prospectus (please refer to Section 2 "**Risk Factors**" of this Prospectus). If one or more of these risks are achieved, or if it is proven that any of forecasts and forward-looking statements contained in this Prospectus is incorrect, the actual results of the Company may be materially different from those anticipated, estimated, planned or assumed in this Prospectus.

Subject to the requirements of Article (49) of OSCO Rules, the Issuer shall submit a supplementary Prospectus to the authority if the issuer becomes aware at any time after the date of publication of this Prospectus and before the offering is completed of any of the following: (i) there is a significant change in material matters contained in the prospectus; or (ii) any significant matters arise that should have been included in the Prospectus.

Except for the two cases mentioned above, the Company does not intend to update or amend any information related to the sector or market or future statements contained in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the foregoing and other risks, assumptions and uncertainties, the forecasts of future events and conditions set out in this Prospectus may not occur as anticipated by the Company or at all. Accordingly, potential individual investors must examine all future statements in light of these clarifications, while not relying on future statements mainly.

# Corporate Directory

## Board of Directors

**Table 1: Company's Board of Directors**

| No. | Name | Position | Nationality | Age | Membership Capacity | Date of Appointment | Owned Shares | | Ownership (%) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Direct | Indirect | |
| 1 | Faisal Abdullah Muhammad Al-Qahtani | Chairman | Saudi | 47 | Non-Executive / Non-Independent | 01/07/2022G | 1,000 | - | 0.00124% |
| 2 | Abdulaziz Abdulrahman Abdullah Al AlShaikh | Vice Chairman | Saudi | 53 | Non-Executive / Independent | 01/07/2022G | - | - | - |
| 3 | Ahmed Abdullah Abdulaziz Al-Khail | Director | Saudi | 34 | Non-Executive / Independent | 01/07/2022G | 1,000 | - | 0.00124% |
| 4 | Mohammad Abdullah Abdulaziz Al-Mansour | Director | Saudi | 58 | Non-Executive / Independent | 01/07/2022G | 1,000 | - | 0.00124% |
| 5 | Abdulaziz Majed Abdullah Al-Kassabi | Director | Saudi | 38 | Non-Executive / Independent | 01/07/2022G | 1,000 | - | 0.00124% |
| 6 | Waleed Amer Abdulrahman Al-Rumaih | Director | Saudi | 33 | Non-Executive / Independent | 01/07/2022G | 1,000 | - | 0.00124% |
| 7 | Ayham Muhammad Abdullah Al-Yousef | Director | Saudi | 53 | Non-Executive / Independent | 01/07/2022G | - | - | - |

Source: The Company

## Members of Senior Management

**Table 2: Members of Senior Management**

| No. | Name | Position | Nationality | Age | Date of Joining | Owned Shares | | Ownership (%) |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| 1- | Raed Mohammed Abdullatif Al-Naeem | CEO | Saudi | 47 | 22/12/2019G | - | - | - |
| 2- | Ahmed Mahmoud Ibrahim | Chief Financial Officer | Egyptian | 43 | 29/01/2011G | - | - | - |
| 3- | Fahad Abdulrahman Al-Sulaiman | Compliance and Governance Officer | Saudi | 34 | 13/04/2014G | - | - | - |
| 5- | Abdulmohsen Saleh Al-Muhanna | Human & Administrative Resources Officer | Saudi | 38 | 15/12/2013G | - | - | - |

Source: The Company

## Company Address and Representatives

| Company Address and Authorized Representatives | |
|---|---|
| **Company Address** | |
| **AYYAN Investment Company**<br>Al-Khobar, Tariq Bin Ziad Street, Al Rakah Al Janubiyah<br>P.O. Box 77411, Al-Khobar 31952<br>Kingdom of Saudi Arabia<br>Tel: +966 (13) 8822130 and +966 (13) 8822140<br>Fax: +966 (13) 8822150<br>E-mail: info@ayyan.com.sa<br>Website: www.ayyan.com.sa | |
| **Company's First Authorized Representative** | **Company's Second Authorized Representative** |
| **Mr. Faisal Abdullah Muhammad Al-Qahtani**<br>Chairman<br>Tel: +966 (13) 8396200<br>Fax: +966 (13) 8822150<br>Address: Al-Khobar, Tariq Bin Ziad Street, Al Rakah Al Janubiyah, P.O. Box 77411, Al-Khobar 31952,<br>Kingdom of Saudi Arabia<br>E-mail: Faisal.Alqahtani@ayyan.com.sa | Mr. Raed Mohammed Abdullatif Al-Naeem<br>CEO<br>Tel: +966 (13) 8822130 ext (107)<br>Fax: +966 (13) 8822150<br>Address: Al-Khobar, Tariq Bin Ziad Street, Al Rakah Al Janubiyah, P.O. Box 77411, Al-Khobar 31952<br>Kingdom of Saudi Arabia<br>E-mail: ralnaeem@ayyan.com.sa |
| **Capital Market** | |
| **Saudi Exchange ("Tadawul")**<br>King Fahad Road - Al Ulaya 6897<br>Riyadh 12211-3388<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 92000 1919<br>Fax: +966 (11) 218 9133<br>Website: www.saudiexchange.sa<br>E-mail: csc@saudiexchange.sa | |

| Advisors and Chartered Accountants |
|---|
| **The Financial Advisor, Lead Manager and Underwriter** |
| **Alinma Investment Company**<br>Al Anoud Tower 2 – King Fahad Road – Riyadh<br>P.O. Box 55560<br>Riyadh 11544<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 2185999<br>Fax: +966 (11) 2185970<br>Website: www.alinmainvestment.com.sa<br>E-mail: info@alinmainvest.com.sa |
| **Legal Advisor** |
| **Legal advisors**<br>Abdulaziz I. Al-Alajlan & Partners, Lawyers and Legal Advisors<br>Olayan Building, Tower 2, Floor 3<br>Al Ahsa Street, Malaz<br>P.O. Box 69103<br>Riyadh 11547<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 265 8900<br>Fax: +966 (11) 265 8999<br>Website: www.legal-advisors.com<br>E-mail: legal.advisors@legal-advisors.com |
| **Chartered Accountant** |
| **For the financial year ended December 31, 2020G** |
| **Ibrahim Ahmed Al-Bassam & Co. Certified Public Accountants (Al-Bassam & Co.)**<br>Riyadh, Prince Abdulaziz bin Musaed Street, Sulaymaniyah District,<br>P.O. Box 69658, Riyadh 11557<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 2065333<br>Fax: +966 (11) 2065444<br>Website: www.pkfalbassam.com<br>E-mail: info.sa@pkf.com |
| **For the financial years ended December 31, 2021G and 2022G and the six-month period ended June 30, 2023G** |
| **Abdullah Mohammad Al Azem, Salaman Bander Al Sudairy, Musab Abdulrahman Al Shaikh, & Partners for Professional Consulting.**<br>Prince Mohammed bin Abdulaziz Street – Unit No. 11<br>P.O. Box 10504 Riyadh 11443<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 217 5000<br>Fax: +966 (11) 217 6000<br>Website: www.crowe.com/sa<br>E-mail: info@crowe.sa |

**Note:** The above Advisors and the independent Auditor have provided and have not withdrawn, as of the date of this Prospectus, their written consent to the publication of their names and logos in the Prospectus, and to the inclusion of their statements in the form and content set out in this Prospectus.

# Offering Summary

Prospective investors should read and review this Prospectus in its entirety before making any investment decision to subscribe to or trade in Rights Issue Shares. In particular, it is necessary to take into account what is stated in the "**Important Notice**" Section and Section 2 ("**Risk Factors**") of this Prospectus. Below is a summary of the offering:

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| **Issuer Name, Description and Information on its Incorporation** | AYYAN Investment (hereinafter referred to as the "Company", "Ayyan" or "Issuer") was established as a Saudi joint stock Company under the Articles of Association dated 11/11/1413H (corresponding to 02/05/1993G) and by virtue of Ministerial Resolution No. 573 issued on 26/04/1414H (corresponding to 13/10/1993G), declaring the establishment of the Company and is registered under the Commercial Registration No. 2051064048 issued from Al-Khobar City on 19/07/1438H (corresponding to 16/04/2017G). The headquarters of the Company is located in Al-Khobar City, Tariq Bin Ziad Street, Al Rakah Al Janubiyah P.O. Box 77411 Al-Khobar 31952, Saudi Arabia The current capital of the Company is eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares with a fully paid nominal value of ten (10) Saudi riyals per share, and all of those shares are fully paid.<br><br>The Company was established on 01/06/1414H (corresponding to 15/11/1993G) under Commercial Registration No. 2252021816 issued by the city of Al-Mubarraz. on 26 /04/1414H (corresponding to 13/10/1993 G) the Company has listed and registered three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi riyals per share on the Saudi Stock Exchange ("**Tadawul**"). The founding shareholders subscribed to one million nine hundred thousand (1,900,000) ordinary shares, and one million one hundred thousand (1,100,000) ordinary shares were offered as an initial public offering, representing 36.67% of the Company's capital. The capital of the Company upon its listing in Tadawul amounted to three hundred million (300,000,000) Saudi riyals divided into three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi riyals per share. On 13/01/1419H (corresponding to 29/04/1998G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to amend the shares of the Company and their nominal value from three hundred million (300,000,000) Saudi riyals divided into three million (3,000,000) shares with a nominal value of one hundred (100) Saudi riyals to three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) shares with a nominal value of fifty (50) Saudi riyals per share. On 03/11/1426H (corresponding to 05/12/2005G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) ordinary shares to three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of fifty (50) Saudi riyals per share. On 11/05/1427H (07/06/2006G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares to four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares by granting a free share for every four (4) shares owned by the shareholders registered in the shareholders register with a nominal value of ten (10) Saudi riyals per share. At the same meeting, approval was given to amend the nominal value of the share from fifty riyals (50) Saudi riyals to ten (10) Saudi riyals, and the increase was met by transfer from the balance of retained earnings. On 03/12/1429H (corresponding to 01/12/2008G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares to four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of ten (10) Saudi riyals per share. On 08/06/1441H (corresponding to 02/02/2020G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares to seven hundred and thirty-seven million three hundred and twenty-six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares through the acquisition of the full shares of the partners in Al-Salam Medical Services Company. On 04/11/1441H (corresponding to 25/06/2020G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to relocate the headquarters of the Company from the city of Al-Mubarraz to the city of Al-Khobar. Accordingly, the Commercial Registration of the Company was amended from No. 2252021816 to No. 2051064048 under the Commercial Registration dated 19/07/1438H (corresponding to 16/04/2017G). On 04/04/1443H (corresponding to 09/11/2021G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from seven hundred and thirty-seven million three hundred and twenty thousand six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares to eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares by acquiring an additional share of 26.43% in the capital of Al-Ahsa Medical Services Company, which increased its ownership from 69.9% to 96.3% (after previously increasing its share from 53.61% to 69.9% in 2019G). On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company. On 02/01/1446H (corresponding to 08/07/2024G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital of the Company from eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares to one billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals divided into one hundred million six hundred and thirty-six thousand three hundred and twenty-eight (100,636,328) ordinary shares through the issuance of Rights Issue Shares. The number of shares listed at the date of this Prospectus is eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) shares. |

**Summary of Company›s Activities**

The Company's activities, according to its Commercial Registration No. (2051064048) dated 19/07/1438H (corresponding to 16/04/2017G), are to practice and implement the following purposes:

- General construction of non-residential buildings such as schools, hospitals and hotels.

The activities of the Company, according to its Bylaws, are to carry out and implement the following purposes:

a. To establish, manage, operate and maintain various industrial projects solely or in conjunction with other companies, bodies or individuals.

b. Maintenance, management and operation of industrial, residential and commercial cities, public and private facilities and establishments.

c. Ownership and reclamation of lands and using them in the establishment of agricultural and livestock production projects.

d. To own, manage, operate and maintain real estate and land, establish commercial and residential establishments on them and invest them by selling, buying and renting in cash or installments.

e. To own, invest, manage, operate and maintain hotels, hospitals, health, educational, recreational and tourism facilities.

f. To establish, manage, operate and maintain cold stores, transport fleets, maintenance and repair workshops and fuel stations.

g. Wholesale and retail trade of what falls within the scope of the agricultural, tourism and health industrial Company and the export of the Kingdom's various products to other countries.

h. Commercial Agencies

The Company exercises its activities under the applicable laws and after being granted the necessary licenses from the competent authorities, if any.

**Substantial Shareholders, the number of their shares and their ownership percentages before and after the offering**

The following table shows, as of the date of this Prospectus, the number of shares and percentage of ownership of the Company's substantial shareholders (who own 5% or more of the Company's shares) before and after the Offering:

### Table 3: Substantial Shareholders of the Company

| Shareholder | Ownership Pre-Offering (Direct) | | Ownership Post-Offering (Indirect)* | |
|---|---|---|---|---|
| | Number of Shares | Ownership (%) | Number of Shares | Ownership (%) |
| Al-Othman Holding Company, Closed Joint Stock | 16,915,594 | 20.978% | 21,111,120 | 20.978% |
| Manafea Al Salam for Medical Healthcare Holding Company | 6,309,000 | 7.824% | 7,873,803 | 7.824% |

Source: Tadawul Website

* The number of shares and the percentage of ownership after the offering are indicated assuming that the substantial shareholders subscribe to their full entitlement to the new shares. It may differ in the event of subscription with a number less or more than what has been allocated to it by selling its rights during the trading period, buying them, or not subscribing to the rights by the substantial shareholders.

**The Public**

In OSCO Rules, and according to the glossary used in the regulations and rules of the Capital Market Authority issued by the Board of the Authority under Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H and amended by the Board of the Capital Market Authority Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G), persons other than the following::

1. Affiliates of the Issuer.
2. Substantial Shareholders of the Issuer;
3. Directors and Senior Executives of the Issuer.
4. Directors and Senior Executives of the subsidiaries of the Issuer.
5. Directors and senior executives of the Issuer's Substantial Shareholders;
6. Any relatives of the persons referred to in (4, 3, 2, 1 or 5) above.
7. Any Company controlled by any of the persons referred to in (5, 4, 3, 2, 1, or 6) above.
8. Persons acting mutually and collectively holding (5%) or more of the class of shares to be listed.

**Nature of the Offering**

Increasing the capital of the Company through the issuance of Rights Issue Shares.

**Purpose of the Proposed Issuance of Rights Issue Shares**

The Company aims to increase its capital by offering Rights Issue Shares in order to purchase medical devices and equipment for Al-Salam Hospital of Al-Salam Medical Services Company (a Subsidiary), the payment for the suppliers of subsidiaries (Al-Ahsa Medical Services Company and Al-Salam Medical Services Company), the payment of obligations owed by Al-Salam Medical Services Company (a Subsidiary) to financing entities, and the payment of operating expenses of Al-Salam Medical Services Company (a Subsidiary) (for more information, please refer to Section 6 ("**Using the Proceeds of the Offering**") of this Prospectus).

**Issued Capital Before Offering**

Eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals.

**Total number of the Issuer Shares before Offering**

Eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares.

**Nominal Value of the Share**

Ten (10) Saudi riyals per share.

| | |
|---|---|
| **Total Number of Shares Offered for Subscription** | Twenty million (20,000,000) ordinary shares fully paid. |
| **Offering Price** | Ten (10) Saudi riyals per share. |
| **Offering Total Value** | Two hundred million (200,000,000) Saudi riyals. |
| **Adjusted Price** | Before the trading day following the day of the Extraordinary General Meeting regarding capital increase, the Company›s share price in the Saudi Stock Exchange (Tadawul) has been adjusted to (16.28) Saudi riyals per share. This represents a decrease in the share price of (1.56) Saudi riyals per share. |
| **Registered Shareholders** | Shareholders holding shares at the end of trading on the day of the Extraordinary General Assembly regarding capital increase and registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Assembly regarding capital increase on 02/01/1446H (corresponding to 08/07/2024G). |
| **New Investors** | General individual and institutional investors, excluding registered shareholders, who have purchased priority rights during the trading period. |
| **Target Investor Categories** | Registered shareholders and new investors. |
| **Priority rights** | They are tradable securities that give its holder the right to subscribe to the new shares offered after approving the capital increase, which is an acquired right for all registered shareholders. The right may be traded during the trading period. Each right grants its holder the right to subscribe to one share of the new shares at the offering price. The priority rights will be deposited in the portfolios of the registered shareholders within two days from the date of the Extraordinary General Assembly regarding capital increase. These rights will appear in the portfolios of registered shareholders under a new priority rights code. |
| **New Shares** | Twenty million (20,000,000) fully paid ordinary shares, which will be issued as a result of the capital increase. |
| **Entitlement Coefficient** | Each registered shareholder shall be granted (0.2480) rights for every (1) share he owns. This coefficient is the result of dividing the number of new shares issued by the number of existing shares of the Company. |
| **Number of priority rights issued** | Twenty million (20,000,000) rights. |
| **Number of Underwritten Offering Shares** | Twenty million (20,000,000) ordinary shares |
| **Total Value of Underwritten Offering** | Two hundred million (200,000,000) Saudi riyals. |
| **Number of Shares to Be Issued After Offering** | One Hundred Million Six Hundred Thirty Six Thousand Three Hundred Twenty Eight (100,636,328) Ordinary Shares. |
| **Issued Capital After Offering** | One billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals. |
| **Percentage of Rights Issue Shares Offered the Capital** | 24.80% |
| **Total Proceeds expected to be obtained, analysis and description of its proposed use** | The following table shows the proposed use of subscription proceeds: |

| Description | Amount (SAR) | Percentage from Total |
|---|---|---|
| Purchase of medical devices and equipment for Al-Salam Hospital of Al-Salam Medical Services Company (a Subsidiary) | 20,000,000 | 10.00% |
| Payment of suppliers of subsidiaries (Al-Ahsa Medical Services Company and Al-Salam Medical Services Company) | 61,084,725 | 30.54% |
| Payment of obligations owed by Al-Salam Medical Services Company (a Subsidiary) to financing entities | 45,000,000 | 22.50% |
| Reimbursement of operating expenses of Al-Salam Medical Services Company (Subsidiary) | 67,915,275 | 33.96% |
| Offering Costs | 6,000,0000 | 3.00% |
| **Total Offering Proceeds** | **200,000,000** | **100.00%** |

Source: The Company

For more information regarding the analysis of the use of the Offering Proceeds, please refer to Section 6 ("**Using the Proceeds of the Offering**") of this Prospectus.

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| **Offering Costs** | The Company shall bear all expenses related to subscribing for the Rights Issue Shares, which are estimated to be about six million (6,000,000) Saudi riyals. It will be deducted from the total offering proceeds amounting two hundred million (200,000,000) Saudi riyals. These amounts include the fees of: Financial Advisor, Legal Advisor, Chartered Accountant, Underwriter, Lead Manager, marketing, printing, distribution and other related expenses (for more information please refer to Section 6 ("**Using the Proceeds of the Offering**") of this Prospectus). |
| **Net Offering Proceeds after Deducting Offering Costs** | Net offering proceeds are expected to be about one hundred and ninety-four million (194,000,000) Saudi riyals (for more information, please refer to Section 6 ("**Using the Proceeds of the Offering**") of this Prospectus). |

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| **Entitlement Date** | Shareholders holding shares at the end of trading on the day of the Extraordinary General Assembly regarding capital increase and registered in the Company's shareholders register at the end of the second trading day following the day of the Extraordinary General Assembly regarding capital increase on 02/01/1446H (corresponding to 08/07/2024G). |
| **Trading Period:** | The trading period shall start three (3) business days after the approval of the Extraordinary General Assembly, including the approval of the capital increase, on 08/01/1446H (corresponding to 14/07/2024G), and shall continue until the end of 15/01/1446H (corresponding to 21/07/2024G). During this period, all priority rights holders, whether registered investors or new investors, may trade priority rights. It should be noted that the trading period lasts until the end of the sixth day from the beginning of the period. |
| **Subscription Period** | The subscription period shall start three (3) business days after the approval of the Extraordinary General Assembly, including the approval of the capital increase, on 08/01/1446H (corresponding to 14/07/2024G), and shall continue until the end of 18/01/1446H (corresponding to 24/07/2024G). During this period, all priority rights holders, whether registered shareholders or unregistered shareholders, may exercise their right to subscribe to new shares. It should be noted that the subscription period lasts until the end of the ninth day from the beginning of the period. |
| **Rump Shares** | The Rump Shares that have not been subscribed for during the subscription period. |
| **Rump Offering** | In the event that shares remain unsubscribed after the end of the subscription period (the Rump Shares), those shares will be offered to a number of institutional investors (Institutional Investors). These Institutional Investors shall submit their bids to purchase the Rump Shares. These bids will be received starting at ten o'clock (10:00) am on 23/01/1446H (corresponding to 29/07/2024G) until five o'clock (5:00) pm on 24/01/1446H (corresponding to 30/07/2024G) ("**Rump Offering Period**"). The Rump Shares will be allocated to the Institutional Investors with the highest bid and then the lowest bid (provided that it is not less than the offering price), provided that the shares are allocated proportionally to the Institutional Investors that submit the same bid. As for the fractions of the shares, they will be added to the Rump Shares and treated similarly. |
| **Payment of Compensation Amounts (if any)** | Cash compensation amounts will be paid to eligible persons who have not exercised their right to subscribe in whole or in part to the new shares and to those entitled to fractional shares without any deductions no later than 18/02/1446H (corresponding to 22/08/2024G) (please refer to Section 12 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus). It should be noted that the cash compensation amounts represent the amount that exceeds the offering price of the net proceeds of the sale of the Rump Shares and fractional shares. |
| **Listing and Trading of Priority Rights** | Priority shall be listed in Tadawul and traded during the priority rights trading period. Tadawul shall prepare mechanisms governing the process of trading priority rights in its systems. A separate symbol for the Company's priority rights that is independent of the Company's share symbol shall be placed on the trading screen.<br>Registered shareholders have several options during the trading period, including selling the acquired rights or part of them in the Market, buying additional rights through the Market, or doing nothing in relation to the priority rights, whether by selling them or buying additional rights. During the trading period, new investors shall have the right to buy priority rights through the Market and sell them, sell part of them, or not take any action on the rights purchased during the trading period.<br>Tadawul system shall cancel the Company's priority rights symbol after expiry of the trading period. Therefore, trading in priority rights shall stop with the end of this period. |
| **Subscription Method** | Eligible persons wishing to subscribe to new shares shall submit subscription applications electronically through the websites and platforms of electronic brokers that make this service available to subscribers or through any other means provided by brokers. |
| **Exercise of Subscription Priority Rights** | Eligible persons may subscribe to the shares of the new priority rights by subscribing electronically through the websites and platforms of electronic brokers that provide these services to the subscribers or through any other means provided by brokers. Eligible persons may exercise priority rights as follows:<br>1. At the subscription phase, priority rights shall be exercised by the registered shareholders granted to them and any additional rights they have purchased during the trading period. In addition, they shall have the right not to take any action regarding the rights they have.<br>2. At the subscription phase, the exercise of priority rights shall be available to the unregistered shareholders who purchased them during the trading period, and who shall also have the right not to take any action with regard to the rights they have.<br>In the event that the priority rights are not exercised by the registered shareholders and new investors at the end of the subscription period, the Rump Shares resulting from the non-exercise of those rights shall be offered during the Rump Offering period |
| **Indicative Right Value** | The indicative right value is the difference between the market value of the Company's share during the trading period and the offering price.<br>Tadawul shall calculate and publish the indicative right value during the trading period on its website and market information service providers shall publish this information so that investors may see the indicative right value when entering orders. |
| **Right Trading Price** | It is the price at which the right is traded, knowing that this price is determined by the supply and demand mechanism in Tadawul and therefore may differ from the indicative right value. |
| **Allocation Date** | The shares will be allocated no later than 29/01/1446H (corresponding to 04/08/2024G). |
| **Allocation Method and Surplus Refund** | The shares shall be allotted to the entitled persons based on the number of rights they have exercised fully and correctly. The fractions of the shares shall be collected and added to the Rump Shares and then offered to the Institutional Investors during the Rump Offering Period.<br>The total offering price of the Rump Shares of the Company shall be paid, and the rest of the proceeds of the sale of the Rump Shares and fractions of the shares (if any) shall be distributed without calculating any fees or deductions (beyond the offering price) to those who have not subscribed in whole or in part to the new shares and to those who are entitled to fractions of the shares, noting that the investor who has not subscribed or sold its rights, and the owners of fractions of the shares, may not receive any consideration if the sale is made during the Rump Offering Period at the offering price. (Please refer to Section 12 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus). The subscription surplus (if any) shall be returned to the subscribers without any commissions or deductions by the Lead Manager. |
| **New Shares Trading** | The trading of the new shares on the Saudi Stock Exchange (Tadawul) shall start after completing all procedures related to the registration, allocation and listing of the new shares. |

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| **Entitlement to Dividends** | The holders of the new shares shall be entitled to any dividend announced by the Company to be distributed after the date of their issuance. |
| **Voting Rights** | The Company has one class of ordinary shares only. None of the shares grants its holder any preferential voting rights. The new shares shall be fully paid up and fully equal to the existing shares. Each share gives its holder the right to one vote in ordinary and extraordinary general meetings, and the cumulative vote shall be used in electing the Board of Directors. The General Assembly meetings, shareholder's participation therein and voting on its resolutions may be carried out by means of modern technology, in accordance with rules set by the Competent Authority. |
| **Restrictions on Shares** | There are no restrictions on the trading of the Company›s shares except for regulatory restrictions on listed shares in general. |
| **Restrictions on New Shares as a Result of Capital Increase** | There are no restrictions on the shareholders in general and the founding shareholders after the subscription process resulting from the capital increase. |
| **Restrictions on Trading Priority Rights** | There are no restrictions on trading rights. |
| **Shares Previously Listed by the Issuer** | The Company was established on 01/06/1414H (corresponding to 15/11/1993G) under Commercial Registration No. 2252021816 issued by the city of Al-Mubarraz. on 26 /04/1414H (corresponding to 13/10/1993G) the Company has listed and registered three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi riyals per share on the Saudi Stock Exchange ("Tadawul"). The founding shareholders subscribed to one million nine hundred thousand (1,900,000) ordinary shares, and one million one hundred thousand (1,100,000) ordinary shares were offered as an initial public offering, representing 36.67% of the Company's capital. The capital of the Company upon its listing in Tadawul amounted to three hundred million (300,000,000) Saudi riyals divided into three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi riyals per share.<br>On 13/01/1419H (corresponding to 29/04/1998G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to amend the shares of the Company and their nominal value from three hundred million (300,000,000) Saudi riyals divided into three million (3,000,000) shares with a nominal value of one hundred (100) Saudi riyals to three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) shares with a nominal value of fifty (50) Saudi riyals per share.<br>On 03/11/1426H (corresponding to 05/12/2005G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) ordinary shares to three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of fifty (50) Saudi riyals per share.<br>On 11/05/1427H (07/06/2006G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares to four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares by granting a free share for every four (4) shares owned by the shareholders registered in the shareholders register with a nominal value of ten (10) Saudi riyals per share. At the same meeting, approval was given to amend the nominal value of the share from fifty riyals (50) Saudi riyals to ten (10) Saudi riyals, and the increase was met by transfer from the balance of retained earnings.<br>On 03/12/1429H (corresponding to 01/12/2008G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares to four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of ten (10) Saudi riyals per share.<br>On 08/06/1441H (corresponding to 02/02/2020G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares to seven hundred and thirty-seven million three hundred and twenty-six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares through the acquisition of the full shares of the partners in Al-Salam Medical Services Company.<br>On 04/11/1441H (corresponding to 25/06/2020G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to relocate the headquarters of the Company from the city of Al-Mubarraz to the city of Al-Khobar. Accordingly, the Commercial Registration of the Company was amended from No. 2252021816 to No. 2051064048 under the Commercial Registration dated 19/07/1438H (corresponding to 16/04/2017G).<br>On 04/04/1443H (corresponding to 09/11/2021G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from seven hundred and thirty-seven million three hundred and twenty thousand six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares to eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares by acquiring an additional share of 26.43% in the capital of Al-Ahsa Medical Services Company, which increased its ownership from 69.9% to 96.3% (after previously increasing its share from 53.61% to 69.9% in 2019G). On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company.<br>On 02/01/1446H (corresponding to 08/07/2024G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital of the Company from eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares to one billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals divided into one hundred million six hundred and thirty-six thousand three hundred and twenty-eight (100,636,328) ordinary shares through the issuance of Rights Issue Shares. The number of shares listed at the date of this Prospectus is eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) shares. |

| | |
|---|---|
| **Risk Factors** | Investing in this subscription involves certain risks, and these risks may be classified into: (i) Risks related to the Company, its activities and operations, (ii) Additional risks related to the healthcare business of the Company and its subsidiaries, (iii) Other risks related to the food products business through its subsidiary (Al Ahsa Food Industries Co. Ltd.), (iv) Risks related to a potential sale transaction, (v) Risks related to the market and sector, (vi) Risks Related to the Offer Shares. (please refer to Section 2 ("**Risk Factors**") of this Prospectus). |
| **Conditions for Subscription to Rights Issue Shares** | Eligible persons wishing to subscribe for new shares shall fulfill the relevant subscription conditions. For more details about the terms, conditions and instructions of the subscription, please refer to section 12 ( "**Details on Shares and Offering Terms and Conditions**" of this Prospectus. |
| **Total Proceeds Previously Obtained from Previous Priority Rights Issuance, their Analysis, Description and Uses** | None |
| **Material Amendments to the Information Disclosed in the Latest Prospectus** | None |

**Note**: The Section "**Important Notice**" on page (i) and section 2 ("**Risk Factors**") of this Prospectus shall be read carefully prior to making any decision to invest in Rights Issue Shares under this Prospectus.

# Key Dates and Subscription Procedures

**Table 4: Expected Priority Rights Offering Timetable**

| Event | Date |
|---|---|
| Convening the EGM on approving the capital and determining the date of eligibility and eligible shareholders, noting that the eligible shareholders are the shareholders who own the shares at the end of the trading day of the EGM regarding the capital increase and are registered in the Company's shareholders register with the Depository Center at the end of the second trading day following the Extraordinary General Assembly | 02/01/1446H (corresponding to 08/07/2024G) |
| Trading Period* | The trading period shall start on 08/01/1446H (corresponding to 14/07/2024G), and the trading period shall end on 15/01/1446H (corresponding to 21/07/2024G). During this period, all priority rights holders, whether registered investors or new investors, may trade priority rights. |
| Subscription Period | The subscription period shall start on 08/01/1446H (corresponding to 14/07/2024G), and the subscription period shall end on 18/01/1446H (corresponding to 24/07/2024G). During this period, all priority rights holders, whether registered shareholders or new shareholders, may exercise their right to subscribe to new shares. |
| End of the Subscription Period | The receipt of subscription applications shall end on 18/01/1446H (corresponding to 24/07/2024G). |
| Rump Offering Period | From ten (10:00) am of 23/01/1446H (corresponding to 29/07/2024G) until five (05:00) pm of the following day dated 24/01/1446H (corresponding to 30/07/2024G). |
| Notice of Final Allocation ** | 29/01/1446H (corresponding to 04/08/2024G). |
| Payment of compensation amounts (if any) for eligible persons who did not participate in the Offering, in whole or in part, and those entitled to fractional shares | Compensation amounts, if any, shall be paid no later than 18/02/1446H (corresponding to 22/08/2024G). |
| Expected start date of trading in new shares ** | The shares offered for subscription shall be traded upon completion of all relevant legal procedures. It will be announced later in local newspapers and on the Tadawul website (www.saudiexchange.sa). |

**Note**: All dates mentioned in the above schedule are approximate. The actual dates will be announced on the Saudi Stock Exchange (Tadawul) website (www.saudiexchange.sa).

* The trading period shall start three (3) business days after the approval of the Extraordinary General Assembly regarding the capital increase.

** The period of time between the end of the subscription for priority rights and the deposit of shares in the shareholders' portfolios shall be nine (9) business days.

**Table 5: Key Announcement Dates**

| Announcement | Announcer | Announcement Date |
|---|---|---|
| Announcement of the convocation of the Extraordinary General Assembly regarding capital increase | The Company | 05/12/1445H (corresponding to 11/06/2024G) |
| Announcement of the results of the Extraordinary General Assembly regarding capital increase | The Company | 03/01/1446H (corresponding to 09/07/2024G) |
| Announcement of the amendment of the Company's share price, depositing rights and announcement of the right indicative value | Tadawul | 03/01/1446H (corresponding to 09/07/2024G) |
| Announcement of the determination of the Rights Trading Period and the Subscription Period for New Shares | The Company | 04/01/1446H (corresponding to 10/07/2024G) |
| Announcement of the addition of priority rights for Ayyan Investment Company | Edaa | 05/01/1446H (corresponding to 11/07/2024G) |
| Announcement of the start of the Rights Trading Period and the Subscription Period | Tadawul | 08/01/1446H (corresponding to 14/07/2024G) |
| Reminder of the start of the Rights Trading Period and the Subscription Period | The Company | 08/01/1446H (corresponding to 14/07/2024G) |
| Reminder of the last day of priority rights trading and the importance of those who do not want to subscribe to sell the rights they own | The Company | 12/01/1446H (corresponding to 18/07/2024G) |
| Announcement of the end of the Subscription Period | The Company | 18/01/1446H (corresponding to 24/07/2024G) |
| Announcement of the<br>– Results of the subscription.<br>– Details of the sale of the unsubscribed shares (if any) and the start of the Rump Offering Period | The Company | 22/01/1446H (corresponding to 28/07/2024G) |
| Announcement of the results of the Rump Offering and the notification of the final allocation * | The Company | 29/01/1446H (corresponding to 04/08/2024G) |
| Announcement of the deposit of New Shares in investors' portfolios * | Edaa | 02/02/1446H (corresponding to 06/08/2024G) |
| Announcement of the distribution of compensation amounts (if any) to the eligible persons | The Company | 18/02/1446H (corresponding to 22/08/2024G) |

* The period of time between the end of the subscription for priority rights and the deposit of shares in the shareholders' portfolios shall be nine (9) business days.

Note: All dates mentioned in the above schedule are approximate. The actual dates will be announced on the Saudi Stock Exchange (Tadawul) website (www.saudiexchange.sa). In addition, the date of deposit of the new shares in the investors' portfolios will be determined in coordination with the Securities Depository Center Company (Edaa).

It should also be noted that if an announcement regarding the offering is published in a local newspaper after the publication of the Prospectus, the announcement will include the following, in accordance with Article 51(e) of OSCO Rules:

1. Name of the Issuer and its commercial registration number.
2. Securities, their value, type and class covered by the application for registration and offering of securities.
3. Addresses and places where the public may obtain the prospectus.
4. Date of publication of the prospectus.
5. A statement that the announcement is for information only and does not constitute an invitation or offering to own, buy or subscribe to securities.
6. Name of Lead Manager, Underwriter, Financial Advisor and Legal Advisor.
7. Disclaimer as follows: "The CMA and Saudi Stock Exchange take no responsibility for the content of this disclosure, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this disclosure".

## How to Apply for Subscription

Subscription to Rights Issue Shares is initially limited to eligible persons, whether they are registered investors or new shareholders. In the event that the priority rights of the eligible persons are not exercised, any Rump Shares will be offered to the Institutional Investors during the Rump Offering Period. Eligible persons wishing to subscribe for new shares must submit subscription applications through the means and services provided by the broker to investors, under two basic conditions:

- The entitled person shall have an account with one of the brokers who provide these services.
- The data of the entitled person should be up to date, and there should be no changes in the data or information of the entitled person (by deleting or adding a member of his family) since his subscription to a recent offering, unless these amendments have been communicated to and approved by the mediators.

Subscription applications shall be submitted through the investment portfolio at trading platforms and applications through which buy and sell orders are entered, in addition to the possibility of subscription through any other means provided by the broker and the custodian of shares. The Company reserves the right to reject any application to subscribe for new shares in whole or in part, in the event that it does not meet any of the conditions or requirements of the subscription. The subscription application may not be amended or withdrawn after submission Such application when it is submitted constitutes a binding contract between the Company and the Eligible Shareholder (please refer to Section 12 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus).

## Q&A Related to the New Priority Rights Offering Mechanism

### What are priority rights?

They are tradable securities that give its holder the right to subscribe to the new shares offered upon the approval of the capital increase, which is an acquired right of all shareholders who own the shares on the day of the Extraordinary General Assembly meeting regarding the capital increase and who are registered in the Company's register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Assembly meeting. Each right grants its holder the right to subscribe to one new share at the offering price.

### Who is granted the priority rights?

For all shareholders registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Assembly meeting, which is known as the Entitlement Date.

### When are priority rights deposited?

After the Extraordinary General Assembly meeting and its approval to increase the capital through the offering of Rights Issue Shares Priority rights shall be deposited as securities in the portfolios of the shareholders in the Company's register at the Depository Center at the end of the second trading day after the Extraordinary General Assembly meeting, and the shares will appear in their portfolios under a new symbol for priority rights. These rights may not be traded or subscribed to except at the start of the trading and subscription periods.

### How is the restricted shareholder notified of the deposit of priority rights in the portfolio?

The notification shall be made by announcement on Tadawul website as well as by the service (Tadawulati) provided by the Edaa and SMS messages sent by brokerage companies.

### How many priority rights will the registered shareholder receive?

The number depends on the percentage of what each shareholder owns in the capital according to the Company's shareholders' register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly meeting.

### What is the subscription eligibility coefficient?

It is the coefficient that enables the registered shareholders to know the number of priority rights they are eligible to in exchange for the shares they own according to the Company's shareholders' register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly meeting. This coefficient is calculated by dividing the number of new shares by the number of existing shares of the Company. Accordingly, the eligibility coefficient is approximately (0.2480) rights for each (1) share owned by the registered shareholder at the eligibility date. Accordingly, if a registered shareholder holds one thousand (1,000) shares at the eligibility date, it shall be allotted two hundred and forty-eight (248) rights.

### Will the trading name and symbol of these rights differ from the name and symbol of the Company's shares?

Yes, the acquired right will be added to the investors' portfolios under the name of the original share, and by adding the word priority rights, in addition to a new symbol for these rights.

### What is the value of the right at the beginning of its trading?

The opening price will be the difference between the closing price of the Company's shares on the day before listing the right and the offering price (right indicative value). For example (using hypothetical prices), if the closing price of the share on the previous day was twenty-five (25) Saudi riyals and the offering price was ten (10) Saudi riyals, then the opening price of the priority rights at the beginning of trading would be fifteen (15) Saudi riyals (which is the difference between the two prices).

### Who is a registered shareholder?

It is any shareholder who appears in the Company's shareholder register at the end of the second trading day following the Extraordinary General Assembly meeting.

### May registered shareholders subscribe to additional shares?

Yes, registered shareholders may subscribe to additional shares by purchasing new rights through the Market during the trading period.

### Is it possible for a registered shareholder to lose its right to subscribe even if it has the right to attend the Extraordinary General Assembly meeting and vote on the capital increase by offering Rights Issue Shares?

Yes, a shareholder loses its right to subscribe if its sells its shares on the day of the Extraordinary General Assembly meeting or one business day before it.

### How does the subscription process take place?

The subscription process is carried out by submitting subscription applications through the investment portfolio on the trading platforms through which buy and sell orders are entered, in addition to the possibility of subscription through any other means provided by the broker and the share custodian.

### May the eligible person subscribe to more shares than the rights he owns?

The eligible person may not subscribe to more shares than the rights he owns.

### If the Company's shares are owned through more than one investment portfolio, in which portfolio are the priority rights deposited?

The priority rights will be deposited in the same portfolio in which the Company shares associated with the rights are deposited. For example, if a shareholder owns one thousand (1,000) shares in the Company, distributed as follows: eight hundred (800) shares in portfolio (A), and two hundred (200) shares in portfolio (B), the total rights that will be deposited are two hundred and forty-seven (247) rights, given that each share has approximately (0.2480) rights, one hundred and ninety-eight (198) rights will be deposited in portfolio (A), and forty-nine (49) rights in portfolio (B).

### In the event of subscription through more than one portfolio, where are the new shares deposited after the allocation?

The shares shall be deposited in the investment portfolio mentioned in the first subscription application.

### Are holders of share certificates entitled to subscribe and trade?

Yes, holders of share certificates may subscribe to Rights Issue Shares, but they will not be able to subscribe except after depositing the certificates in electronic investment portfolios through brokers or the Securities Depository Center Company ("Edaa"), and bring the necessary documents before depositing priority rights by Edaa in the share portfolios of registered shareholders.

### How can holders of share certificates obtain priority rights?

Holders of share certificates will receive priority rights, each according to their ownership, but they will not be deposited due to the failure to register share certificates in investment portfolios with brokers and the Securities Depository Center Company ("Edaa") before the trading and subscription period. In addition, if the procedures for depositing the certificates in the investment portfolio are not completed before the beginning of the trading and subscription period, the Lead Manager will sell the shares resulting from those rights during the Rump Offering Period and transfer more than the offering price (if any) to the Company which will keep those amounts until they are claimed by the holders of share certificate, provided that the Company inserts a statement stating the existence of those amounts due to the holders of share certificate and the method of claiming them in the announcement of the distribution of compensation amounts (if any) to the eligible persons.

### Does anyone who bought additional rights have the right to trade them again?

Yes, he has the right to sell it and buy other rights during the trading period only.

### Is it possible to sell part of these rights?

Yes, the investor may sell part of these rights and subscribe to the remaining part.

### When may a shareholder subscribe to the priority rights that it purchased during the trading period?

Any time during the subscription period, i.e. until the ninth (9) day after the settlement of the rights purchase (two business days).

### May the holder of priority rights sell or waive the right after the expiry of the trading period?

No, it may not. After expiry of the trading period, only the eligible person may or may not exercise the right to subscribe to Rights Issue Shares. In the event that the right is not exercised, the investor may be subject to a loss or decline in the value of its investment portfolio.

### What happens to priority rights that were not sold or subscribed for during the subscription period?

In the event that all new shares are not subscribed to during the subscription period, the rump new shares will be offered for a subscription process organized by the Lead Manager. The compensation amount (if any) will be calculated for the rights owner after deducting the subscription amount. Furthermore, it should be noted that the investor may not receive any compensation if the sale is made during the Rump Offering Period at the offering price.

### Who has the right to attend the Extraordinary General Assembly meeting and vote on increasing the Issuer's capital by offering Rights Issue Shares?

The shareholder registered in the Company's shareholder register at the Depository Center at the end of the trading day on the day of the Extraordinary General Assembly meeting regarding the capital increase has the right to attend the Extraordinary General Assembly meeting and vote on increasing the Issuer's capital by offering Rights Issue Shares.

### When is the share price adjusted as a result of increasing the Issuer's capital by issuing Rights Issue Shares?

The share price will be adjusted by the Market before the start of trading on the day following the day of the Extraordinary General Assembly meeting.

### If an investor buys shares in the Company on the day of the General Assembly meeting, is it entitled to obtain the priority rights resulting from the increase in the Issuer's capital?

Yes, as the investor will be registered in the Company's shareholder register two business days after the date of purchasing the shares (i.e. at the end of the second trading day following the Extraordinary General Assembly meeting), knowing that priority rights will be granted to all shareholders registered in the Company's registers at the end of the second trading day following the date of the Extraordinary General Assembly meeting, but it will not be entitled to attend or vote in the Extraordinary General Assembly meeting regarding the capital increase.

### If an investor has more than one portfolio with more than one brokerage Company, how will it rights be calculated?

The investor's share will be distributed among the portfolios owned by the investor according to the percentage of ownership in each portfolio. If there are fractions, those fractions will be summed, and if they complete one or more whole numbers, the whole number will be added to the portfolio in which the investor owns the largest amount of rights.

### What are the trading and subscription periods?

Rights trading and subscription begin at the same time, three (3) business days after the approval of the Extraordinary General Assembly including the approval of the capital increase until the end of trading on the sixth day, while subscription continues until the ninth day, according to what is set forth in this Prospectus and the Company's announcements. .

### Is it possible to subscribe during the weekend?

No, it is not possible.

### May public investors other than registered shareholders subscribe to Rights Issue Shares?

Yes, after completing the purchase of priority rights through the Market during the trading period.

### Will any other fees be added to priority rights trading process?

The same commissions will be applied to buying and selling transactions as for shares, but without a minimum or maximum commission amount.

## Additional Support:

- In case of inquiries, please contact the Company at the email (share@ayyan.com.sa). For legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of the rights issue or even provide financial, tax, legal or investment advice.
- For more information about the terms, conditions and instructions of subscription, please refer to Section 12 ("**Details on Shares and Offering Terms and Conditions**") and other of information contained in this prospectus.

# Summary of Key information

This summary provides a brief overview of the information contained in this prospectus, but it does not include all the information that may be important to subscribers. Therefore, recipients of this prospectus should read it in its entirety before deciding to invest in the new shares offered. All terms and abbreviated expressions contained in this Prospectus are defined in Section 1, "**Terms and Definitions**," and elsewhere in this Prospectus.

# Company Overview

## History and Incorporation

AYYAN Investment (hereinafter referred to as the "Company", "Ayyan" or "Issuer") is a Saudi joint stock Company, incorporated by virtue of the Articles of Association dated 11/11/1413H (corresponding to 02/05/1993G) and by virtue of Ministerial Resolution No. 573 issued on 26/04/1414H (corresponding to 13/10/1993G), declaring the establishment of the Company and is registered under the Commercial Registration No. 2051064048 issued from Al-Khobar City on 19/07/1438H (corresponding to 16/04/2017G).

The headquarters of the Company is located in Al-Khobar City, Tariq Bin Ziad Street, Al Rakah Al Janubiyah P.O. Box 77411, Al-Khobar 31952, Saudi Arabia.

## Capital

The current capital of the Company is eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares with a fully paid nominal value of ten (10) Saudi riyals per share, and all of those shares are fully paid.

## Major Changes in the Company's Share Capital

The Company was established in the name of "Al-Ahsa Development Company" by virtue of the Articles of Association dated 11/11/1413H (corresponding to 02/05/1993G) and by virtue of Ministerial Resolution No. 573 dated 26/04/1414H (corresponding to 13/10/1993G), declaring the announcement of the establishment of the Company and under the Commercial Registration No. 2252021816 issued by the city of Al-Mubarraz on 01/06/1414H (corresponding to 15/11/1993G). on 26 /04/1414H (corresponding to 13/10/1993G) the Company has listed and registered three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi riyals per share on the Saudi Stock Exchange ("Tadawul"). The founding shareholders subscribed to one million nine hundred thousand (1,900,000) ordinary shares, and one million one hundred thousand (1,100,000) ordinary shares were offered as an initial public offering, representing 36.67% of the Company's capital.

On 13/01/1419H (corresponding to 29/04/1998G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to amend the shares of the Company and their nominal value from three hundred million (300,000,000) Saudi riyals divided into three million (3,000,000) shares with a nominal value of one hundred (100) Saudi riyals to three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) shares with a nominal value of fifty (50) Saudi riyals per share.

On 03/11/1426H (corresponding to 05/12/2005G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) ordinary shares to three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of fifty (50) Saudi riyals per share.

On 11/05/1427H (07/06/2006G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares to four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares by granting a free share for every four (4) shares owned by the shareholders registered in the shareholders register with a nominal value of ten (10) Saudi riyals per share. At the same meeting, approval was given to amend the nominal value of the share from fifty riyals (50) Saudi riyals to ten (10) Saudi riyals, and the increase was met by transfer from the balance of retained earnings.

On 03/12/1429H (corresponding to 01/12/2008G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares to four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of ten (10) Saudi riyals per share.

On 08/06/1441H (corresponding to 02/02/2020G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares to seven hundred and thirty-seven million three hundred and twenty-six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares through the acquisition of the full shares of the partners in Al-Salam Medical Services Company.

On 04/11/1441H (corresponding to 25/06/2020G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to amend the name of the Company from "Al-Ahsa Development Company" to "Ayyan Investment Company" and to relocate the headquarters of the Company from the city of Al-Mubarraz to the city of Al-Khobar. Accordingly, the Commercial Registration of the Company was amended from No. 2252021816 to No. 2051064048 under the Commercial Registration dated 19/07/1438H (corresponding to 16/04/2017G).

On 04/04/1443H (corresponding to 09/11/2021G), the Extraordinary General Assembly Meeting of the Shareholders of the Company was held and approval was given to increase the capital from seven hundred and thirty-seven million three hundred and twenty thousand six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares to eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares by acquiring an additional share of 26.43% in the capital of Al-Ahsa Medical Services Company, which increased its ownership from 69.9% to 96.3% (after previously increasing its share from 53.61% to 69.9% in 2019G). On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company.

## Substantial Shareholders

The following table shows, as of the date of this Prospectus, the number of shares and percentage of ownership of the Company's substantial shareholders (who own 5% or more of the Company's shares):

**Table 6: Substantial Shareholders of the Company**

| No. | Shareholders | Number of Shares | Company Ownership (%) |
|---|---|---|---|
| 1 | Al-Othman Holding Company, Closed Joint Stock | 16,915,594 | 20.978% |
| 2 | Manafea Al Salam for Medical Healthcare Holding Company | 6,309,000 | 7.824% |

Source: Tadawul Website

## Summary of Company's Activities and Products

According to its Commercial Registration No (2051064048) dated 19/07/1438H (corresponding to 16/04/2017G), The Company's activities are to practice and implement general construction of non-residential buildings such as schools, hospitals and hotels.

The activities of the Company, according to the Articles of Association, are to carry out and implement the following purposes:

a. To establish, manage, operate and maintain various industrial projects solely or in conjunction with other companies, bodies or individuals.
b. Maintenance, management and operation of industrial, residential and commercial cities, public and private facilities and establishments.
c. Ownership and reclamation of lands and using them in the establishment of agricultural and livestock production projects.
d. To own, manage, operate and maintain real estate and land, establish commercial and residential establishments on them and invest them by selling, buying and renting in cash or installments.
e. To own, invest, manage, operate and maintain hotels, hospitals, health, educational, recreational and tourism facilities.
f. To establish, manage, operate and maintain cold stores, transport fleets, maintenance and repair workshops and fuel stations.
g. Wholesale and retail trade of what falls within the scope of the agricultural, tourism and health industrial Company and the export of the Kingdom's various products to other countries.
h. Commercial Agencies

The Company exercises its activities under the applicable laws and after being granted the necessary licenses from the competent authorities, if any.

# Company`s Vision, Mission, Strategy and Values

## Company`s Vision

The Company seeks to be a distinguished investment Company in the health care sector primarily with a positive contribution to raising the quality of the sector and building strong relationships with all relevant parties.

## Company`s Mission

- Developing the Company`s assets through acquisitions and mergers, and building strategic partnership relationships.
- Improving the return on investments through business development and continuous expansion.
- Developing the capabilities and cadres of the Company in the administrative, financial and medical fields.

## Company`s Strategy

The Company adopts a new approach to investments by focusing the investment strategy towards the healthcare sector as it provides a good opportunity for growth and achieves sufficient annual returns on investment.

Investment in the healthcare sector includes all relevant sectors / activities namely:

- Healthcare facilities (including but not limited to hospitals, clinics, laboratories, psychiatry, and primary healthcare centers).
- Medical supplies (including all types of manufacturing and distribution of medical equipment supplies, including medical products and high-tech equipment).
- Medical services (including insurance, R&D, medical and other logistics services).
- Pharmaceuticals (including retail, distribution and pharmaceutical industry).

## Summary of Competitive Advantages and Strengths

The management of the Company understands that the main competitive advantages and core strengths of the Company are as follows:

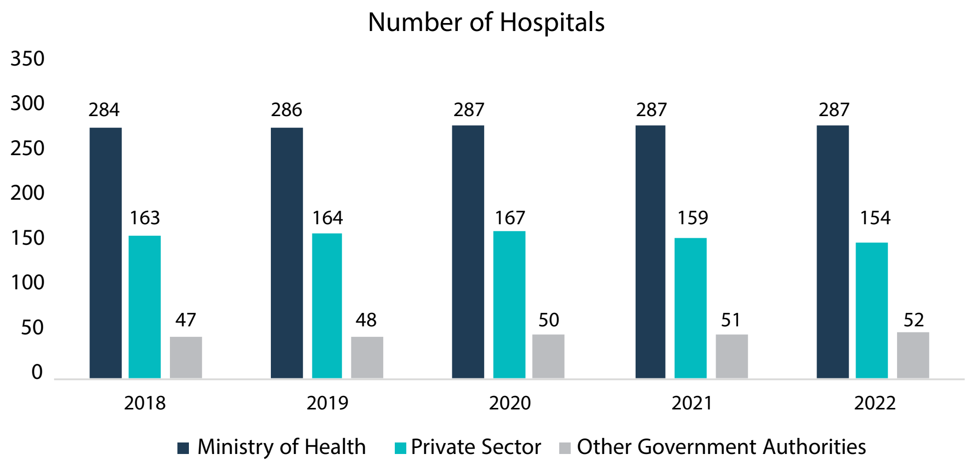
- Having strategic locations for the Company’s hospitals in the Eastern Province.
- Having experienced and highly qualified medical staff.
- Strong reputation for the quality of healthcare services provided.
- Possibility of expanding and improving the current capacity of existing facilities.
- Customer loyalty and strategic relationship with insurance companies.
- Obtaining accreditation from external accreditation bodies (such as the Joint Commission International for Accreditation of Health Facilities (JCI), the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI), and the American Society for Pathology).
- Reliance on the latest technology and equipment.

# Market Overview

## 1. Healthcare Industry

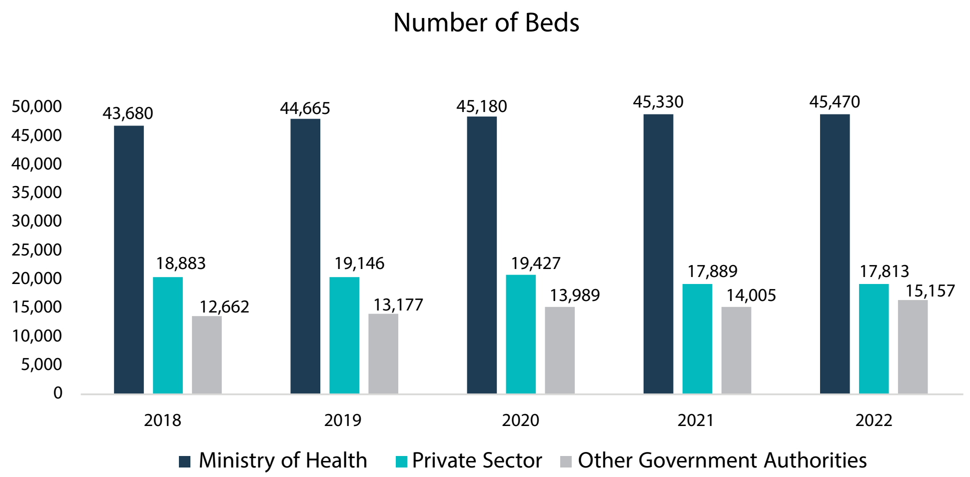
The number of hospitals affiliated with the Ministry of Health reached 284 during 2018G and reached 287 hospitals affiliated with the Ministry of Health during 2022G, while the number of hospitals affiliated with other government agencies reached 47 hospitals and increased to 52 hospitals during 2022G. While the number of hospitals affiliated with the private sector reached 163 hospitals during the year 2018G, the number of hospitals decreased to 154 hospitals during the year 2022G.

The figure below shows the number of hospitals affiliated with the Ministry of Health, other government authorities, and the private sector during the years 2018G and 2022G:




Source: Ministry of Health

The health care sector has witnessed an increase in the number of beds across the Kingdom. The number of beds affiliated with the Ministry of Health reached 43.7 thousand beds during the year 2018G, while the number of beds increased to reach 45.5 thousand beds during the year 2022G. In addition, the number of beds of other government authorities reached 12.7 thousand beds during the year 2018G. The number of beds increased to reach 15.2 thousand beds during the year 2022G. On the other hand, the number of beds in the private sector recorded a decrease between the years 2018G and 2022G, when the number of beds in 2018G reached 18.9 thousand beds, reaching 17.8 thousand beds in the year 2022G.




Source: Ministry of Health

According to the Health Sector Transformation Program, a Saudi Vision 2030 program, the health sector has witnessed a noticeable improvement over the recent years since the launch of Saudi Vision 2030, which had a major role in increasing the Kingdom's readiness to confront health crises. The Health Sector Transformation Program aspires also to achieve a number of points which aims to raise the quality and efficiency of the health sector:

- **Improving health care in the Kingdom**: by setting national standards for quality, governance, and monitoring of service provision (at both public and private sectors) by the health sector regulator and monitor (the Ministry of Health).
- **Improving the efficiency of health care providers**: which will result in the sustainability of national costs of health care as well as a decrease in the growth rate of public expenditures on health care. Furthermore, the health sector will also have a key role in providing health care to beneficiaries.
- **National Health Insurance Center**: The Center provides free insurance coverage to citizens by purchasing health services from providers. The National Health Insurance Center is considered a national body concerned with paying the costs of health care, and its mission is to enhance the value and quality of health care. The objective behind the establishment and operation of the Center is to create a sustainable financing mechanism based on financing outputs to enable the design of a mechanism for purchasing health services from health cluster operators in accordance with the global trend, which includes beneficiary satisfaction. This mechanism ensures the sustainability of the free provision of health services to citizens.
- Stimulating the private sector: to participate in the transformation of the health sector and increase the percentage of private sector investment out of the total investments in the health sector.

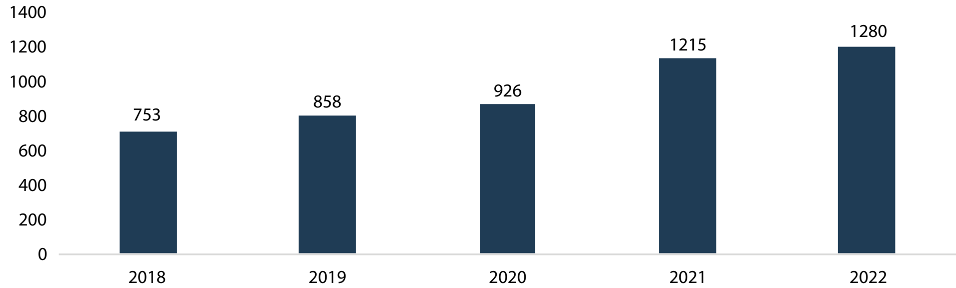
## 2. Production of Dates and their Derivatives

According to the Agricultural Statistics Publication for the year 2022G issued by the General Authority for Statistics, the date production sector achieved a rate of 124%, as the highest rate of self-sufficiency in plant products in the Kingdom for the year 2022G.

It is worth noting that, according to the statistics of the National Center for Palm & Dates, the total domestic production reached 1.5 million tons for the year 2022G, and the Kingdom's total exports of dates during the year 2022G reached (321.2) million kilograms. The value of exports of dates and their derivatives reached 1.2 billion Saudi riyals during the year 2022G, while the total Kingdom's exports of date processing products amounted to (71.3) kgs during the year 2022G.

The figure below shows the value of the Kingdom's exports of dates and their derivatives during the years 2018G and 2022G:

Kingdom's Exports of Dates and their Derivatives (SAR 000'000)




Source: National Center for Palms & Dates

# Summary of Financial Information

The financial information and key performance indicators set out below should be read in conjunction with the Company's audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, 2022G and the six-month period ended 30 June 2023G and the accompanying notes prepared in accordance with the International Financial Reporting Standards adopted in the Kingdom, which have been audited by the auditors.

## Statement of Financial Position:

| (SAR 000) | As of December 31, 2020G (Audited) | As of December 31, 2021G (Audited) | As of December 31, 2022G (Audited) | As at 30 June 2023G (Unaudited) |
|---|---|---|---|---|
| Total Non-Current Assets | 1,105,561 | 1,290,360 | 1,397,931 | 1,416,090 |
| Total Current Assets | 205,659 | 227,043 | 238,312 | 258,793 |
| **Total Assets** | **1,311,220** | **1,517,403** | **1,636,243** | **1,674,884** |
| **Total Equity** | **819,004** | **816,902** | **744,093** | **656,105** |
| Total Non-Current Liabilities | 259,471 | 585,794 | 575,987 | 644,658 |
| Total Current Liabilities | 232,746 | 114,708 | 316,162 | 374,120 |
| **Total Liabilities** | **492,217** | **700,501** | **892,149** | **1,018,779** |
| **Total Equity and Liabilities** | **1,311,220** | **1,517,403** | **1,636,243** | **1,674,884** |

Source: Financial statements of the Company.

## Income Statement

| (SAR 000) | As of December 31, 2020G (Audited) | As of December 31, 2021G (Audited) | As of December 31, 2022G (Audited) | As at 30 June 2022G (Unaudited) | As at 30 June 2023G (Unaudited) |
|---|---|---|---|---|---|
| Revenue, Net | 255,316 | 269,563 | 266,227 | 141,457 | 145,678 |
| Revenue Cost | (187,451) | (205,011) | (249,394) | (109,374) | (159,993) |
| Total Profit/(Loss) | 67,865 | 64,552 | 16,833 | 32,083 | (14,315) |
| Operation Profit/(Loss) | 1,729 | (10,123) | (57,137) | (6,984) | (77,372) |
| Net Profit/(Loss) before Zakat | 37,577 | 11,008 | (38,714) | 4,176 | (86,489) |
| Net Profit / (Loss) | 30,847 | 6,376 | (44,631) | 1,969 | (87,989) |
| Other Comprehensive Income /(Loss) | (30,447) | (5,331) | (28,178) | - | - |
| Total Other Comprehensive Income /(Loss) | 400 | 1,045 | (72,809) | 1,969 | (87,989) |

Source: Financial statements of the Company.

## Cash Flow Statement:

| (SAR 000) | As of December 31, 2020G (Audited) | As of December 31, 2021G (Audited) | As of December 31, 2022G (Audited) | As at 30 June 2022G (Unaudited) | As at 30 June 2023G (Unaudited) |
|---|---|---|---|---|---|
| Net Cash Resulting from/ (Used in) Operational Activities | 57,504 | 47,632 | (38,841) | (6,666) | 20,518 |
| Net Cash Used in Investing Activities | (88,769) | (167,470) | (82,800) | (51,514) | (30,605) |
| Net Cash Generated from Financing Activities | 20,841 | 145,876 | 169,199 | 61,309 | 10,652 |

Source: Financial statements of the Company.

## Key Performance Indicators:

| Item | 31 December 2020G | 31 December 2021G | 31 December 2022G | 30 June 2022G | 30 June 2023G |
|---|---|---|---|---|---|
| Gross Profit Margin | 26.6% | 23.9% | 6.3% | 22.7% | (9.8%) |
| Operational Profit Margin | 0.7% | (3.8%) | (21.5%) | (4.9%) | (53.1%) |
| Profit Margin before Interest, Tax, Depreciation And Amortization | 20.9% | 11.6% | (5.2%) | 10.6% | (33.2%) |
| Net Profit Margin | 12.1% | 2.4% | (16.8%) | 1.4% | (60.4%) |
| Return on Total Assets | 3.1% | 0.5% | (2.8%) | (2.8%) | (5.3%) |
| Return on Equity | 4.4% | 0.8% | (5.7%) | (5.7%) | (12.6%) |

Source: The Company

## Summary of Risk Factors

The potential investors should carefully consider all of the information contained in this Prospectus, including in particular the risk factors listed below, before making any decision to subscribe for Priority Interest Shares, which are described in detail in Section 2 ("**Risk Factors**").

There are risks related to the issuance of Rights Issue Shares and they may be summarized as follows:

- Risks related to the Company's activity and operations
  - Risks related to the inability to implement the strategy
  - Risks related to the Company's dependence on the performance of its subsidiaries and invested companies
  - Risks related to the impact of increased costs and operational expenses of the Company's business and its subsidiaries
  - Risks Related to Permits, Licenses and Approvals Necessary for the Business of the Company and its Subsidiaries
  - Risks Related to Trademarks on which the Company and Subsidiaries Rely
  - Risks Related to the Agreements Concluded with Related Parties
  - Risks Related to The Lack of Supply Contracts Signed with Some Substantial Suppliers
  - Risks Related to The Company's Reliance on Its Senior Management and Senior Staff
  - Risks Related to the Sufficiency of Insurance Coverage
  - Risks Related to the Crashing of the Information Technology Systems of the Company and Its Subsidiaries
  - Risks Related to the Involvement of the Company and its Subsidiaries into Lawsuits
  - Risks Related to Zakat
  - Risks Related to Existing Financing Arrangements with the Company and its Subsidiaries
  - Risks Related to Guarantees Provided to Financiers on behalf of Subsidiaries
  - Risks Related to the Mortgage of Certain Properties of the Company and its Subsidiaries
  - Risks Related to Trading and Investment Activities
  - Risks Related to the New Companies Law and its Enforcement
  - Risks Related to the Reliance of Subsidiaries on Supply on a Substantial Shareholder
  - Risks Related to the Company's Reliance on Loans and Credit Facilities
  - Risks Related to Liquidity Determinants and Working Capital Financing
  - Risks Related to the Company's Historically Low Profitability
  - Risks Related to the Low Profitability of Al-Ahsa Medical Services Company (a subsidiary) and the Continued Recording of Losses
  - Risks Related to the Operation of Al-Salam Hospital of Al-Salam medical service Company (a subsidiary)
  - Risks Related to Loans by Related Parties
  - Risks Related to the Volatility of the Company's Investments Historically
  - Risks Related to Compliance with Corporate Governance Regulations
  - Risks Related to Accumulated Losses of the Company and its Subsidiaries
  - Risks Related to the Pledge of Shares of Al-Ahsa Medical Services Company
- Risks Related to the Information Disclosed in the Risk Factors Section
  - Additional Risks Related to the Healthcare Business of the Company and its Subsidiaries
  - Risks Related to Difficulty in Recruiting Health Practitioners and Highly Qualified Administrative Staff
  - Risks related to Recruiting Health Practitioners Working in the Public Sector
  - Risks Related to the Quality Level of Health Services
  - Risks Related to the Concentration of Health Facilities' Revenues on Limited Clinics
  - Risks Related to the Concentration of Revenues of the Company and its Subsidiaries on a Limited Number of Customers
  - Risks Related to the Concentration of Revenues of the Company and its Subsidiaries from Customers of Insurance Companies
  - Risks Related to Customers from Government Entities
  - Risks Related to Non-renewal of Obtaining Key Medical Accreditation Certificates
  - Risks Related to the Management and Treatment of Healthcare Waste
  - Health Risks from Infectious Diseases

- Risks Related to Medical Errors
- Risks Related to Non-compliance with Professional Codes of Conduct and Internal Regulations
- Risks Related to Keeping Abreast of Developments in Medical Technologies
- Risks Related to the Concentration of the Business of Al-Salam Medical Service Company (a subsidiary) and Al-Ahsa Medical Services Company (a subsidiary) in a Specific Geographical Area

- Other Risks Related to the Food Products Business through its subsidiary (Al-Ahsa Food Industries Company)
  - Risks Related to Al-Ahsa Food Industries' Relationship with Customers
  - Risks Related to Quality or Health Problems Related to Al-Ahsa Food Industries Company's Date Derivatives Products
  - Risks Related to the Approval of Products by the Saudi Food and Drug Authority
  - Risks Related to the Supply of Dates
  - Risks Related to the Ability of Al-Ahsa Food Industries to Maintain its Reputation and Brand
- Risks Related to a Potential Sale Transaction
  - Risks Related to the Failure to Guarantee a Potential Sale Transaction
  - Risks Related to the Non-realization of the Benefits of the Sale
  - Risks Related to Dallah Healthcare Operations and the Sector in which it Operates
  - Risks Related to Liquidity and Volatility of Dallah Healthcare Shares after Completing the Sale Transaction
- Risks related to the Market and Sector
  - Risks Related to the Impact of Political and Economic Risks on the Company's Operations
  - Risks Related to Increasing Competitive Factors in the Sector in which the Company and its Subsidiaries Operate
  - Risks Related to the Competition Law
  - Risks Related to Saudization Requirements, Non-Saudi Employees and Other Requirements of Labor Law
  - Risks Related to the Imposition of Additional Fees or New Taxes
  - Risks Related to Changing the Mechanism of Calculating Zakat and Income Tax
  - Risks Related to VAT
  - Risks Related to Non-compliance with Current Regulations and Laws and/or the Issuance of New Regulations and Laws
- Risks Related to the Offer Shares
  - Risks Related to Liquidity and Volatility in the Share Price
  - Risk of Potential Fluctuations in the Price of Rights Issue Shares
  - Risks Related to the Lack of demand for Right Shares and Shares of the Company
  - Risks Related to the Distribution of Profits
  - Risks Related to Low Ownership Ratios
  - Risks Related to Trading in Rights
  - Risks Related to Failure to Exercise Rights in a Timely Manner
  - Risks Related to Shareholders' Lack of Awareness of the Trading Mechanism and their Exercise of Rights
  - Risks Related to Future Offering of New Shares
  - Risks Related to Failure to Ensure that Eligible Persons Receive Compensation
  - Risks Related to the Suspension of trading or Cancellation of the Company's Shares as a result of Not publishing its Financial Statements during the Statutory Period

# Table of Contents

# List of Tables

## List of Figures

# 1. Terms and Definitions

The following table shows a list of definitions and abbreviations of the terms used in this Prospectus:

**Table 1.1: Definitions and Abbreviations**

| Term | Definition |
|---|---|
| **Ayaan, the Company or Issuer** | Ayaan Investment Company - Saudi Joint Stock Company. |
| **Management or Senior Management** | Ayaan Investment Management Team. |
| **Board or Board of Directors** | The Board of Directors of the Company, whose names appear on the page ("iii"). |
| **Kingdom or Saudi Arabia** | The Kingdom of Saudi Arabia |
| **Government** | The Government of the Kingdom of Saudi Arabia. |
| **Share** | A fully paid share of the Company with a nominal value of ten (10) riyals. |
| **Existing Shares** | Eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares with a nominal value of ten (10) Saudi riyals per share, all are fully paid. |
| **Rights or Priority Rights** | They are tradable securities that give its holder the right to subscribe to the new shares offered upon approving the capital increase. It is an acquired right of all registered shareholders. Each right gives its holder the right to subscribe to one share of the new shares at the offering price. The rights shall be deposited after the Extraordinary General Assembly meeting regarding the capital increase on 05/01/1446H (corresponding to 11/07/2024G). These rights will appear in the accounts of the shareholders registered under a new symbol for priority rights. Registered shareholders will be informed of the deposit of rights in their portfolios by announcement on Tadawul website as well as by the service (Tadawulati) provided by the Edaa and SMS messages sent by brokerage companies. |
| **New Shares or Rights Issue Shares** | Twenty million (20,000,000) new ordinary shares, which will be offered at an offering price of ten (10) Saudi riyals per share at a nominal value of ten (10) Saudi riyals by issuing Rights Issue Shares representing an increase in the Company's capital by (24.80%) so that the Company's capital will be one billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals, divided into one hundred million six hundred and thirty-six thousand three hundred and twenty-eight (100,636,328) ordinary shares. |
| **Tadawul** | Automated System for Saudi Tadawul |
| **Financial Statements** | Means the audited financial statements of the Company for the financial years ended 31 December 2020G, 2021G, 2022G and the six-month period ended 30 June 2023G and the accompanying notes, prepared in accordance with International Financial Reporting Standards (IFRS).<br>The financial statements for the financial year ended 31 December 2020G were audited by Ibrahim Ahmed Al-Bassam & Co. Certified Public Accountants (Al-Bassam & Co.).<br>The financial statements for the last two financial years ended 31 December 2021G, 2022G and the six-month period ended 30 June 2023G were audited by Abdullah Mohammad Al Azem, Salaman Bander Al Sudairy, Musab Abdulrahman Al Shaikh, & Partners for Professional Consulting. |
| **Financial Advisor** | Alinma Investment Company. |
| **Lead Manager** | Alinma Investment Company. |
| **Underwriter** | Alinma Investment Company. |
| **Investor or Subscriber** | Each eligible shareholder subscribes or submits an application to subscribe for Rights Issue Shares in accordance with the terms and conditions of the issuance. |
| **Bylaws** | Company`s Bylaws |
| **Offering** | Offering Rights Issue Shares or new shares. |
| **Offering Price** | Ten (10) Saudi riyals per share. |

| Term | Definition |
|---|---|
| **Adjusted OSCO Rules** | OSCO Rules issued by the CMA Board pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) based on the Capital Market Law passed by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/01/2003G), as amended by CMA Board Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G). |
| **Listing Rules** | Listing Rules issued by the Saudi Exchange (Tadawul) and approved by CMA Board Resolution No. 3-123-2017 dated 09/04/1439H corresponding to (27/12/2017G), as amended by CMA Board Resolution No. 1-108-2022 dated 23/03/1444H corresponding to (19/10/2022G). |
| **CML** | The Capital Market Law issued under Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), and amendments thereto. |
| **Net Proceeds or Net Proceeds Offering** | Net offering proceeds after deducting offering costs. |
| **Advisors** | Advisors of the Company in connection with the subscription whose names are listed on the page ("v"). |
| **Prospectus** | This document is prepared by the Company in connection with the subscription of Rights Issue Shares. |
| **Capital Market Authority or Authority** | The Capital Market Authority of the Kingdom of Saudi Arabia. |
| **Saudi Stock Exchange (Tadawul)** | The Saudi Stock Exchange Company, established in accordance with the decision of the Council of Ministers dated 29/02/1428H (corresponding to 19/03/2007G), in implementation of the Capital Market Law, is a Saudi closed joint stock Company, and the only entity authorized to operate as a securities market in the Kingdom of Saudi Arabia, where it lists and trades securities. |
| **The Saudi Stock Exchange, the Capital Market, the Stock Market, the Market, or Tadawul** | Saudi Stock Exchange. |
| **Substantial Shareholders** | They are the shareholders who own 5% and more of the total shares of the Company. As of the date of this Prospectus, the Company has substantial shareholders, namely: (see table below) Source: Tadawul Website |
| **Extraordinary General Assembly** | The Extraordinary General Assembly of Shareholders held in accordance with the Bylaws of the Company. |
| **Extraordinary General Assembly regarding Capital Increase** | The Extraordinary General Assembly Meeting of the Shareholders of the Company was held in order to approve the capital increase of the Company from eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares to one billion six million three hundred and sixty-three thousand two hundred and eighty (1,006,363,280) Saudi riyals divided into one hundred million six hundred and thirty-six thousand three hundred and twenty-eight (100,636,328) ordinary shares through the issuance of Rights Issue Shares. |
| **General Assembly** | The General Assembly of Shareholders held in accordance with the Bylaws of the Company. |
| **Ordinary General Assembly** | The Oordinary General Assembly of Shareholders held in accordance with the Bylaws of the Company. |
| **Corporate Governance Regulations** | Corporate Governance Regulations issued by the CMA Board pursuant to Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by Royal Decree No. M/3 dated28/01/1437H, as amended by CMA Board Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G), based on the Companies Law issued by Royal Decree No. M/132 dated 01/12/1443H |
| **Related Parties** | In OSCO Rules, and according to the glossary used in the regulations and rules of the Capital Market Authority issued by the Board of the Authority under Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H and amended by the Board of the Capital Market Authority Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G), the following:<br>1. Subsidiaries of the Issuer except for companies wholly owned by the Issuer.<br>2. Substantial shareholders of the Issuer.<br>3. Directors and Senior Executives of the Issuer.<br>4. Directors and senior executives of the Issuer's affiliates;<br>5. Directors and senior executives of the Issuer's Substantial Shareholders;<br>6. Any relatives of the persons referred to in (1, 2, 3, 3 or 5) above.<br>7. Any other Company or establishment controlled by any person referred to in (1, 2, 3, 4, 5 or 6) above.<br>* Relatives mean father, mother, husband, wife and children. |

| Shareholder | Ownership | |
|---|---|---|
| | Number of Shares | Ownership (%) |
| Al-Othman Holding Company, Closed Joint Stock | 16,915,594 | 20.978% |
| Manafea Al Salam for Medical Healthcare Holding Company | 6,309,000 | 7.824% |

Source: Tadawul Website

| Term | Definition |
|---|---|
| **Companies Law** | The Companies Law applicable in the Kingdom of Saudi Arabia issued under Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G). |
| **Ministry of Commerce** | The Ministry of Commerce, Kingdom of Saudi Arabia. |
| **Ministry of Municipal Affairs** | Ministry of Municipal and Rural Affairs and Housing of the Kingdom of Saudi Arabia. |
| **The Public** | In OSCO Rules, and according to the glossary used in the regulations and rules of the Capital Market Authority issued by the Board of the Authority under Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H and amended by the Board of the Capital Market Authority Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G), persons other than the following:<br>1. Subsidiaries of the Issuer.<br>2. Substantial Shareholders of the Issuer.<br>3. Directors and Senior Executives of the Issuer.<br>4. Directors and Senior Executives of the subsidiaries of the Issuer.<br>5. directors and senior executives of the Issuer's Substantial Shareholders;<br>6. Any relatives of the persons referred to in (4, 3, 2, 1 or 5) above.<br>7. Any Company controlled by any of the persons referred to in (5, 4, 3, 2, 1, or 6) above.<br>8. Persons acting mutually and collectively holding (5%) or more of the class of shares to be listed. |
| **Underwriting Agreement** | The agreement entered into by the Company with the Underwriter, Alinma Investment Company. |
| **International Financial Reporting Standards (IFRS)** | A set of accounting standards and their interpretations issued by the International Financial Reporting Standards Board. |
| **Eligible Persons** | Priority rights holders, whether they are registered shareholders or general institutional investors and individuals who purchased priority rights during the trading period. |
| **Financial Year (s)** | The period of time for presenting the result of the activity of the establishment, the beginning and end of which are specified in the Articles of Association or the articles of association of the concerned Company, noting that the Company's financial year ends on December 31 of each Gregorian year. |
| **Financial Year 2020G** | The period that starts from January 1,2020G and ends on December 31, 2020G |
| **Financial Year 2021G** | The period that starts from January 1,2021G and ends on December 31, 2021G |
| **Financial Year 2022G** | The period that starts from January 1,2022G and ends on December 31, 2022G |
| **For the financial period ended June 30, 2023G or the six-month period ended June 30, 2023G** | The period that starts from January 1,2023G and ends on December 31, 2021G |
| **Saudi Central Board for Accreditation of Healthcare Institutions** | The Saudi Central Board Accreditation of Healthcare Institution (CBAHI). |
| **Joint International Commission for Accreditation of Healthcare Institution** | Joint Commission International for Accreditation of Healthcare Institution (JCI). |
| **Main Clients of Al-Salam Medical Services** | They are the 3 largest clients of Al-Salam Medical Services Company representing more than 5% of total revenues as of the six-month period ended June 30, 2023G. |
| **Main Clients of Al-Ahsa Medical Services Company** | They are the 4 largest clients of Al-Ahsa Medical Services Company, representing more than 5% of the total revenues as of the six-month period ended June 30, 2023G. |
| **Main Suppliers of Al-Salam Medical Services** | They are the 5 largest suppliers of Al-Salam Medical Services Company representing more than 5% of total procurement as of the six-month period ended June 30, 2023G. |
| **Main Suppliers of Al-Ahsa Medical Services Company** | They are the 5 largest suppliers of Al-Ahsa Medical Services Company based on total procurement as of the end of the six-month period ended June 30, 2023G. |
| **Main Clients** | They are the main clients of the subsidiaries (Al-Ahsa Medical Services Company and Al-Salam Medical Services Company) representing more than 5% of the total revenues of each of the subsidiaries. |
| **Saudization** | Replacement of expatriate workers in private sector jobs by Saudi nationals. |
| **Saudi Riyal (SAR)** | The official currency of the Kingdom of Saudi Arabia. |

| Term | Definition |
|---|---|
| **Saudi Organization for Chartered and Professional Accountants (SOCPA)** | The Saudi Organization for Certified Public Accountant of the Kingdom of Saudi Arabia. |
| **General Organization for Social Insurance** | The General Organization for Social Insurance of the Kingdom of Saudi Arabia |
| **Registered Shareholders** | Shareholders holding shares at the end of trading on the day of the Extraordinary General Assembly regarding capital increase and registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Assembly regarding capital increase on 02/01/1446H (corresponding to 08/07/2024G). |
| **Allocation Date** | The date on which the final allocation process will be announced is no later than 29/01/1446H (corresponding to 04/08/2024G). |
| **Trading Period** | The period starting from 08/01/1446H (corresponding to 14/07/2024G) and lasting until the end othe trading day dated 15/01/1446H (corresponding to 21/07/2024G). |
| **Subscription Period** | The period starting from 08/01/1446H (corresponding to 14/07/2024G) and lasting until the end othe trading day dated 18/01/1446H (corresponding to 24/07/2024G). |
| **Risk Factors** | It is the set of potential factors that should be known and hedged before making the decision to subscribe or trade in the Rights Issue Shares. |
| **Unlisted Shareholders** | Shareholders of the Company whose names do not appear in the Company's shareholders' register at the end of the trading day on which the extraordinary general assembly is convened. |
| **Business Day** | Any business day except Fridays and Saturdays and any day that is an official holiday in KSA or any day on which banking institutions is close in accordance with the regulations in force and other government procedures. |
| **Labor Law** | The Companies Law applicable in the Kingdom of Saudi Arabia issued under Royal Decree No. (M/51) dated 23/08/1443H (corresponding to 27/09/2022G). |
| **H** | Hijri Calendar. |
| **G** | Gregorian Calendar. |
| **Securities Depository Center Co./ (Edaa)** | It is a closed joint stock Company wholly owned by the Saudi Stock Exchange Company (Tadawul), established in 2016 under the Saudi Companies Law issued by Royal Decree No. M/3 dated 01/28/1437H (corresponding to 11/11/2015G). |
| **Vision 2030** | The National Strategic Economic Program announced by the government of the Kingdom of Saudi Arabia in 2016, which aims to reduce dependence on oil and the petrochemical industry, diversify the Saudi economy and develop public services. |
| **Value Added Tax (VAT)** | The Council of Ministers decided on 02/05/1438H (corresponding to 30/01/2017G) to approve the unified agreement for the value-added tax for the GCC countries, which entered into force on 1 January 2018G, as a new tax to be added to the ecosystem of taxes and other fees to be applied by specific sectors in the Kingdom, and in the GCC countries. |
| **Right Indicative Value** | The difference between the market value of the Company's sahre during the trading period and the offering price. |
| **Right Trading Price** | It is the price at which the right is traded, knowing that it is determined by the supply and demand mechanism and therefore may differ from the indicative right value. |
| **Rump Shares** | The Rump Shares that have not been subscribed for during the subscription period. |
| **Rump Offering** | Offering any Rump Shares not subscribed to by eligible persons to Institutional Investors by offering them during the Rump Offering Period. |
| **Rump Offering Period** | The period starting from ten (10:00) am of 23/01/1446H (corresponding to 29/07/2024G) until five (05:00) pm of the following day dated 24/01/1446H (corresponding to 30/07/2024G). |
| **Entitlement Coefficient** | The result of dividing the number of new shares by the number of existing shares of the Company. |
| **Person** | Natural person |
| **Listing** | Listing securities on the main market or, where allowed by the context, submitting a listing application to the Saudi Stock Exchange Company (Tadawul) |
| **New Investors** | General individual and institutional investors, excluding registered shareholders, who have purchased priority rights during the trading period. |
| **Brokers** | They are market institutions licensed by the Capital Market Authority to engage in securities dealing activity as an agent. |

| Term | Definition |
|---|---|
| **Institutional Investors** | A set of institutions including:<br>1. Government entities and government- owned companies, whether investing directly or through a private portfolio manager, or any international body recognized by the Authority or the Market, and any other capital market recognized by the Authority or the Depository Center.<br>2. Public investment funds established in the Kingdom that are publicly offered, in addition to private funds that invest in securities listed in the Saudi Exchange if the terms and conditions of the fund allow it to do so, while adhering to the provisions and restrictions stipulated in the Investment Funds Regulations.<br>3. Persons licensed to deal in securities as principal, while adhering to financial adequacy requirements.<br>4. Clients of a person licensed to practice management business, provided that that licensed person has been appointed on conditions that enable him to make decisions regarding accepting participation in the offering and investment in the Saudi Exchange on behalf of the client without the need to obtain his prior approval.<br>5. Any other legal persons may open an investment account in the Kingdom and an account with the Depository Center, taking into account the investment controls of companies listed in securities, provided that the Company's participation does not lead to any conflict of interest.<br>6. GCC investors with legal personality, which include companies and funds established in GCC countries. |
| **Shareholder** | The owner or holder of shares as of any specific time. |
| **GCC** | Gulf Cooperation Council |
| **CAGR** | A method used to calculate the growth rate of a particular item over a specific period of time. |
| **Corona Virus or Covid-19** | An infectious viral disease known as the Corona virus or "Covid-19" for short. It began to spread in most countries of the world, including the Kingdom of Saudi Arabia, at the beginning of the year 2020G, and as a result, the World Health Organization classified it as a pandemic. |
| **ZATCA** | The Zakat, Tax and Customs Authority (formerly the Zakat and Tax Authority), which is one of the government authorities that is organizationally linked to the Minister of Finance, and is the authority entrusted with the work of collecting Zakat and taxes. |
| **Procedures and instructions for companies whose shares are listed on the market and whose accumulated losses amount to 20% or more of their capital** | Special rules for companies with accumulated losses issued by the Authority's Board pursuant to Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G) based on the Capital Market Law issued by the Royal Decree No. M/30 dated 02/06/1424H As amended by Capital Market Authority Board Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G). |
| **Rules for Foreign Investment in Securities** | They are special rules for regulating investment in securities by non-Saudi persons residing outside the Kingdom. They are issued by the Board of the Capital Market Authority pursuant to Resolution No. 2-26-2023 dated 05/09/1444H (corresponding to 27/03/2023G) based on the Capital Market Law issued by the Royal Decree No. M/30 dated 02/06/1424H. |
| **Nitaqat** | It is a programme of the Ministry of Human Resources and Social Development. It is designed to stimulate establishments to employ Saudis. It was approved by Resolution No. (4040) dated 12/10/1432H (corresponding to 10/09/2011G) based on Council of Ministers Resolution No. (50) dated 13/05/1415H (corresponding to 27/10/1994G). The programme assesses an establishment's performance based on specific ranges, which are platinum, green, yellow and red according to the activity and sector under which the Company falls. Nitaqat Programme was amended pursuant to Resolution No. (63717) dated 29/03/1441H (corresponding to 26/11/2019G), whereby the yellow range was canceled from the Nitaqat Programme and all establishments in the yellow range were transferred to the red range and criteria of the red range contained in the Nitaqat Program Directory apply to these establishment. |
| **Subsidiaries or its Subsidiaries** | Al-Salam Medical Services Company, which is 100% owned by the Company, Al Ahsa Food Industries Company, which is 100% owned by the Company, and Al-Ahsa Medical Services Company, which is 97.41% owned by the Company. |

# 2. Risk Factors

In addition to the other information contained in this Prospectus, prospective investors who are wishing to invest in the shares offered for subscription should carefully study all the information contained in this Prospectus, including the risk factors described below in this section before making the decision to purchase the offering shares, noting that the risks described below It may not include all the risks that the Company and its subsidiaries may face. Rather, it is possible that there are additional risks that are not currently known to the Company and its subsidiaries, or that the Company and its subsidiaries may consider immaterial, or that may not hinder their operations. The activity of the Company and its subsidiaries, their financial position, results of operations, cash flows, and prospects could be adversely materially affected if any of the following risks materialize.

The Board Members further declare that, to the best of their knowledge and belief, there are no material risks the omission of which would affect decisions taken by Shareholders and prospective investors as of the date of this Prospectus, except as disclosed in this Section. Investing in the Rights Issue Shares is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might result from such an investment. Prospective investors who have doubts about subscription in the Rights Issue Shares should consult a financial adviser licensed by the CMA for advice on the investment in the offered shares.

In the event that any of the risks that the Company currently believes to be material do occur, or if any other risks that the Company fails to identify or does not currently consider to be material do occur, the market value of the Shares could decrease and prospective investors could lose all or part of their investment.

The risks described below are presented in an order that does not reflect their importance or anticipated effect on the Company. Additional unknown risks or those deemed immaterial may have the impacts set forth in this Prospectus.

## 2.1 Risks related to the Company, its Activity and Operations

### 2.1.1 Risks Related to the Failure to Implement the Strategy

The ability of the Company and its subsidiaries to increase its revenues and improve its profitability depends on the extent to which it effectively implements its business plans and successfully achieves its strategy. The strategy of the Company and its subsidiaries depends on several factors, including increasing its market share in the healthcare sector, expanding the scope of its services to target new growth areas, continuing to improve its sales model and customer experience, increasing the productivity of the Company's capital, and finding the best solutions for operational costs (please refer to subsection 3.6 ("**Company Strategy**") of Section 3 ("**Background of the Company and the Nature of its Business**") of this Prospectus).

The implementation of any business expansion plans that the Company intends to undertake in the future will be subject to the estimated costs and the specific implementation timetable (for more information, please refer to Section No. (6) "**Using the Proceeds of the Offering**" of this Prospectus). The ability of the Company and its subsidiaries to implement its current strategy is subject to various factors, some of which are beyond its control. If the Company and its subsidiaries fail to implement its strategy or fail to manage its growth strategy for any reason, this may lead to a negative and material impact on the business of the Company and its subsidiaries, the results of its operations and its future expectations.

There is also no guarantee that the successful implementation of the Company's strategy and its subsidiaries will lead to an improvement in the results of its operations. It should be noted that management will periodically review and evaluate the business strategy with the Board of Directors. Accordingly, the Company may decide to change or suspend some aspects of its business strategy or adopt alternative or additional strategies as required by its operating environment, competitive situation or other factors or events. If the Company is unable to implement any part of its strategy for any reason, this will have a material negative impact on the Company's business, results of its operations, financial position and future expectations.

### 2.1.2 Risks related to Dependence on the Performance of its Subsidiaries and Invested Companies

The Company operates as an investment holding Company whose business model depends on the performance of its subsidiaries and investee companies and their ability to generate profits and then pay cash dividends to the Company, which in turn can distribute profits to its shareholders, pay its operational obligations and finance its future plans (for more information, please review Section No. (3.4) "**Overview of the Company's Subsidiaries**" and subsection No. (3.8.3) "**Other Investments**" of this Prospectus). Despite the Company's management's ability to strategically direct its subsidiaries and investee companies, it depends on the efficiency of the management of each of the subsidiaries to make profits and pay dividends to the Company. Accordingly, any decline in the performance of these subsidiaries and investee companies will have a material negative impact on the Company's business, financial position and results of its operations.

### 2.1.3 Risks Related to the Impact of Increased Costs and Operational Expenses of the Company's Business and its Subsidiaries

The operational expenses of the Company and its subsidiaries may increase as a result of a variety of factors (for more information on the financial and operational performance of the Company and its subsidiaries, please refer to Section 5 ("**Financial Information and Management Discussion and Analysis**") of this Prospectus), particularly as a result of increased labor costs in the healthcare sector. The costs of employee salaries and related expenses constituted proportions of 53.6%, 55.7%, 61.3%, and 59.5%, respectively, of the Company's total operational expenses during the financial years ended December 31, 2020G, 2021G, and 2022G, and the six-month period ended June 30, 2023G, respectively.

High costs for long periods will also have a negative impact on the Company's and its subsidiaries' profit margins and revenues, especially if the Company and its subsidiaries are unable to increase the prices of their services and products. The Company's operating costs and expenses amounted to 99.32%, 103.76%, 121.46%, and 153.1% of the Company's total revenues for the financial years ended December 31, 2020G, 2021G, and 2022G, and the six-month period ended June 30, 2023G, respectively. Any increase in the operational costs and expenses of the Company and its subsidiaries will result in a decrease in their cash flows, their profit margin, and the amounts available to conduct and expand their business, which will have a negative and material impact on the Company's business, the results of its operations, its financial position, and its future expectations.

### 2.1.4 Risks Related to Permits, Licenses and Approvals Necessary for the Business of the Company and its Subsidiaries

The Company and its subsidiaries shall obtain and maintain permits, licenses and approvals from several government entities in the Kingdom, to be able to execute its business and commercial activities. These permits, licenses and approvals related to the operation of the Company and its subsidiaries' business include the Company and its subsidiaries' commercial registration certificates issued by the Ministry of Commerce, certificates of membership in the concerned chambers of commerce, licenses of the Ministry of Municipal Rural Affairs and Housing, civil defense permits, trademark registration certificates, Saudization certificates, and the General Organization for Social Insurance. In terms of the healthcare business, the Company's subsidiaries shall obtain licenses from the Ministry of Health and approvals from the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI). Furthermore, the Company's subsidiaries in their capacity as a manufacturer and seller of date derivatives products in the Kingdom, shall obtain an industrial facility license issued by the Ministry of Industry and Mineral Resources, and a food facility license issued by the Saudi Food and Drug Authority. For more information, please refer to Section 9.1 ("**Establishment of the Company and the Licenses and Permits under which it operates in accordance with:**") of this Prospectus. In addition, subsidiaries are subject to periodic monitoring and evaluation by the Ministry of Health and the Saudi Food and Drug Authority.

To enable the Company and its subsidiaries to operate any new branch, they shall obtain permits, licenses, certificates and approvals from several competent authorities, including, commercial registration certificates, licenses of the Ministry of Municipal Rural Affairs and Housing, and civil defense permits. In order to obtain each approval, the Company shall fulfill certain requirements. The Company may either face challenges or problems while obtaining government approval, while fulfilling the needed requirements to get these approvals, or while complying with new regulations, rules or policies that may apply from time to time to the Company and its subsidiaries' departments in general, or in complying with procedures relating to granting the necessary approvals.

As stated on the date of this prospectus, Al-Ahsa Medical Services Company is working on obtaining a professional license to practice bariatric surgery issued by the Ministry of Health to continue practicing this specialty in Al-Ahsa Hospital affiliated to Al-Ahsa Medical Services Company, and failure to obtain the professional license to practice bariatric surgery by Al-Ahsa Medical Services Company shall be considered a violation of Private Health Institutions Law issued by Royal Decree No. D/04 dated 03/11/1423H and its executive regulations issued by Ministerial Decision No. 020092-43-101 dated 13/09/1443H, which may expose it to one of the following penalties as described in the Private Health Institutions Law: a financial penalty of not less than 10,000 S.R. and not more than 100,000 S.R., closure of the private health institution for a period not exceeding 60 days, or withdrawal of the license. Most of the current licenses of the Company and its subsidiaries are subject to conditions under which such licenses may be suspended or revoked if the Company or its subsidiaries fail to comply with those specific conditions. In addition, the subsidiary dose not ensure obtaining the approval of the competent authority when it applies for any license renewal or modification, and in case of obtaining the approval, such authority may impose new conditions that may negatively affect the performance of the Company and its subsidiaries.

If the Company and its subsidiaries failed to obtain or renew any license required for practicing its businesses in the kingdom, if their licenses expired or were suspended, if any of those licenses are renewed under conditions that are inconvenient for the Company or its subsidiaries, or if the Company or its subsidiaries are unable to obtain additional licenses that will be required in the future, this will result in the Company or its subsidiaries ceasing to carry out its business in whole or in part, in addition to being exposed to financial fines imposed by the concerned government authorities in the kingdom, including being fined by the Ministry of Health up to 100,000 S.R., or fined by the Civil Defense up to 30,000 S.R., or fined by The Ministry of Municipal Rural Affairs and Housing up to 5,000 S.R. for each violating site, furthermore, , the Company and its subsidiaries may be subject to penalties issued by the Saudi Food and Drug Authority and the National Center for Environmental Compliance if they do not obtain an environmental license or permit, including fines up to 20,000,000 S.R., suspension of the license or permit for a period not exceeding six (6) months for each violating site, or cancellation of the license or permit. If the competent government authorities in the Kingdom impose fines or penalties on the Company, or if its operations are suspended, this will hinder or disrupt its operations, and cause the Company to incur additional costs, which will negatively and materially affect the Company's business, outputs of its operations, financial position, and prospects.

### 2.1.5 Risks Related to Trademarks on which the Company and Subsidiaries Rely

The Company and Al-Salam Medical Service Company (a subsidiary) registered a single trademark in the kingdom, on which the Company and Al-Salam Medical Service Company rely in their businesses, while Al-Ahsa Medical Services Company and Al-Ahsa Food Industries Company didn't register trademarks for their businesses, and if the Company or its subsidiaries failed to register or renew their trademark certificates with the Saudi Intellectual Property Authority, or if any third party objected to the registration of these trademarks, this will adversely and substantially affect the businesses of the Company and its subsidiaries as well as the outputs of its operations, financial position, and prospects. The competitive position of the Company and its subsidiaries depends on their ability to continue using these trademarks and protect their related rights in the face of any illegal use of those trademarks by third parties.

If the intellectual rights of the Company and its subsidiaries trademarks are infringed or used by any unauthorized way by any third party, or if they are not protected by the competent authorities, then, the Company and its subsidiaries shall enter costly judicial proceedings, in addition, the Company and its subsidiaries may be forced to conclude franchising or licensing agreements as a result of any conflict related to its trademarks, which may put the Company and its subsidiaries under inconvenient or practically impossible conditions which will adversely and substantially affect the businesses of the Company and its subsidiaries as well as the outputs of its operations, financial position, and prospects.

### 2.1.6 Risks Related to the Agreements Concluded with Related Parties

Although the Company's subsidiary (Al-Salam Medical Services Company) has existing transactions with Al-Othman Holding Company and its the subsidiaries (a Substantial Shareholder of the Company) represented in providing commercial services including supplying computer devices, software and other services and credit facilities, in addition, the Company's subsidiary (Al-Salam Medical Services Company) has existing transactions with the subsidiaries of Al-Othman Holding Company represented in providing commercial services including supplying juices and other services (for more information, please see risk (2.1.18) "**Risks Related to the Reliance of Subsidiaries on Supply on a Substantial Shareholder**", and risk No. (2.1.25) "**Risks Related to Accumulated Losses of the Company and its Subsidiaries**", and subsection (5.8.3.2) "**Statement of Financial Position**" of this prospectus), none of the members of the Board of Directors of the Company has a direct or indirect interest in the business and contracts for the account of the Company, subject to the provisions of Article (71) of the Companies Law as of the date of this prospectus.

According to the provisions of article (71) of the companies law, the agreements in which any member of the board of directors has interest shall be submitted to the general assembly to be approved, and none of the members of the board of directors or shareholders who may have an interest in such agreement (such as a shareholder represented by any member of the board of directors) shall participate in the discussion related to granting approval on it. If the Company concluded agreement with any relevant party, the Company does not guarantee obtaining the approval of the board of directors or the general assembly on these agreements, , nor does it guarantee its ability to conclude such agreements on a purely commercial basis, which will have an adverse and substantial impact on the Company's business, as well as the outputs of its operations, financial position, and prospects.

If the Company concluded an agreement in which any of the members of the board of directors may have a direct or indirect interest and which wasn't approved by the general assembly, the Company or whoever has an interest may recourse to the competent judicial authority claiming contract annulment or obliging the member to pay any profit or benefit earned through such contract, which will have an adverse and substantial impact on the Company's business, as well as the outputs of its operations, financial position, and prospects.

If the board of directors or the general assembly rejects to renew these contracts and agreement from their side, or if the relevant parties refuse to renew them according to the current terms and conditions or that are feasible for the Company, the Company may not be able to conclude alternative contracts on the same terms or on terms acceptable to the Company, which will have an adverse and substantial impact on the Company's business, as well as the outputs of its operations, financial position, and prospects.

### 2.1.7 Risks Related to The Lack of Supply Contracts Signed with Some Substantial Suppliers

Al-Salam Medical Services Company (a subsidiary) does not have supply contracts signed with its main suppliers, but rather buys its products based on purchase orders and invoices. Also, Al-Ahsa Medical Services Company (a subsidiary) does not have supply contracts signed with its main suppliers, but rather buys its products based on purchase orders and invoices. It should be noted that the percentage of purchases for Al-Ahsa Medical Services Company is 34%, 31%, 29% and 31% of the total cost of revenues for the financial years ended 31 December 2020G, 2021G, 2022G and the six-month period ended 30 June 2023G, while the percentage of purchases for Al-Salam Medical Services Company was 1.54% and 8.38% for the financial year ended December 31, 2022G and the six-month period ended 30 June 2023G, as the Company didn't register purchases during the year 2020G and 2021G because the hospital did not start operating until 2022G. Accordingly, it is difficult for Al-Salam Medical Services Company (a subsidiary) and Al-Ahsa Medical Services Company (a subsidiary) to guarantee the continuous supplying and that the work is not affected in the absence of contracts or agreements with these main suppliers. The Company and its subsidiaries may not be able to fulfill the needs of its customers regarding continuing the supply of products and familiar trademarks. The Company and its subsidiaries' business and the relationships with their customers may be negatively affected if any of such main suppliers terminated its business with the subsidiaries in the future, or reduces the business volume because of shortage in supplying any product, or changes in the strategy, or for any other reason, which will have an adverse and substantial impact on the Company's business, as well as the outputs of its operations, financial position, and prospects.

### 2.1.8 Risks Related to The Company's Reliance on Its Senior Management and Senior Staff

The Company's success relies on the sustainability of the work and performance of its senior management and other senior staff, in addition to its ability to find qualified staff in the future, recruit, develop, motivate, and retain them. The Company dedicated its efforts to develop its senior management team which members were recruited over the past two years- except two of them, the Company depends on number of key individuals in its senior management team, who have experience in the health care and food sectors, and who have contributed significantly to the development and expansion of the Company's operations. There is great competition regarding retaining chief executives in the healthcare and food sectors, the Company cannot guarantee its capacities to retain its employees or attract new qualified employees appropriately, and even it cannot guarantee that their key employees will not leave the Company and join similar position in similar or competitive companies.

The loss of the services of senior executives or key employees of the Company will delay or prevent the implementation and achievement of the Company's strategic objectives and will divert management's attention to the search for qualified replacements, which will negatively affect the Company's ability to manage its business effectively and efficiently. If the Company failed in recruiting or retaining senior executives or employees who are highly skilled and qualified in the related fields, this will have an adverse and substantial impact on the Company's business, as well as the outputs of its operations, financial position, and prospects.

### 2.1.9 Risks Related to the Sufficiency of Insurance Coverage

The Company and its subsidiaries shall possess insurance policies including Property insurance, vehicles, medical insurance, and commercial general liability insurance; the insurance coverage under these policies cannot be guaranteed to be sufficient in all times and circumstances, or that the coverage limit will be sufficient in all circumstances to cover the insured risks-related claims. The Company or its subsidiaries may not be able to prove its claim about any liability or loss according to the valid insurance policies because of the existence of exceptions or restrictions imposed on the insurance coverage, and if the Company or its subsidiaries fail to fulfill some insurance criteria regarding a certain claim, this may oblige the Company or its subsidiaries to compensate for losses resulting from accidents.

In the future, the Company or its subsidiaries may be exposed to potential risks that are not properly covered or not covered at all, such as risks resulting from hostilities, political risks, wars and acts of sabotage. In addition, the current insurance policies of the Company or its subsidiaries may include coverage exceptions or restrictions, or the current insurance policies of the Company and its subsidiaries may not be available in the future. Accordingly, the losses and liabilities resulting from uninsured or not fully insured risks may increase the costs incurred by the Company or its subsidiaries significantly, which will have an adverse and substantial impact on the Company's business, as well as the outputs of its operations, financial position, and prospects.

### 2.1.10 Risks Related to the Crashing of the Information Technology Systems of the Company and Its Subsidiaries

The operations of the Company and its subsidiaries in the healthcare and food sectors rely heavily on their IT systems. The Company and its subsidiaries rely on these systems for many purposes, including facilitating patients' appointments, issuing their bills and insurance claims, maintaining their records in its hospitals, as well manufacturing and distributing many date derivatives products to and from its facilities, and managing accurate accounting and payments from and to suppliers and customers.

Risks related to the IT network, both internal and external, such as malware, programming defects, attempts to penetrate the Company's networks, lack of required updates or modifications, data leakage and human errors, constitute a direct threat to the services of the Company, its subsidiaries, and their data. The networks of the Company and its subsidiaries may be exposed to disruptions resulting from unforeseen force majeure events or power outages. Such incidents may also occur if the confidentiality, security, or availability of the Company, its subsidiaries, or its customers data is compromised by the loss of any such information whether by the Company, its subsidiaries, or by any other party to whom it is entrusted. Furthermore, the Company and its subsidiaries may incur significant operational costs and consequences as a result of updating its IT systems, or as a result of applying additional procedures to protect its data or IT systems, whether as a result of expansion, modernization, new technologies, new systems and regulations, or otherwise. The Company and its subsidiaries' IT systems shall be updated regularly to accommodate the expansion in the businesses of the Company and its subsidiaries and to maintain the efficiency of their operations, the crashing of these systems may result in substantial delay in the commercial and operational businesses of the Company and its subsidiaries, particularly, any disruption in the IT systems of the Company and its subsidiaries may lead to disruption of the operations of the Company and its subsidiaries concerned with research and development, manufacturing, accounting and billing.

The facilities or systems affiliated to the Company, its subsidiaries, or any of the outsourcing service providers may be exposed to security breaches, acts of cyber terrorism, sabotage, theft, viruses, loss or corruption of data, programming, human errors, or other similar incidents. Given the degree to which the types of these attacks are constantly evolving and changing, the Company, its subsidiaries, and the outsourcing service provider with which the Company and its subsidiaries deal may not be able to anticipate these attacks or take appropriate preventive action, or to quickly detect and address any threat to the Company's and its subsidiaries' systems or the systems of the respective service providers, which may lead to data loss. Any security breach, act of cyber terrorism, sabotage, theft, presence of viruses, loss or corruption of data or programming, or any human errors by any employees of the Company or its subsidiaries, may lead to a breach of the privacy and security of data of consumers, employees and customers. Such a breach may lead to the unintentional disclosure of such data to third parties despite the objections of all concerned parties, as it may undermine the privacy of the affected parties and harm the reputation of the Company or its subsidiaries. In addition, it may adversely affect the performance of the Company and its subsidiaries due to judicial proceedings or lawsuits brought against the Company or its subsidiaries if they failed to maintain the integrity and confidentiality of the data and ensure that the relevant controls on the disclosure of data are adhered to in an accurate and timely manner through the appropriate channels. Any of these breaches or similar incidents may alter the behaviors of the current and potential customers in a way that will affect the Company or its subsidiaries' abilities to retain the current customers or attract new ones, which will have an adverse and substantial impact on the Company's business, as well as the outputs of its operations, financial position, and prospects.

Any crashing in the internet network, IT infrastructure, or technologies of the Company and its subsidiaries, including any malfunctions in the computer systems of the Company and its subsidiaries, or the occurrence of any of the aforementioned risks, may result in an adverse and substantial impact on the Company's business, as well as the outputs of its operations, financial position, and prospect.

### 2.1.11 Risks Related to the Involvement of the Company and its Subsidiaries into Lawsuits

The Company and its subsidiaries or their directors or officers may enter into lawsuits and regulatory proceedings with third parties, including their suppliers, employees, competitors, customers and any regulators, consumers and owners of land leased by the Company and its subsidiaries for the purposes of their business. It should be noted that the Company was warned by the Capital Market Authority on 27/03/2024G and 04/04/2024G for the Company's failure to include details of the performance of the jurisdiction and functions of the Audit Committee and the Audit Committee's opinion on the adequacy of the Company's internal control, financial and risk management systems in the Audit Committee's report issued on 08/05/2023G, which is considered a violation of paragraph (a) of Article (88) of the Corporate Governance Regulations (please refer to subsection 2.1.27 ("**Risks Related to Compliance with Corporate Governance Regulations**") of Section 2 ("**Risk Factors**").

In addition, if the judgments issued in any of these lawsuits or regulatory actions are not in the interest of the Company and its subsidiaries, this will have a negative and material impact on the Company's business, financial position, results of its operations and future prospects. Regardless of the outcome of these lawsuits or regulatory actions, these actions will incur heavy expenses, and this will require the Company and its subsidiaries to allocate significant resources to respond to these claims and defend themselves, which will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects.

### 2.1.12 Risks Related to Zakat

The Company and its subsidiaries (Al-Ahsa Food Industries Company and Al-Salam Medical Service Company) submitted their Zakat declarations on a consolidated basis for the years up to 31 December 2023G, and paid all Zakat dues thereunder on the due date. The Company obtained Zakat assessments from the Zakat, Tax and Customs Authority since its establishment until 2020G. The assessment for the financial years 2021G and 2022G is still under study by the Zakat, Tax and Customs Authority.

As for Al-Salam Medical Service Company, which was acquired during 2020G, it has received the final assessment until 2017G and the assessment for the financial years from 2018G to 2020G is still under study by the Zakat, Tax and Customs Authority. It should be noted that starting from 2021G, Al-Salam Medical Service Company submits its Zakat declarations standardly with the Company.

As for Al-Ahsa Medical Services Company, it submitted its Zakat declarations for the years until 31 December 2023G and received the final assessment until the financial year 2017G from the Zakat, Tax and Customs Authority. The assessment of Al-Ahsa Medical Services Company for the financial years 2018G to 2022G is still under study by the Zakat, Tax and Customs Authority.

The Zakat, Tax and Customs Authority may re-examine any zakat reports for any of the previous five years in the event that it does not issue the zakat assessment for the year in question, and it may also challenge the declarations submitted, in accordance with the provisions of the executive regulations for the collection of zakat , which may result in requiring the Company and its subsidiaries to pay additional zakat amounts to meet any zakat differences. Accordingly, any Zakat differences detected in the Zakat, Tax and Customs Authority's assessment of Zakat receivables required of the Company and its subsidiaries will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects.

In accordance with the accounting systems, the Company has also made provision for Zakat to meet any Zakat differences resulting from the assessments issued by the Zakat, Tax and Customs Authority. The balance of the Company's Zakat provision amounted to SAR 6,566,518, SAR 5,524,782, SAR 5,882,484 and SAR 3,056,044, respectively, as in the financial years ended 2020G, 2021G, 2022G and the six-month ended 30 June 2023G. In the event that the Zakat provision is not sufficient to meet any additional Zakat obligations that may be imposed by the Zakat, Tax and Customs Authority, this will lead to the Company's obligation to pay additional amounts, which will have a material and negative impact on the Company's business, results of its operations, financial position and future prospects.

### 2.1.13 Risks Related to Existing Financing Arrangements with the Company and its Subsidiaries

The Company's subsidiaries have entered into Financing Facilities Agreements as follows:

1. Alinma Bank and Al-Salam Medical Service Company dated 13/04/2021G with a total amount of SAR 541,000,000 as amended by an amendment appendix dated 14/03/2023G to bring the total amount of the facilities to SAR 531,935,000 (the "**Alinma Bank Facilities**"),
2. Ministry of Finance and Al-Salam Medical Service Company dated 01/07/2018G with a total amount of SAR 194,263,000 ("**MOF Facilities**")
3. Al Rajhi Bank and Al Ahsa Medical Services Company on 27/01/2022G with a total amount of SAR 100,000,000 ("**Al Rajhi Bank Facilities**") and

4. Bank Albilad and Al-Ahsa Medical Services Company on 26/07/2023G with a total amount of SAR 30,000,000 ("**Bank Albilad Facilities**").
5. Alinma Bank and Al-Ahsa Food Industries Company on 25/07/2023G with a total amount of SAR 5,000,000 ("**Alinma Bank Facilities**").

A number of provisions of these finance documents provide for banks to be granted unrestricted termination rights and unilateral modification rights, such as the right to modify any of the provisions of the finance documents, the right to modify, cancel or reduce the facilities, or to amend the relevant rates and request payment of all outstanding amounts, even in the absence of default in payment. In addition, banks have extensive clearing rights over the accounts and assets of the Company and its subsidiaries, which will affect the cash flow available to the Company and its subsidiaries in the event that any of the financiers chooses to exercise its rights of set-off, enforce the provisions of the breach of the provisions of other agreements, or require the Company and its subsidiaries to provide additional guarantee or sign guarantees or bonds for an additional matter. For example, Al-Rajhi Bank and Al-Bilad Bank shall have the right to amend the profit margin in respect of the unused facilities from time to time as the Bank deems appropriate. The agreement of Al-Ahsa Medical Services Company with Al-Rajhi Bank also includes obligations on the Company to obtain the approval of banks before making any changes to its ownership or legal form.

In the event of non-compliance with any provisions set forth in this section, the relevant bank shall be entitled to take any steps to preserve its rights such as expediting the payment of outstanding amounts and terminating the facilities. The Company and its subsidiaries may not be able to obtain alternative sources of funding to pay these debts, which will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects.

The Company or any of its subsidiaries may need additional funds to address challenges their business may face, implement a growth strategy, increase market share in its existing markets, expand to other markets, or expand its product base. The liquidity generated by the Company's and its subsidiaries' current operations and financial resources may not be sufficient to fund the growth strategy. Accordingly, the Company may seek to increase its capital, or may incur additional indebtedness.

If the Company or its subsidiaries are unable to obtain sufficient funding when they need it, or on favorable terms for them, or if the Company or its subsidiaries become unable to pay its debts as they fall due, this will negatively affect the Company's ability to conduct its business, or achieve the planned growth rate, which will negatively and materially affect the Company's business, results of its operations, financial position and future prospects.

### 2.1.14 Risks Related to Guarantees Provided to Financiers on behalf of Subsidiaries

The obligations of Al-Salam Medical Service Company (a subsidiary Company) under the facilitation agreement concluded with Alinma Bank on 13/04/2021G and amended on 14/03/2023G are secured by personal guarantees provided by Mohammed bin Abdullah bin Zaid Al-Othman, Abdullah bin Mohammed bin Abdullah Al-Othman, Abdulmohsen bin Mohammed bin Abdullah Al-Othman, Abdulaziz bin Mohammed bin Abdullah Al-Othman (100% of the facility amount) in a total amount of SAR 531,935,000 and by a guarantee provided by the Company (100% of the facility amount) in a total amount of SAR 531,935,000, which is a fine and performance guarantee by the Company in addition to mortgaging the Company's ownership in Al-Ahsa Medical Services Company. The reasons for providing guarantees of 200% of the credit facility amount are due to the fact that the credit facilities were obtained before the operation of Al-Salam Hospital. Therefore, there were high risks related to the operation of the hospital, so Alinma Bank requested more guarantees to obtain banking facilities for the operation. As of the date of this Prospectus, neither the guarantor individuals nor the Company have waived the guarantees provided by them.

In the event that the Company or any or all of the individuals withdraw or do not renew the personal guarantees provided by them (upon Alinma Bank's request), or if those personal guarantees expire for any reason and Alinma Bank does not agree to Al-Salam Medical Service Company providing alternative guarantees (such as mortgaging assets or otherwise), this will constitute a breach by Al-Salam Medical Service Company of its obligations under the facility agreement concluded with Alinma Bank, resulting in Alinma Bank's entitlement to demand Al-Salam Medical Service Company to pay all remaining amounts of the value of the respective facilities immediately. In that case, the Company may not be able to obtain sufficient alternative sources of financing to repay those debts. In addition, there is no guarantee that the guarantor will continue to provide guarantees after the issuance of the priority rights, which would affect the ability of Al-Salam Medical Service Company to secure the necessary credit facilities in the future. Any of these factors will negatively affect the Company's business, results of operations, financial position and future prospects.

### 2.1.15 Risks Related to the Mortgage of Certain Properties of the Company and its Subsidiaries

In accordance with the Alinma Bank Facility Agreement, the Ministry of Finance Facility Agreement and the Al Rajhi Bank Facility Agreement entered into by the subsidiaries (Al Ahsa Medical Services Company and Al-Salam Medical Service Company), Al Ahsa Medical Services Company and Al-Salam Medical Service Company provided guarantees on their real estate assets.

The Company has provided mortgages on the following lands in favour of Alinma Bank as security for the satisfaction of SAR 531,935,000 under the Credit Facilities Agreement:

- Deed No. 994057000786 dated 2/12/1442H regarding plot No. 677 of Block No. 44 of Scheme No. 2997 in Al-Mu'ayzilah, Riyadh, owned by the Company (Commercial Registration No. 2051064048), which is vacant land, and the Company is looking for an alternative investment opportunity.
- Deed No. 894057000785 dated 2/12/1442H regarding plot No. 675 of Block No. 44 of Scheme No. 2997 in Al-Mu'ayzilah, Riyadh, owned by the Company (Commercial Registration No. 2051064048), which is vacant land, and the Company is looking for an alternative investment opportunity.

- Deed No. 394057000784 dated 2/12/1442H regarding plot No. 673 of Block No. 44 of Scheme No. 2997 in Al-Mu'ayzilah, Riyadh, owned by the Company (Commercial Registration No. 2051064048), which is vacant land, and the Company is looking for an alternative investment opportunity.
- Deed No. 294057000783 dated 2/12/1442H regarding plot No. 679 of Block No. 44 of Scheme No. 2997 in Al-Mu'ayzilah, Riyadh, owned by the Company (Commercial Registration No. 2051064048), which is vacant land, and the Company is looking for an alternative investment opportunity.
- Deed No. 999093000473 dated 4/01/1443H regarding Plot No. 1 of Plot No. 3191 in Al-Janadriyah neighborhood in Riyadh City owned by the Company (Commercial Registration No. 2051064048), which is a vacant land, and the Company is looking for an alternative investment opportunity.
- Deed No. 399093000471 dated 4/01/1443H regarding a plot of plot No. 3191 in Al-Janadriyah neighborhood in Riyadh City owned by the Company (Commercial Registration No. 2051064048), which is vacant land, and the Company is looking for an alternative investment opportunity.
- Deed No. 399093000469 dated 4/01/1443H regarding Plot No. 2 of Plot No. 3191 in Al-Janadriyah neighborhood in Riyadh City owned by the Company (Commercial Registration No. 2051064048), which is a vacant land, and the Company is looking for an alternative investment opportunity.
- Deed No. 999093000472 dated 4/01/1443H regarding Plot No. 4 of Plot No. 3191 in Al-Janadriyah neighborhood in Riyadh City owned by the Company (Commercial Registration No. 2051064048), which is a vacant land, and the Company is looking for an alternative investment opportunity.
- Deed No. 999093000470 dated 4/01/1443H regarding Al-Balak Plot No. 3 of Plan No. 3191 in Al-Janadriyah neighborhood in Riyadh City owned by the Company (Commercial Registration No. 2051064048), which is a vacant land, and the Company is looking for an alternative investment opportunity.
- Deed No. 330203016213 dated 14/11/1442H regarding Plot No. X 3 of the Amended Approved Scheme No. U X 770 in the Southern Al-Rakah neighborhood of Al-Khobar City owned by the Company (Commercial Registration No. 2051064048) and the use of the land for Al-Salam Hospital. The land was mortgaged to the Ministry of Finance as the first beneficiary to fulfill the financing granted in the amount of SAR 476,000,000 in addition to the mortgage in favor of Alinma Bank as the second beneficiary to fulfill the financing granted in the amount of SAR 531,935,000.

The plot of land has been mortgaged with the following details in favor of Al Rajhi Bank as security for the satisfaction of the financing granted in the amount of SAR 100,000,000 under the Credit Facilities Agreement:

- Deed No. 430818000140 dated 29/10/1443H regarding a plot of land in the city of Hofuf in Al-Ahsa Governorate owned by Al-Ahsa Medical Services Company (Commercial Registration No. 2252025213) and the use of the land as Al-Ahsa Hospital.

In the event that Al-Ahsa Medical Services Company or Al-Salam Medical Service Company fails to pay any amount due to it or breaches any of its obligations under any of the above credit facility agreement, or if the Company breaches its obligations under the guarantee it provided in favor of Al-Salam Medical Service Company or if the persons mentioned in Section No. 2.1.14 ("**Risks Related to Guarantees Provided to Financiers on behalf of Subsidiaries**") under the guarantees they provided in favor of Al-Salam Medical Service Company, Al-Rajhi Bank or Alinma Bank will be entitled to claim all the remaining amounts of the value of the facility agreement immediately, in addition to seizing the Company's assets and then selling them (at the value at which the agreement expire) to fulfill the mortgage from the sale and recover the value of the financing to Al-Rajhi Bank or Alinma Bank through sale returns in accordance with the applicable judicial procedures. This will result in the loss of income-generating assets of the Company, which will adversely and materially affect the Company's business, results of its operations, financial position and future prospects.

### 2.1.16 Risks Related to Trading and Investment Activities

The Company engages in trading and investment activities in a number of securities and others, including equity investments in equity instruments at fair value through other comprehensive income and investments in associates in addition to real estate investments. Investments in equity instruments at fair value through other comprehensive income amounted to SAR 121,942,163, while investments in associates amounted to SAR 21,606,074. Investments during the six-month period ended 30 June 2023G amounted to SAR 126,394,578. It is possible that the Company will benefit from an increase in those assets in the respective markets and will be adversely affected by their decline. At times, financial markets may come under strong pressure, with sharp declines in the expected or actual value of assets accompanied by sharp declines in market liquidity. Investment and risk management strategies may not be as effective in normal market conditions. Such market instability may result in losses to the Company, and any incorrect investment decisions made by the Company will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects.

### 2.1.17 Risks Related to the New Companies Law and its Enforcement

The provisions of the Companies Law shall apply to the Company and its subsidiaries. The new Companies Law was issued by Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022G) and entered into force on 19 January 2023G (the "**New Companies Law**"), granting companies a grace period of two (2) years from the date of its entry into force to comply with its provisions. The application and interpretation of the new Companies Law shall be subject to the executive rules issued by the Minister of Commerce and the Authority's Board of Directors on 18 January 2023G. The new Companies Law imposes additional and different obligations on companies that have not yet been implemented and tested. It should be noted that as of the date of this Prospectus, the Company and its subsidiary, Al-Salam Medical Service Company, have not amended its Articles of Association in conformity with the new Companies Law. Under the new Companies Law, if the Company and Al-Salam Medical Service Company do not correct its status to comply with the new Companies Law and its new executive rules during the grace period, it may be subject to fines of up to SAR 5,000,000. The new Companies Law also provides for provisions that differ significantly from the provisions of the previous Companies Law, including different rules on conflicts of interest and competition among directors, limits on directors' liability, and mandatory tender offers. The new provisions can also limit the right of shareholders to recourse against the members of the Board of Directors, affect the procedures followed in cases of conflicts of interest, or affect the percentage of shareholders' ownership in the Company and the rights associated with their shares. The new Companies Law also allows joint stock companies to have the authorized capital above the paid-up capital and allows the board of directors to issue new shares within the limits of the authorized capital. The new Companies Law does not provide for a mandatory minimum par value of shares. Since the Company may use one of these options in the future, without prejudice to other provisions of the Companies Law and related laws and regulations, this will affect the Company's capital, shareholders' rights and share price.

### 2.1.18 Risks Related to the Reliance of Subsidiaries on Supply on a Substantial Shareholder

The subsidiaries of the Company (Al-Salam Medical Service Company and Al-Ahsa Medical Services Company) rely mainly on Al-Othman Holding Company (which is one of the substantial shareholders of the Company) and the subsidiaries of Al-Othman Holding Company to provide commercial services represented in the supply of computers and software, the provision of engineering and architectural works, the provision of labor, the supply of juices and dairy products, the provision of security guard services, and the provision of interest-free financing amounts. The future success of the Company's subsidiaries depends on a number of its dealings with Al-Othman Holding Company (the large shareholder). In the event that Al-Othman Holding (the large shareholder) decides not to continue its support for the Company's subsidiaries (for more details, please refer to the risk (2.1.6) "**Risks Related to the Agreements Concluded with Related Parties**" of this Prospectus), this will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects.

### 2.1.19 Risks Related to the Company's Reliance on Loans and Credit Facilities

Long-term loans (including the current portion of long-term loans) on the Company amounted to SAR 222.6 million as of 31 December 2020G and increased to SAR 491.1 million as of 31 December 2021G, and then also increased to SAR 552.1 million and SAR 574.9 million as of 31 December 2022G and the six-month period ended 30 June 2023G, respectively.

Accordingly, the loan-to-equity ratio reached 0.43 times as of 31 December 2020G, rising to 0.61 as of 31 December 2021G, while it rose to 0.91 and 1.08 as of 31 December 2022G and the six-month ending on 30 June 2023G, respectively.

It should be noted that the Company relies heavily on loans to cover capital expenditures in addition to refinancing loans. For further information please refer to Section 2.1.13 ("**Risks Related to Existing Financing Arrangements with the Company and its Subsidiaries**") from this Prospectus. During 2021G, Al-Salam Medical Service Company (a subsidiary Company) obtained long-term loans by Alinma Bank amounting to SAR 443.2 million, where the amount of the loan proceeds was used to repay a long-term loan amounting to SAR 163.5 million in addition to a short-term loan amounting to SAR 122.1 million, which was obtained by the SAB Bank. The Company carried out this refinancing process with the aim of extending the time period for repayment of loans in addition to increasing the amount of borrowing. The reason for obtaining these loans is due to the completion of the construction work of Al-Salam Medical Service Company (a subsidiary Company) and the processing of all medical equipment.

During 2022G, the Company, through Al-Ahsa Medical Services Company (a subsidiary Company), obtained long-term loans amounting to SAR 50 million from Al-Rajhi Bank. The Company also obtained an interest-free loan by the Ministry of Finance worth 69.67 million Saudi riyals, as the total amounts borrowed amounted to 119.7 million Saudi riyals, which were used to build and equip Al-Salam Hospital of Al-Salam Medical Service Company. During 2023G, the Company obtained an interest-free long-term loan by the Ministry of Finance worth 34.4 million Saudi riyals for the purchase of additional machinery and equipment at Al-Salam Hospital for Al-Salam Medical Service Company.

It should be noted that the Company has provided a number of guarantees against existing loans, including: (1) promissory note by the main shareholders of the Company, (2) a mortgage of assets in favor of the financing entities, (3) guarantees by the Company in favor of the subsidiaries, and (4) a mortgage of shares of Al-Ahsa Medical Services Company in favor of the financing entities, in addition to other mortgages (for more information, please see the risk (2.1.15) "**Risks Related to the Mortgage of Certain Properties of the Company and its Subsidiaries**" and the risk No. (2.1.28) "**Risks Related to the Pledge of Shares of Al-Ahsa Medical Services Company**" of this Prospectus).

The decline in profit margins and increased losses borne by the Company led to the refinancing of its loans. Later, during the six-month period ending on 30 June 2023G, the Company, through its subsidiaries, refinanced the existing long-term loan of SR 408.9 million with Alinma Bank to extend the settlement of this loan until 2028G (to be repaid from the third quarter of 2024G). It should be noted that according to the Company's expectations regarding the limited liquidity from commercial operations in the near future, the settlement of these loans depends heavily on the performance of Al-Salam Hospital of Al-Salam Medical Service Company. It is worth mentioning that the number of beds for Al-Salam Medical Service Company according to the license of the Ministry of Health is 150 beds, while the occupancy rate of Al-Salam Hospital is 35% of the capacity of the hospital as of the date of this Prospectus. In 2026G, it will amend the license of the Ministry of Health by raising the number of beds to 495 beds (for more information, please see the risk No. (2.1.23) "**Risks Related to the Operation of Al-Salam Hospital of Al-Salam Medical Service Company (a subsidiary)**" of this Prospectus).

The inability of the Company and its subsidiaries to meet the existing loans or its inability to obtain future loans on appropriate terms for the Company will affect the liquidity of the Company, and the implementation of the guarantees provided by the Company will negatively and materially affect the Company's business, results of its operations and future expectations.

### 2.1.20 Risks Related to Liquidity Determinants and Working Capital Financing

The Company recorded short-term loans amounting to SAR 129.7 million, representing 55.72% of the total current liabilities as of 31 December 2020G, while it amounted to SAR 14.9 million, representing 12.97% of the total current liabilities as of 31 December 2021G. It amounted to SAR 117.3 million, representing 37.10% of the total current liabilities as of 31 December 2022G, while it amounted to SAR 133.9 million, representing 35.80% of the total current liabilities during the six-month period ended 30 June 2023G. These loans were used to support working capital requirements.

Short-term loans decreased from SAR 129.7 million during the financial year ended 31 December 2020G to SAR 14.9 million during the financial year ended 31 December 2021G as a result of the repayment of SAR 122.1 million during the financial year ended 31 December 2021G, the repayment of which was financed by long-term loans. Short-term loans increased to SAR 117.3 million during the financial year ended 31 December 2022G, due to the receipt of facilities amounting to SAR 65.0 million and SAR 30.0 million by Alinma Bank and Bank AlBilad, respectively. A portion of the short-term loans was used to support operating activities worth SAR 38.8 million, while SAR 56.2 million was used to repay part of the existing loans.

During 2023G, the Company obtained short-term loans worth 113.5 million Saudi riyals, which were mainly used to repay the existing short-term loans amounting to 98.5 million Saudi riyals. It should be noted that the Company repays short-term facilities, during the year, which are usually financed through other new short-term loans. In exchange for the loans, the Company provided guarantees by shareholders to the lending banks in addition to depositing revenues in the accounts of these banks.

The inability of the Company to provide liquidity to support its working capital on appropriate terms for the Company will affect the liquidity of the Company and this will negatively and materially affect the Company's business, results of its operations and future prospects.

The Company also recorded current liabilities of SAR 374.1 million, which exceeds the value of current assets of SAR 258.8 million during the six-month period ended 30 June 2023G, which led to problems in the liquidity of the Company, which affects the Company's ability to continue, as well affects the Company's margins and profitability. As a result, Al-Salam Medical Service Company obtained an interest-free loan in the amount of 102.8 million Saudi riyals by one of the Company's related parties (Al-Othman Holding Company) to finance the liquidity needs of Al-Salam Medical Service Company. It should also be noted that the repayment period has not been agreed upon, but there is an implicit agreement that repayment will be made when cash flows are available at Al-Salam Medical Service Company Hospital (for more information, please see Risk 2.1.18 ("**Risks Related to the Reliance of Subsidiaries on Supply on a Substantial Shareholder**") of this Prospectus) .

The low profitability of Al-Ahsa Medical Services Company requires the Company to obtain credit facilities to ensure the provision of liquidity to finance the existing work at Al-Salam Hospital of Al-Salam Medical Service Company in addition to the development work at Al-Ahsa Medical Services Company, estimated at SAR 7 million. The high liabilities of the Company are among the potential risks of its ability to borrow to finance its working capital or finance expansionary capital expenditures, which in turn will affect its liquidity, which will negatively and materially affect the Company's business, results of its operations and future prospects.

It should be noted that one of the initiatives of the health sector transformation program includes the provision of health insurance to all citizens of the Kingdom. Accordingly, if this initiative is implemented, this will lead to a decrease in the provision of health care services in return for cash. Moreover, in the event of a rise in margins for patients who receive health care services in return for cash, the Company will witness a further decrease in margins in the future, which in turn will negatively affect the cash flows of the Company and its subsidiaries, which will negatively and materially affect the Company's business, results of its operations and future prospects.

### 2.1.21 Risks Related to the Company's Historically Low Profitability

The Company recorded a net profit of SAR 30.8 million during the financial year ended 31 December 2020G, while profitability decreased significantly to SAR 6.4 million during the financial year ended 31 December 2021G. The Company recorded a net loss of SAR 44.6 million during the financial year ended 31 December 2022G, while the net loss amounted to SAR 88.0 million during the six-month period ended 30 June 2023G, compared to a net profit of SAR 2.0 million during the six-month period ended 30 June 2022G. For more information, please refer to Section 5 ("**Financial Information and Management Discussion and Analysis**") of this Prospectus.

The following table details the net profit/loss of the Company and its subsidiaries:

| Company (Thousand Saudi Riyals) | Financial year ended 31 December 2020G | Financial year ended 31 December 2021G | Financial year ended 31 December 2022G | Six-month ended 30 June 2022G | Six-month ended 30 June 2023G |
|---|---|---|---|---|---|
| Company | 21,807 | 9,338 | 2,104 | 2,415 | 1,996 |
| Al-Salam Medical Service Company | (4,890) | (7,883) | (53,226) | (9,717) | (89,969) |
| Al-Ahsa Medical Services Company | 12,205 | 2,941 | 4,069 | 7,771 | (1,408) |
| Al-Ahsa Food Industries Company | 1,726 | 1,979 | 2,422 | 1,499 | 1,392 |
| Net profit/loss of the Company and its subsidiaries | 30,848 | 6,375 | (44,631) | 1,968 | (87,989) |

Source: Company

The decline in the Company's profitability from SAR 30.8 million during the financial year ended 31 December 2020G to SAR 6.4 million during the financial year ended 31 December 2021G is due to the Company recording non-recurring profits of SAR 14.6 million as a result of its acquisition of a subsidiary during 2021G, in addition to an additional decrease in the balance of payables by SAR 2.9 million.

The Company also recorded a net loss of 44.6 million Saudi riyals during the financial year ended 31 December 2022G compared to a profit of 6.4 million Saudi riyals during the financial year ended 31 December 2021G. This is due to the increase in revenue costs of 44.4 million Saudi riyals due to the increase in staff costs of 40.1 million Saudi riyals. The increase in staff costs is due to the opening of the hospital of Al-Salam Medical Service Company in October 2022G and the resulting appointment of new medical cadres to Al-Salam Hospital. The Company opened the first phase of Al-Salam Hospital of Al-Salam Medical Service Company, where it obtained a license to operate 50 beds from the Ministry of Health, while Al-Salam Medical Service Company allocated a sufficient staff of 300 beds during the same period according to the management of Al-Salam Medical Service Company, and to ensure its ability to operate the hospital effectively in the event of an increase in operational capacity. The revenues of Al-Salam Hospital amounted to 675 thousand Saudi riyals during the financial year ended 31 December 2022G, which led to a loss of 44.6 million Saudi riyals during the financial year ended 31 December 2022G. The Company continued to record losses during the six-month period ended 30 June 2023G, where the net loss amounted to 88.0 million Saudi riyals, due to Al-Salam Hospital of Al-Salam Medical Service Company losses of 90.0 million Saudi riyals due to the lack of full operation of the hospital. It should be noted that during the financial year 2022G, the capacity of Al-Salam Hospital reached 50 beds until October of 2022G, while the capacity of the hospital increased by 100 beds to reach 150 beds during the six-month period ending on 30 June 2023G. It should be noted that the occupancy rate of Al-Salam Hospital is 35% of the hospital's capacity as of the date of this Prospectus.

The continued decline in the profitability of the Company and the continued recording of losses and its inability to raise the ratios of the capacity used and thus the level of profitability in the future will affect the liquidity of the Company and its business in general, which will lead to the inability to finance the future projects of the Company, for example, but not limited to, the project to complete Al Salam Hospital, which will negatively and materially affect the Company's business, results of its operations and future prospects.

### 2.1.22 Risks Related to the Low Profitability of Al-Ahsa Medical Services Company (a subsidiary) and the Continued Recording of Losses

Al-Ahsa Medical Services Company recorded a decrease in profitability during the last period, where the net profit amounted to 12.2 million Saudi riyals as of 31 December 2020G, while it decreased to 2.9 million Saudi riyals as of 31 December 2021G. Profitability increased during the financial year 2022G to 4.1 million Saudi riyals as of 31 December 2022G. Al-Ahsa Medical Services Company recorded a net loss of 1.4 million Saudi riyals during the six-month period ended 30 June 2023G compared to a net profit of 7.8 million Saudi riyals. The reason for the high loss is due to the high cost of employment with Al-Ahsa Medical Services Company, which reached 50% of revenues.

This contributed to increased liquidity constraints for the Company, as the operating cash flows generated from Al Ahsa Medical Services Company were not sufficient to support the opening of the operations of the first phase of Al Salam Hospital of Al-Salam Medical Service Company. The Company and its subsidiaries have taken cost-cutting measures such as moving from fixed cost to variable cost for employees, however, these measures have not resulted in a noticeable improvement in business performance. It is also worth mentioning that Al-Ahsa Medical Services Company needs to conduct an assessment aimed at identifying gaps in the current cost structure, monitoring key performance indicators, in addition to working to obtain new contracts from substantial companies with the aim of improving the performance of Al-Ahsa Medical Services Company. Failure to establish loss management policies by the Company on the management of its subsidiary (Al Ahsa Medical Services Company) and the continued failure of cost reduction measures or its inability to conduct an assessment aimed at identifying gaps in the current cost structure would negatively and materially affect the Company's business, results of its operations and future prospects.

### 2.1.23 Risks Related to the Operation of Al-Salam Hospital of Al-Salam Medical Service Company (a subsidiary)

According to Al-Salam Medical Service Company, the number of beds is 150 beds according to the license of the Ministry of Health, while the occupancy rate of Al-Salam Hospital is 35% of the hospital's capacity as of the date of this Prospectus. In 2026G, Al-Salam Medical Service Company will amend the license of the Ministry of Health by raising the number of beds to 495 beds. It should be noted that Al-Salam Medical Service Company may face a number of obstacles before operating Al-Salam Hospital as follows:

- Recording additional costs related to existing projects that would lead to an increase in the accumulated losses of the Company.
- Incurring additional capital expenditure to complete the second phase of operation of Al Salam Hospital of Al-Salam Medical Service Company.

It should also be noted that there is no clarity as to whether it is possible for Al-Salam Medical Service Company to achieve any profits until 2028G, which is the year in which the actual operating capacity will be reached by 100%. There is also no guarantee that Al-Salam Medical Service Company will raise its capacity and its ability to obtain the approval of the supervisory authorities to raise the capacity of Al-Salam Hospital. Moreover, due to the low margins witnessed by Al-Ahsa Medical Services Company, the Company could not improve the current cost structure. Due to the Company's current liquidity problems mentioned earlier, it will be difficult for it to obtain the necessary funding to operate Al-Salam Hospital of Al-Salam Medical Service Company, which will affect the Company's business in general and the existing projects in particular, which will negatively and materially affect the Company's business, results of its operations and future prospects.

Also, in the event that Al-Salam Medical Service Company is unable to raise its capacity or is unable to obtain the approval of the Ministry of Health to amend its capacity, this will affect Al-Salam Medical Service Company, which in turn will negatively and materially affect the Company's business, results of its operations and future prospects.

### 2.1.24 Risks Related to Loans by Related Parties

The credit balance of the amounts required from related parties increased from SAR 332,000 as of 31 December 2020G to SAR 1.5 million as of 31 December 2021G. It also increased to SAR 18.7 million and SAR 111.5 million as of 31 December 2022G and the six-month period ended 30 June 2023G, respectively. The value of interest-free loans obtained by Al-Othman Holding Company amounted to SAR 108.4 million of the total required amounts to related parties amounting to SAR 111.5 million as of 30 June 2023G.

It shall be noted that the Company's outstanding amount by Al-Othman Holding is an interest-free loan as it was obtained to finance the construction process at Al-Salam Hospital of Al-Salam Medical Service Company as well as working capital funding (for more information please see Risk 2.1.18 ("Risks Related to the Dependence of Subsidiaries on Supply by a Substantial shareholder") of this Prospectus).

The Company has liquidity restrictions due to the existence of existing loans (including long-term loans, short-term loans, in addition to loans obtained by related parties). In the event that the Company needs additional liquidity, this will require the Company to borrow at relatively high interest rates due to its current liquidity problems, which will negatively affect its ability to meet its obligations, including, but not limited to, working capital, in addition to financing the capital expenditures necessary for the expansion of the Company, which will negatively and materially affect the Company's business, results of its operations and future prospects.

It shall also be noted that the funding obtained by Al-Othman Holding has not been documented, nor has the period or method of payment been specified, but there is an implicit agreement that payment will be made when cash flows are available at Al-Salam Hospital of Al-Salam Medical Service Company (a subsidiary). Therefore, in the event of a claim for an amount other than what has been obtained, any legal disputes may arise, which will incur costs for Al-Salam Medical Service Company as a result, and in the event that Al-Othman Holding Company demands payment of the amount, this will affect the liquidity of Al-Salam Medical Service Company, which will negatively and materially affect the Company's business, results of its operations and future prospects.

### 2.1.25 Risks Related to the Volatility of the Company's Investments Historically

The Company maintains equity investments (which are existing equity investments in listed joint stock companies and unlisted joint stock companies) at fair value through other comprehensive income of SAR 121.9 million as of 30 June 2023G. Additionally, the Company has held equity instruments at fair value through profit and loss amounting to SAR 53.3 million and SAR 57.6 million as of 31 December 2020G and 31 December 2021G, respectively. It shall be noted that the returns have been fluctuating over the past three years.

The following table shows a summary of investments in equity instruments at fair value through other comprehensive income and investments in equity instruments at fair value through profit and loss as of 31 December 2020G, 2021G, 2022G and the six-month period ended 30 June 2023G:

| Item (One Thousand Saudi Riyals) | As of 31 December, 2020G | As of 31 December, 2021G | As of 31 December, 2022G | Six-month period ended 30 June 2023G |
|---|---|---|---|---|
| Amount Invested | 205,011 | 206,062 | 121,942 | 121,942 |
| Return* | (4,456) | 25,487 | (19,249) | 2,521 |
| Return on Investment (%) | (2.2%) | 12.4% | (15.8%) | 2.1% |

Source: Company

* It includes dividends and capital gains realized and unrealized for investments in equity instruments at fair value through other comprehensive income and for investments in equity instruments at fair value through profit and loss.

It is worth mentioning that the management of the stock portfolio is only carried out by the Company, as it owns minority shares in a number of companies. It is also worth noting that the Company shall review the investments and match the returns derived from them with the extent and suitability of the investment policy of the Company (for more information, please refer to the subsection "**Basis for Preparation of Financial Statements and Summary of Significant Accounting Policies**" of Section No. (5) "**Financial Information and Management Discussion and Analysis**" of this Prospectus), which was issued during June 2021G. The Company's inability to manage investments in a manner that ensures the highest returns will incur losses, which in turn will increase the Company's losses and negatively and materially affect the Company's business, results of its operations and future prospects.

### 2.1.26 Risks Related to Compliance with Corporate Governance Regulations

The Board of Directors of the Company approved the adoption of the application of the Corporate Governance Manual on 23/09/1443H (corresponding to 24/04/2022G). The manual included rules and procedures that were drafted based on the Corporate Governance Regulations issued by the Authority. The success of the Company in the correct application of governance rules and procedures will depend on the extent to which those rules and procedures are properly understood, recognized and implemented by the Board of Directors, its committees and executives of the Company, in particular with regard to the composition of the Board of Directors and its committees, independence requirements, and rules related to conflicts of interest and transactions with related parties.

The Ordinary General Assembly of the Company also approved the regulations of the Audit Committee on 07/11/1443H (corresponding to 06/06/2022G). The Ordinary General Assembly of the Company approved the regulations of the Nomination and Remuneration Committee on 07/11/1443H (corresponding to 06/06/2022G). In the event that the members of these committees fail in their duties and do not adopt positions that ensure the protection of the interests of the Company and its shareholders, this will affect compliance with corporate governance requirements, ongoing disclosure requirements, and the ability of the Board of Directors to monitor the Company's business through these committees, which will have a negative and material impact on the Company's business, financial position, results of its operations, and future prospects.

On 25/6/1444H (corresponding to 18/01/2023G), the Board of the Capital Market Authority issued Resolution No. 8-5-2023 amending the Corporate Governance Regulations subject to the new Companies Law issued by Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022G). The Company has not updated its Governance Manual, Audit Committee Operating Regulations and Nomination and Remuneration Committee Operating Regulations to comply with the amended articles of the Corporate Governance Regulations. Whereas, the Company has not complied with the following clauses of the Corporate Governance Regulations:

- The regulations of the Audit Committee of the Company stipulate that the Committee shall be formed by a decision of the General Assembly. This is not in accordance with Article 51 (1) of the Corporate Governance Regulations which states that the formation of the Committee shall be decided by the Board of Directors.
- The regulations of the Nomination and Remuneration Committee of the Company stipulate that the Committee shall hold at least two meetings per year. This is not in accordance with Article 60 and Article 64 of the Corporate Governance Regulations, which stipulate that the committees shall meet periodically at least every year.
- The regulations of the Nomination and Remuneration Committee of the Company stipulate that the meetings of the Committee shall be held if half of the members are present. This is not consistent with Article 50 of the Corporate Governance Regulations, which stipulates that the validity of committee meetings requires the presence of a majority of its members.

Furthermore, the Corporate Governance Manual did not include the competition business policy and the stakeholder relationship policy as stipulated in the Corporate Governance Regulations.

It shall be noted that the Company was warned by the Capital Market Authority "CMA" on 27/03/2024G and 04/04/2024G for the Company's failure to include details of the performance of the jurisdiction and functions of the Audit Committee and the Audit Committee's opinion on the adequacy of the Company's internal control, financial and risk management systems in the Audit Committee's report issued on 08/05/2023G, which is considered a violation of paragraph (a) of Article (88) of the Corporate Governance Regulations (please refer to subsection 2.1.11 ("**Risks Related to the Involvement of the Company and its Subsidiaries into Lawsuits**") of Section 2 ("**Risk Factors**") .

The continued non-compliance of the Company with the provisions and clauses of the Corporate Governance Regulations and the failure to adopt a clear methodology for corporate governance in line with the instructions of the Corporate Governance Regulations issued by the Authority and in order to ensure the protection of the interests of the Company and its shareholders will negatively and materially affect the Company's business, in addition to the violations and fines that the Company will incur as a result of non-compliance with the Corporate Governance Regulations, which will negatively affect the results of its operations, financial position and future prospects.

## 2.1.27 Risks Related to Accumulated Losses of the Company and its Subsidiaries

The accumulated losses of the Company as of 31 December 2020G amounted to (SAR 579,346), representing (0.08%) of its capital, which at the time amounted to (SAR 737,320,690, while the Company did not record accumulated losses during the year ended 31 December 2021G, since the Company recorded retained profits of (SAR 1,788,755). The Company recorded accumulated losses of (SAR 42,987,981) Saudi riyals, representing (5.33%) of its capital of (SAR 806,363,280) as of 31 December 2022G.

As of 31 June 2023G, the accumulated losses amounted to (SAR 130,916,633), representing (16.24%) of its capital amounting to (SAR 806,363,280).

On 09/11/2023G, the Company announced on its page on Tadawul website that the accumulated losses amounted to (SAR 186,140,530), representing (23.1%) of its capital amounting to (SAR 806,363,280) Saudi riyals, and that it applied the procedures and instructions of the companies listed in the market whose accumulated losses amounted to 20% or more of its capital.

On 18/04/2024G, the Company announced on its Tadawul page that the accumulated losses reached SAR (258,024,934), representing (32%) of its capital amounting SAR (806,363,280). The Company announced that it implemented the procedures and instructions for listed companies whose accumulated losses amounted to 20% or more of their capital.

Moreover, it is worth mentioning that Al-Ahsa Food Industries Company recorded accumulated losses exceeding its capital as of 31 December 2022G. In accordance with Article 181 of the Companies Law, the shareholders of Al-Ahsa Food Industries Company decided the following: The continuation of Al-Ahsa Food Industries Company, providing financial support to cover the accumulated losses, and adhering to the appearance of the results of the support in the Company's financial statements for the financial year ending on 31/12/2022G.

Knowing that accumulated losses affect the financial and operational status of the Company and its subsidiaries, as the high accumulated losses lead to a decrease in the value of owners' rights, and thus the high ratio of indebtedness to total assets, which will lead to a decrease in the financial efficiency of the Company, which will negatively affect the Company's ability to obtain the necessary financing to complete its activities.

The Company's continued incurrence of accumulated losses may lead to an increase of (50%) of its capital. Subject to the Companies Law issued by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G), and in particular Article (132) of the Companies Law that if the losses of a joint stock Company reach (half) of the issued capital, the Board of Directors shall disclose this matter and the recommendations reached regarding these losses within (sixty) days from the date of its knowledge of reaching this amount, and shall invite the Extraordinary General Assembly to meet within (one hundred and eighty) days from the date of knowledge thereof to consider the continuation of the Company while taking any of the necessary measures to address or resolve these losses.

### 2.1.28 Risks Related to the Pledge of Shares of Al-Ahsa Medical Services Company

The revenues of Al-Ahsa Medical Services Company amounting to 93%, 94%, 93% and 84% of the total revenues of the Company for the financial years ended 31 December 2020G, 2021G, 2022G and the six-month period ended 30 June 2023G. On behalf of Al-Salam Medical Service Company, it has provided a mortgage of all its ownership in Al-Ahsa Medical Services Company amounting to 97.41% as collateral against the credit facilities granted to Al-Salam Medical Service Company in exchange for Al-Salam Medical Service Company obtaining financing facilities by Alinma Bank in a total amount of SAR 541,000,000 on 13/04/2021G as amended by an addendum dated 14/03/2023G to bring the total amount of facilities to SAR 531,935,000 (for more details, please refer to risk No. 2.1.13 "Risks Related to Existing Financing Arrangements with the Company and its Subsidiaries" of this Prospectus).

In the event that Al-Salam Medical Service Company fails to pay the amounts due to Alinma Bank due thereto or breaches any of its obligations under the above credit facility agreement, Alinma Bank will be entitled to implement the Company's share in Al Ahsa Medical Services Company, which will result in the Company losing one of its subsidiaries and generating income to the Company, which will negatively and materially affect the Company's business, results of its operations, financial position and future prospects.

### 2.1.29 Risks Related to the Information Disclosed in the Risk Factors Section

The risk factors section was prepared based on the current and potential risks of the Company, which the Company believes shall be added. The potential sale referred to in this Prospectus has not been taken into account (for more information, please refer to Subsection No. (3.1) "**Company Overview**" and Subsection No. (9.5.4) "**Potential Sale deal with Dallah Health Services Company**" of this Prospectus). Since the deal is still in its initial stages and is still subject to a number of legal, financial and tax studies, in addition to a number of regulatory approvals from the relevant authorities (for more information on the risks associated with the potential sale, please refer to subsection No. (2.4) "**Risks Related to a Potential Sale Transaction**" of this Prospectus).

## 2.2 Additional Risks Related to the Healthcare Business of the Company and its Subsidiaries

### 2.2.1 Risks Related to Difficulty in Recruiting Health Practitioners and Highly Qualified Administrative Staff

The Company's business, subsidiaries and activities in its various hospitals depend on highly qualified health practitioners and administrative staff. The good reputation of health practitioners who provide health services in the hospitals of the subsidiaries of Al-Ahsa Hospital and Al-Salam Hospital, and their capabilities and communication skills to build and establish a strong relationship with patients are necessary to enhance the ability of the Company and its subsidiaries to be the first choice for patients by providing health services to the fullest. The process of attracting good competencies to work is among the difficulties faced by the Company and its subsidiaries, since the Company and its subsidiaries compete with other medical service providers within the Kingdom to recruit and maintain health practitioners and qualified administrative cadres. Additionally, there are also several factors that health practitioners may consider important in making their decision to work for the health facility, including salaries, allowances, working hours, the quality of health devices, equipment and facilities, the quality of nursing and administrative staff, the work environment and the reputation of the health facility. If the Company and its subsidiaries are unable to compete with other medical providers in providing those attractions to qualified health or administrative practitioners, the Company and its subsidiaries will not be able to employ or retain them to work in its hospitals.

The difficulty of attracting Saudi or non-Saudi health practitioners and administrative staff to work for the Company and its subsidiaries may force them to offer competitive salaries compared to those provided in other countries or by other medical service providers, thus the profit margins achieved by the Company and its subsidiaries is affected. The recruitment process also requires the completion of a number of statutory requirements, which may take a long time to complete. These include, but are not limited to, issuing work visas (for non-Saudis), adhering to the regulations of the Ministry of Human Resources and Social Development, the Saudization policies and percentages imposed thereon, registering and obtaining classification for health practitioners from the Saudi Commission for Health Specialties, issuing licenses to practice health professions for health practitioners, or completing the regular training period imposed by the Saudi Commission for Health Specialties. In this context, the inability of the Company and its subsidiaries to meet these requirements will limit their ability to attract, recruit and retain qualified health practitioners and administrative staff. Accordingly, the Company and its subsidiaries do not guarantee that they will be able to attract competent health practitioners or qualified administrative cadres or obtain the same classification from the Saudi Commission for Health Specialties for recruitment by the Company and its subsidiaries. If any of the above risks materializes, the Company and its subsidiaries may not be able to conduct their business as required or may not be able to provide high quality medical services, which will result in a negative and material impact on the Company's business, results of its operations, financial position and future prospects. For more information, please refer to Section 2.5.4 ("**Risks Related to Saudization Requirements, Non-Saudi Employees and Other Requirements of Labor Law**") of this Prospectus.

### 2.2.2 Risks related to Recruiting Health Practitioners Working in the Public Sector

Al-Ahsa Hospital and Al-Salam Hospital benefit from the services of cooperating doctors. With the exception of the regulations and controls applicable to public sector doctors who are faculty members in Saudi universities, no general and comprehensive regulations or controls defining the mechanism of work of public sector doctors in the private sector have been issued as of the date of this Prospectus. However, in October 2022G, the Ministry of Health issued a reference guide for the governance of the work of government health practitioners in the private health sector and the Saudi Health Council issued Resolution No. (98/1) dated 13/11/1443H (corresponding to 12/06/2022G), which includes the following conditions, without limitation: (1) The private health institution obtains the approval of the government health authority regarding the use of the services of the health practitioner who works for it through the electronic system "Health Expert"; (2) The government health practitioner works in the health sector outside the official working hours of the government authority; (3)

The government health practitioner does not work in more than one private health facility; (4) The government health practitioner is a Saudi national, a consultant doctor, holds a license to practice the profession, and has spent two years in the health professional work as a practicing consultant and holds a high job performance evaluation according to the requirements of his employer during the last two years; (5) The working hours in the private health sector do not exceed 16 hours per week.

As of June 30, 2023G, the number of doctors cooperating with Al-Ahsa Hospital other than university faculty members was 30. The direct revenues achieved by the Company through its subsidiary Al-Ahsa Medical Services Company as a result of these cooperating doctors providing their services to Al-Ahsa Hospital amounted to 11% of the total revenues of the Company during the six-month period ended June 30, 2023G.

As of June 30, 2023G, the number of doctors cooperating with Al-Salam Hospital other than university faculty members was 12. The direct revenues achieved by the Company through its subsidiary, Al-Salam Medical Service Company, as a result of these cooperating doctors providing their services to the Company amounted to 4% during the six-month period ending on June 30, 2023G.

In the event of the application of laws and regulations that impose restrictions on public sector doctors from providing their services to private health institutions by the competent authorities or violating them or in the event of any regulation issued by the competent authorities regarding the provision of public sector doctors' services to private health institutions outside official working hours, this would lead to the inability of the Company and its subsidiaries to use the services of qualified cooperating doctors, and thus negatively affect the revenues of the Company and its subsidiaries, in addition to exposing them to the risks of imposing fines or violations of the relevant regulations in the future. The occurrence of any of the above risks will have a negative and material impact on the Company's business, results of operations, financial position and future prospects.

### 2.2.3 Risks Related to the Quality Level of Health Services

The quality of health services depends on several factors, including, but not limited to, the effectiveness of diagnosis, the effectiveness of treatment, the experience of health practitioners, the ease of access to them, the modernity of medical and technical equipment, the modernity of the infrastructure of health facilities, the way health practitioners and other employees deal with patients, the short waiting periods for patients, the provision of health services in accordance with professional regulations, standards and protocols, and the documentation and billing of health services in accordance with the relevant regulations, in addition to the fact that patients do not need to return to treatment again. Accordingly, the inability of the Company and its subsidiaries to provide or maintain the quality of health services provided to patients will have a negative and material impact on its brand and reputation.

The inability of the Company and its subsidiaries to provide high-quality health services may expose it to negative publicity that will damage its reputation, which leads to a low rate of patient demand for the Company's health facilities or will expose it in some cases to lawsuits. In the event that the Company and its subsidiaries are unable to maintain the quality of health services provided to patients, this will have a negative and material impact on its brand and reputation and thus negatively and materially affect the Company's business, results of its operations, financial position and future prospects.

### 2.2.4 Risks Related to the Concentration of Health Facilities' Revenues on Limited Clinics

Revenues from the seven largest clinics in the Company's hospitals (Al-Ahsa Hospital of Al-Ahsa Medical Services Company (a subsidiary) and Al-Salam Hospital of Al-Salam Medical Service Company (a subsidiary) accounted for 60%, 62%, 61%, and 63% of the Company's total revenues for the financial years ended 31 December 2020G, 2021G, and 2022G and for the six-month period ended 30 June 2023G, respectively. Therefore, any decrease in demand for these clinics or in the event that the Company and its subsidiaries are unable to provide and maintain high-quality services in them, will lead to a decrease in the total revenues of the Company, and thus will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects.

### 2.2.5 Risks Related to the Concentration of Revenues of the Company and its Subsidiaries on a Limited Number of Customers

Revenues generated by a limited number of customers constitute a large percentage of the Company's total revenues, which are achieved through its subsidiaries (Al-Salam Medical Service Company and Al-Ahsa Medical Services Company), where 90% of the revenues are achieved from the largest 11 medical insurance companies and from two direct customers, the Ministry of Health and Aramco. The remaining 10% are direct individual patients who pay the cash consideration for health services in cash (for more information, please refer to subsection No. (5.6.2.1) "**Revenues**" and subsection No. (5.7.2.1) "**Revenue**" of this Prospectus). They represented 88%, 91%, 93% and 76% of the Company's revenues through its subsidiaries (Al-Salam Medical Service Company and Al-Ahsa Medical Services Company) for the financial years ended 31 December 2020G, 2021G, 2022G and the six-month period ended 30 June 2023G, respectively. Thus, the concentration of the Company's revenues may force it to reduce the consideration for health services under which it works with customers or increase the cases of rejections of medical claims submitted to major customers. Noting that much of the Company's success depends on its ability to maintain good relationships and to conclude and renew numerous agreements with key customers. Additionally, contracts with key customers range from 1 to 3 years, which are automatically renewed, although there is no guarantee that they can be renewed.

In addition to the above, Key Clients may refuse, delay or be unable to pay claims associated with medical services rendered to their Clients. Delays may occur in the payment of claims related to medical services provided to customers for various reasons, including, but not limited to, the medical necessity of the services provided by the Company and its subsidiaries, clerical errors that occur when the Company and its subsidiaries provide information to key customers, or malfunctions in the information systems of the Company and its subsidiaries. Major customers facing financial or regulatory difficulties in the future may also cause disputes with the Company and its subsidiaries. The occurrence of any of the above risks will adversely and materially affect the Company's operations, financial position, results of its operations and future prospects.

## 2.2.6 Risks Related to the Concentration of Revenues of the Company and its Subsidiaries from Customers of Insurance Companies

The strategy of the medical companies affiliated to the Company (Al-Ahsa Medical Services Company and Al-Salam Medical Service Company) in providing their services was based on the customers of the insurance companies during the past periods, which resulted in an increase in the revenues resulting from the insurance companies, as they represented 30%, 37%, 45% and 47% of the Company's revenues for the financial years ended December 31, 2020G, 2021G, 2022G and the six-month period ended June 30, 2023G, respectively. It is worth mentioning that a limited number of insurance companies control the health insurance sector, and therefore, the revenues generated through them constitute a large percentage of the Company's revenues through its subsidiaries (Al-Ahsa Medical Services Company and Al-Salam Medical Service Company), since 4 insurance companies represent revenues generated from them in excess of 35% of the Company's revenues for the six-month period ended June 30, 2023G.

The concentration of the Company's revenues through its subsidiaries (Al-Ahsa Medical Services Company and Al-Salam Medical Service Company) and its reliance on a limited number of insurance companies would force them to reduce their prices for health services under which they work with insurance companies or increase the cases of rejection of medical claims between them and insurance companies. Much of the success of the Company and its subsidiaries depends on their ability to maintain good relations and conclude and renew many agreements with insurance companies. Knowing that contracts with insurance companies range from 1 to 3 years are automatically renewed, although there is no guarantee that they can be renewed.

In addition to the above, insurance companies may refuse, delay or fail to pay claims related to medical services provided to insured customers or deduct amounts from such claims, or delays may occur regarding the payment of claims related to medical services provided to insured customers for various reasons, including, but not limited to, the medical necessity of the services provided by the Company and its subsidiaries, clerical errors that occur when the Company or its subsidiaries provide information to the insurance companies, or malfunctions in the Company's or its subsidiaries' information systems. Major customers facing financial or regulatory difficulties in the future may also cause disputes with the Company and its subsidiaries. The occurrence of any of the above risks will adversely and materially affect the Company's operations, financial position, results of its operations and future prospects.

## 2.2.7 Risks Related to Customers from Government Entities

Government hospitals refer some of their patients to private hospitals, including hospitals owned by subsidiaries (Al-Salam Hospital and Al-Ahsa Hospital). Revenues from government hospitals against the Company's subsidiaries providing their services to patients referred for treatment represented 32%, 23%, 15% and 10% of the Company's revenues as of 31 December 2020G, 2021G and 2022G and the six-month period ended 30 June 2023G, respectively. Increasing the capacity of government hospitals, increasing private competitors, and any changes related to the health services provided or the referral and claim mechanism, may cause a decrease in the total number of referred patients and thus a decrease in revenues at the level of the Company and subsidiaries.

Through "My Referral" e-program (Ehalati), the Ministry of Health refers patients to specialized or reference hospitals, including private hospitals without signing contracts with them, and according to the prices approved by the Ministry for each private hospital. The Ministry of Health displays the cases of patients through my referral system automatically, and these cases are accepted by the hospitals wishing to receive them. After accepting the case, the hospital develops a treatment plan for the patient with the Ministry of Health conducting periodic visits to the referred patients to follow up on them and supervise their treatment plans. Upon completion of treatment, medical claims for treatment shall be submitted according to the price list approved by that facility and approved by the Ministry of Health. In December 2016, the Ministry of Health adopted a specific price list for several treatment programs at pre-publicized prices and according to criteria based on the size of the hospital and the medical accreditations obtained. It shall be noted that the price list was updated in January 2018G, and under "My Referral" system, the acceptance of the case by private hospitals is considered an approval of those prices. In November 2017G, the Ministry of Health appointed an external mediator to manage approvals and claims and supervise treatment plans related to patients referred through "My Referral" program. This procedure included amending the mechanism for approving treatment plans and medical claims, which is now done on a monthly basis and not when treatment is completed. Additionally, during 2016, the Company approved the final settlement agreement with the Ministry of Health regarding the outstanding claims from the Ministry before the appointment of the external mediator. Subject to that agreement, the Company wrote off the bad debts related to that settlement, as the Company wrote off an amount of SAR 1.7 million from the total receivables due from the Ministry of Health against the provision for doubtful debts from 2010 to 2015, as that amount represents the claims that were rejected. Therefore, the Company does not guarantee that this will not happen in the future, as it is possible for the Ministry of Health to reduce the list of prices of health services approved by it or to amend the policy of accepting referrals, or that the external mediator approved by the Ministry of Health may change the procedures for accepting referrals, or in the event that the external mediator rejects the insurance claims issued by the Company, in whole or in part, which will have a material negative impact on the Company's business, results of operations, financial position and future prospects.

## 2.2.8 Risks Related to Non-renewal of Obtaining Key Medical Accreditation Certificates

The Company and its subsidiaries have obtained all mandatory medical accreditation certificates and some non-mandatory accreditation certificates for its existing hospitals, including accreditation certificates issued by the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI). The failure of the Company and its subsidiaries to obtain or maintain such certificates and approvals or their inability to meet the conditions for granting them may lead to the suspension, interruption or cessation of some or all of its operational works and its inability to carry out its business, and thus negatively affect its reputation in the market or may lead to the failure of some governmental and non-governmental entities to deal therewith, which will have a negative and fundamental impact on the Company's business, results of its operations, financial position and future prospects.

Since obtaining medical accreditation certificates by the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) is now mandatory, the Ministry of Health has considered the accreditation issued by the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) as a prerequisite for renewing hospital and operating licenses. In the event that the Company is unable to obtain, maintain or renew these approvals in the future, this will lead to the refusal of the Ministry of Health to grant or renew the licenses of the Company's hospitals, which will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects.

### 2.2.9 Risks Related to the Management and Treatment of Healthcare Waste

The operations of the Company and its subsidiaries are subject to several regulations related to medical waste and the diversion of prohibited substances in the wastewater network, including GCC Uniform Law for Medical Waste Management (issued by Royal Decree No. M/53 dated 16/09/1426H) and the Law of Reuse of Treated Sewage Water (issued by Royal Decree No. M/6 dated 13/02/1421H) and the executive regulations related thereto. The Company relies on licensed external companies to provide services for the management and treatment of health care waste, and therefore the Company does not guarantee that these companies apply the regulatory standards and procedures related to the management and treatment of health care waste, which may expose the Company to violation of the relevant regulations. Whereas the Company is exposed to such irregularities in the future, the realization of any of the above risks will adversely and materially affect the Company's business, results of its operations, financial position and future prospects.

### 2.2.10 Health Risks from Infectious Diseases

The medical services provided by the Company and its subsidiaries include the treatment of patients suffering from various bacterial and viral infectious diseases. Thus, if a healthy individual develops these infectious diseases during their stay or work at the Company's health facilities and subsidiaries, they may be entitled to compensation from the Company and its subsidiaries. The reputation of the Company and its subsidiaries may also be damaged as a result of negative media reports and coverage due to the spread of infectious diseases in its health facilities. Moreover, these infectious diseases may cause transmission to health practitioners, employees or administrative staff, which will limit the ability of the Company and its subsidiaries to provide medical treatment and services to patients.

It is also likely that any of the above factors will lead to restrictions on the health facilities of the Company and its subsidiaries, such as quarantine, sometimes closing parts of hospitals for sterilization, imposing other regulatory restrictions, or withdrawing licenses, permits or approvals for the health facilities concerned.

### 2.2.11 Risks Related to Medical Errors

Due to the nature of the business of the Company's subsidiaries, Al-Ahsa Medical Services Company and Al-Salam Medical Service Company, they may be exposed to risks related to medical errors or taking responsibility for medical errors that may be committed by one of the health practitioners of the Company and its subsidiaries or resulting from the failure of the Company and its subsidiaries to provide the necessary medical capabilities and equipment for health practitioners as stated in the law of private health institutions. Legal actions or claims may be brought against the Company and may include claims for large amounts for various reasons, resulting in high legal costs for the Company, as the Company does not guarantee that such errors will not occur in the future.

The Company and its subsidiaries insure against medical errors against its medical practitioners only, but the Company and its subsidiaries may not be able to obtain the amounts and compensation for the costs of legal proceedings, claims, fines and compensation provisions issued by the competent judiciary from its insured insurance companies, as a result of the failure to cover the value of the amount of insurance obtained by the Company and its subsidiaries from the insurance companies for the full amounts and costs that the Company and its subsidiaries shall pay to patients affected by medical errors or legal claims or claimants, or as a result of non-compliance with the terms and conditions of the insurance policy. The law of practicing health professions also stipulated the responsibility of the health facility to ensure the payment of compensation issued by a final judgment on its affiliates, in the event of lack of insurance coverage, or the existence of an exception to insurance coverage, or if the insurance is insufficient for the amounts due to those affected, or if it is not possible to insure the accident or the resulting damage, as it is possible for the Company to incur such expenses and compensation.

Moreover, it is worth mentioning that the Company and its subsidiaries did not obtain insurance coverage for its hospitals or health practitioners except for doctors against the risks of medical errors, as the Health Professions Practicing Law stipulated that participation in cooperative insurance against medical professional errors is mandatory for all doctors and dentists working in public and private health institutions. Therefore, the Company and its subsidiaries are liable to incur any losses, damages or litigation costs in connection with medical errors committed by its employees who are uninsured health practitioners.

Accordingly, the occurrence of any of the above risks will have a negative and material impact on the Company's business, results of operations, financial position and future prospects.

### 2.2.12 Risks Related to Non-compliance with Professional Codes of Conduct and Internal Regulations

Health practitioners shall comply with the rules of professional conduct set forth in the laws and regulations for the practice of health professions (such as the Health Professions Practice Law issued by Royal Decree No. M/59 dated 04/11/1426H and its executive regulations issued by Ministerial Decision No. 4080489 dated 02/01/1439H) and the Health Practitioner Ethics Book issued by the Saudi Commission for Health Specialties. However, the Company does not guarantee that its health practitioners adhere to the rules of professional conduct and internal regulations that monitor and regulate the work of health practitioners. The Company also does not guarantee that the internal procedures and systems followed with regard to the application of the Code of Professional Conduct are adequate. Health practitioners or the Company may be subject to financial or penal fines in the event of non-compliance with the provisions and requirements of these regulations and rules, which may affect the reputation of the Company. The occurrence of any of these risks will adversely and materially affect the Company's business, results of operations, financial position and future prospects.

### 2.2.13 Risks Related to Keeping Abreast of Developments in Medical Technologies

Technical developments in the medical field are witnessing rapid growth and progress. In order to keep pace with this rapid growth, the Company and its subsidiaries shall continue to assess their needs of medical and technical devices, machinery and equipment in their facilities, and develop them to keep pace with the technical progress witnessed in this field, and to maintain the competitive advantages of the Company and its subsidiaries. Due to the high capital costs of devices and equipment, the Company and its subsidiaries shall balance spending by not investing in devices and equipment that they will not use regularly, and not completely refuse to invest in them for long periods so as not to miss the opportunity to obtain the latest health care technologies. The Company's inability to keep pace with the development of future modern technologies, including, but not limited to, communicative medicine and renewable technology in some devices and equipment, will limit its ability to provide modern services compatible with the latest developments in medical technologies. This may also lead to health practitioners and administrative staff leaving the Company and its subsidiaries and working with their competitors, and may also lead to patients going to competitors who use the latest modern technologies. In the event that the Company and its subsidiaries are unable to invest in modern technologies or invest in devices and equipment that exceed their needs, this will result in the Company and its subsidiaries incurring additional costs for the consumption and operation of those assets. The occurrence of any of the above risks will adversely and materially affect the Company's business, results of operations, financial position and future prospects.

### 2.2.14 Risks Related to the Concentration of the Business of Al-Salam Medical Service Company (a subsidiary) and Al-Ahsa Medical Services Company (a subsidiary) in a Specific Geographical Area

The Company's business is concentrated in the health sector through Al-Salam Medical Service Company (a subsidiary Company) and Al-Ahsa Medical Services Company (a subsidiary Company) in the Eastern Province (for more information, please refer to subsection No. (3.8.1) "**Healthcare Business Sector**" of this Prospectus), where the Company's revenues are formed by Al-Salam Medical Service Company (a subsidiary Company) and Al-Ahsa Medical Services Company (a subsidiary Company) collectively, representing 93.43%, 93.72%, 92.77% and 92.61% of the Company's total revenues as of 31 December 2020G, 2021G, 2022G and the six-month period ended 30 June 2023G, respectively (for more information, please refer to subsection No. (5.6.2.1) "**Revenues**" and subsection No. (5.7.2.1) "**Revenue**" of this Prospectus).

The concentration of the Company's revenues in one geographical area, namely the Eastern Region, will affect the Company's revenues as a whole in the event of an increase in the number of health service providers in the Eastern Region or/and an increase in the intensity of competition or the occurrence of any emergency matters such as natural disasters and others, which will negatively and materially affect the results of the Company's operations, profitability and future prospects.

## 2.3 Other Risks Related to the Food Products Business through its subsidiary (Al-Ahsa Food Industries Company)

### 2.3.1 Risks Related to Al-Ahsa Food Industries' Relationship with Customers

Al Ahsa Food Industries' relationships with food products customers are generally subject to purchase orders sent by customers. Therefore, the contracts of Al-Ahsa Food Industries Company with the majority of customers of food products do not follow a typical contractual pattern, but Al-Ahsa Food Industries Company sells its products of date derivatives to them based on purchase orders and sales invoices. Accordingly, Al-Ahsa Food Industries Company does not have any contractual guarantee to continue working with most of the customers of food products, in the event that in the future a large part of its customers terminate its business with Al-Ahsa Food Industries Company or reduce its size, due to any problem related to date derivatives products or their reluctance to deal with Al-Ahsa Food Industries Company or changes in strategy or otherwise, this may negatively and materially affect the Company's business, results of its operations, financial position and future prospects.

If Al Ahsa Food Industries is unable to maintain its contractual relationships with its major food customers, or if any of the above factors materialize, this will negatively and materially affect the Company's business, results of operations, financial position and future prospects.

## 2.3.2 Risks Related to Quality or Health Problems Related to Al-Ahsa Food Industries Company's Date Derivatives Products

Concerns surrounding the safety of products from date derivatives stored in the factories of Al-Ahsa Food Industries Company or the safety and quality of the supply chain of Al-Ahsa Food Industries Company) can lead its customers to avoid buying some date derivatives products from them, or look for alternative sources. For example, retailers, wholesalers, or food service customers who purchase date derivative products from Al Ahsa Food Industries may not comply with their requirements to store these products to ensure their quality. The negative publicity of these concerns, whether based on actual and confirmed facts or otherwise, can discourage customers from purchasing Al Ahsa Food Industries products from date derivatives, which will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects. In addition, the operational controls that Al Ahsa Food Industries establishes and trains employees on may not be effective in preventing foodborne illness, food manipulation, and other food problems (including the risk that expired food items received from suppliers will not be detected) that may affect its operations.

Products may also be withdrawn from date derivatives distributed by Al Ahsa Food Industries, including retrieved or withdrawn voluntarily, if proven to have caused injuries or illnesses, misclassified, counterfeited, falsified, or violated government regulations. The occurrence of such things will lead to incurring large unforeseen expenses, destroying the inventory of these products, damaging the reputation of Al-Ahsa Food Industries, or losing sales due to the unavailability of these products for a period of time, which will negatively and materially affect the Company's business, results of its operations, financial position and future prospects.

Incidents may occur in the future related to the safety and quality of date derivative products or ingredients offered therein, which may lead to product liability claims, product recalls, and adverse publicity. Fines may also be imposed by the Saudi Food and Drug Authority and the Ministry of Municipal, Rural and Housing Affairs or the closure of branches, which will negatively and materially affect the Company's business, results of its operations, financial position and future prospects.

## 2.3.3 Risks Related to the Approval of Products by the Saudi Food and Drug Authority

The Saudi Food and Drug Authority (SFDA) is the authority responsible for regulating, monitoring and supervising food products, medicines and medical devices within the Kingdom, whether imported or locally manufactured. The food law issued by Royal Decree No. (M/1) dated 06/01/1436H and its executive regulations governs activities related to the manufacture, import, storage and transport of food products to ensure the safety of consumption. In the event that the standards of the Saudi Food and Drug Authority are not met, the Saudi Food and Drug Authority may issue a decision to prohibit the manufacture of Al-Ahsa Food Industries products from date derivatives, which will have a material and negative impact on the Company's business, results of its operations, financial position and future prospects.

## 2.3.4 Risks Related to the Supply of Dates

The ability of Al-Ahsa Food Industries to develop and produce its products of date derivatives depends on its ability to purchase dates that are used in the manufacture of these products and obtain them from sources approved by the Saudi Food and Drug Authority and other competent regulatory authorities. It is worth mentioning that the cultivation of dates is characterized by the presence of a limited number of high-quality date farmers, which leads to the presence of a limited number of suppliers who provide the required quantities of dates. While Al Ahsa Food Industries seeks to maintain more than one qualified supplier of its date-derived products, it may not always be able to do so, knowing that it purchases dates from the market on a daily basis.

The availability and quality of dates may also be affected by a number of external factors, including seasonal fluctuations, adverse weather conditions (natural disasters, floods, floods, droughts, etc.), diseases and epidemics. Therefore, it may be difficult for Al Ahsa Food Industries to ensure the continuity of the supply of good dates in the required quantities. Any of these factors may disrupt the supply of date derivatives products by Al-Ahsa Food Industries Company, which in turn may lead to a decrease in the sales of Al-Ahsa Food Industries Company and its inability to introduce new date derivatives products to the market, which leads to a decrease in the revenues of Al-Ahsa Food Industries Company and a decrease in its market share.

As a result of the above, Al-Ahsa Food Industries may face difficulty in planning its business, as this may limit its ability to accurately forecast its future revenues or to accurately budget its operational costs, which will negatively and materially affect the Company's business, results of its operations, financial position and future prospects.

## 2.3.5 Risks Related to the Ability of Al-Ahsa Food Industries to Maintain its Reputation and Brand

The success of Al Ahsa Food Industries depends in part on its ability to maintain the level and fame of its "Tamarna" brand. Any negative campaigns that may affect the quality, health and safety of the products of Al-Ahsa Food Industries, whether actual or perceived, can harm its brand "Tamarna", which may lead its customers to prefer its competitors, and lead to Al-Ahsa Food Industries losing its customers and thus reviewing its market share and revenues.

The reputation of the Al-Ahsa Food Industries brand may also be adversely affected as a result of any act by Al-Ahsa Food Industries that violates the quality, health and safety standards set by the regulatory bodies.

Tamarna may be materially and adversely affected by factors beyond the control of Al-Ahsa Food Industries, including lawsuits, regulatory investigations, fines and penalties filed or imposed on Al-Ahsa Food Industries, or related to the products or services it provides, or the unauthorized conduct of Al-Ahsa Food Industries and improper or unlawful conduct by employees of Al-Ahsa Food Industries, its suppliers, external traders with whom it deals, and other business shareholders. In addition, negative publicity (whether for real justifications or not) resulting from the actions of the members of the Board of Directors of Al-Ahsa Food Industries, shareholders, management, related parties, suppliers, employees, contractors, or agents (such as quality control problems or non-compliance with laws and regulations) will negatively affect the reputation of Tamarna. Such negative propaganda may spread rapidly and widely, especially with the increase in the use of social media, which makes it more difficult to address it by Al-Ahsa Food Industries.

Damage to the reputation and brand of Al-Ahsa Food Industries as a result of any of these or other factors may cause a negative outlook on Al-Ahsa Food Industries' products and services by consumers, external traders, regulators, healthcare professionals and other business shareholders, which will negatively and materially affect Al-Ahsa Food Industries' business, results of its operations, financial position and future prospects.

## 2.4 Risks Related to a Potential Sale Transaction

### 2.4.1 Risks Related to the Failure to Guarantee a Potential Sale Transaction

On 15/08/1445H (corresponding to 25/02/2024G), the Company signed a non-binding memorandum of understanding with Dallah Healthcare Company to sell all the Company's shares in Al-Ahsa Medical Services Company (amounting to 97.41%) and Al-Salam Medical Service Company (amounting to 100.00%) (hereinafter referred to as the "**Potential Sale Transaction**") in exchange for issuing new shares in Dallah Healthcare Company through an increase in the capital of Dallah Healthcare Company, or according to the payment mechanism to be agreed upon by the Company and Dallah Healthcare Company. On 23/08/1445H (corresponding to 04/03/2024G), the Company appointed Al-Enma Investment Company as a financial advisor to the Company in connection with the proposed transaction.

It shall be noted that the Memorandum of Understanding with Dallah Healthcare Company is non-binding and subject to the completion of the financial, tax and legal due diligence study, and the parties obtaining the relevant legal approvals. Therefore, no guarantee can be given as to the realization of this potential sale.

In the event that the potential sale transaction is approved by the Company and Dallah Healthcare Company, it shall be subject to conditions that have not yet been agreed upon, including with regard to the nature of the consideration, which is expected to be by exchanging shares through the issuance of new shares in Dallah Healthcare Company for the benefit of the Company. Thus, it is not possible at this time to assess the financial impact of the sale on the Company, or whether the terms of the sale would be in the best interest of the Company or its shareholders. The Shareholders will be able to assess this only after the publication of the Shareholders Circular relating to the Sale Transaction which the Company will prepare for the purposes of obtaining General Assembly approval of the Sale Transaction (for further information, please refer to Section 3.9.2 ("**Regulatory Requirements Applicable to the Potential Sale Transaction**")).

### 2.4.2 Risks Related to the Non-realization of the Benefits of the Sale

If the sale is completed, Al-Ahsa Medical Services Company and Al-Salam Medical Services Company will become subsidiaries of Dallah Healthcare Company, and Al-Ahsa Hospital and Al Salam Hospital will become part of Dallah Healthcare Company's hospital portfolio. If the consideration for the sale is new shares in Dallah Healthcare (as currently anticipated), the Company will become a shareholder in Dallah Healthcare Company.

In the event that the integration of the assets and operations of Al-Salam Hospital and Al-Ahsa Hospital to Dallah Healthcare Company is not completed in an appropriate manner and within the planned time periods, due to a number of factors, including the failure to effectively integrate operations, Dallah Healthcare Company's inability to retain the employees of Al-Salam Hospital and Al-Ahsa Hospital, failure to retain existing customers and existing customer relationships, and failure to reach new customers. In addition, if the costs associated with completing the business combinations increase, this will negatively affect the future prospects on the benefits of the potential sale.

In the event that the operations of Al-Ahsa Hospital and Al-Salam Hospital cannot be effectively integrated into Dallah Healthcare Company's business for any of the above reasons or any other, it cannot be guaranteed that the Company and its shareholders, after the completion of the sale transaction, will be in a better position than the current situation and accordingly, any such failure will adversely affect the value of Dallah Healthcare Company's shares, which will result in a negative and material impact on the Company, its financial position and the results of its operations.

### 2.4.3 Risks Related to Dallah Healthcare Operations and the Sector in which it Operates

If the sale transaction takes place, and the consideration provided therein by Dallah Healthcare Company is new shares in Dallah Healthcare Company, the most important assets of the Company will be listed shares in Dallah Healthcare Company, and the only operating assets of the Company, after the sale transaction, will be Al-Ahsa Food Industries Company, which is of relatively immaterial value compared to the Company's investment in the shares of Dallah Healthcare Company.

Accordingly, the Company and its shareholders will be exposed, after the completion of the sale transaction, indirectly, to risks related to the business of Dallah Healthcare and the industrial sectors in which it operates. As with the Company's current core business, Dallah Healthcare' current activity revolves around the operation and management of hospitals. However, while Dallah Healthcare is likely to be exposed to risks similar to those Dallah Healthcare is currently exposed to, these risks may affect Dallah Healthcare differently. Furthermore, Dallah Healthcare runs another healthcare business (for more information, please refer to Section 9.5.4 "**Potential Sale deal with Dallah Health Services Company**") that would expose it to other risks.

Since the sale transaction is still at an early stage at the date of this Prospectus, it is not possible to fully identify the risks to Dallah Healthcare and its business. In any case, the realization of any risks related to Dallah Healthcare and its business can adversely affect the value of the listed shares with Dallah Healthcare, and therefore may have a negative and material impact on the Company's business, financial position and results of operations.

### 2.4.4 Risks Related to Liquidity and Volatility of Dallah Healthcare Shares after Completing the Sale Transaction

In the event of the completion of the potential sale transaction, the Company's shareholders will become indirectly exposed to price fluctuations and risks related to liquidity and trading on the shares of Dallah Healthcare Company, which would negatively affect the Company's shareholders and expose them to additional risks.

## 2.5 Risks related to the Market and Sector

### 2.5.1 Risks Related to the Impact of Political and Economic Risks on the Company's Operations

The operations of the Company and its subsidiaries are concentrated in the Kingdom, so the financial performance of the Company and its subsidiaries depends on the economic and political conditions prevailing in the Kingdom, in addition to the global economic conditions that in turn affect the Kingdom's economy.

The oil sector still accounts for the largest share of the Kingdom's GDP. Fluctuations in oil prices may occur, which may adversely affect the Kingdom's economy. It is worth mentioning that the economic growth rate in the Kingdom has slowed in recent years. The Kingdom also faces challenges related to relatively high population growth rates. All these factors may have a negative impact on the Kingdom's economy, which will have a negative and fundamental impact on the Company's business, results of its operations, financial position and future prospects.

The fluctuations of some economic factors, such as the availability of credit to consumers, interest rate levels, unemployment rates, salary and tax levels, the cost of water and electricity consumption, and the partial or complete elimination of the support provided by the Saudi government for some materials, may also affect consumer spending and demand for date derivatives products provided by the Company. If the Company is unable to respond to market changes, this will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects.

In addition, many countries in the Middle East region suffer from political or security instability at the moment, and it is not certain that negative diplomatic relations with those countries or with other countries, or the economic and political conditions prevailing in them, will not have a negative impact on the economy, foreign direct investment or financial markets in the Kingdom in general, which will have a negative and fundamental impact on the Company's business, results of its operations, financial position and future prospects.

Major unforeseen changes may occur in the political, economic or legal environment in the Kingdom, or in any other countries in the Middle East, including but not limited to normal market fluctuations, economic stagnation, insolvency, high unemployment rates, technological transformations and other developments.

Any of the above factors will have a material adverse impact on the Company's business, results of operations, financial position and future prospects.

### 2.5.2 Risks Related to Increasing Competitive Factors in the Sector in which the Company and its Subsidiaries Operate

The health care and food sectors in the Kingdom are highly competitive fields, and the Company and its subsidiaries face competition from companies operating in the same sector, both local and international. Noting that these companies may have greater financial, technical and research resources than the Company and its subsidiaries, and its capabilities in the field of development, marketing, distribution and retail may exceed the capabilities of the Company and its subsidiaries. They may also have a longer operating history, a larger customer base, or broader and deeper market coverage. As a result, the Company's competitors may be able to respond faster and more effectively than the Company and its subsidiaries when new or evolving opportunities, technologies, standards or user requirements arise, and they may also have the ability to initiate or withstand significant regulatory changes and sectoral developments.

The Company and its subsidiaries compete with other entities in the Kingdom and other key markets, due, among other things, to the following elements: (i) excellence in the provision of technical and healthcare services; (ii) the brand reputation of the services; (iii) the reputation and quality of the services provided by the Company and its subsidiaries; and(iv) the degree of customer satisfaction. Some of the Company's competitors and subsidiaries are likely to have more financial, administrative, logistical and human resources than the Company and its subsidiaries have.

Any significant increase in competition may have a negative and material impact on the Company's revenue and profitability as well as on its business and future prospects. There is no guarantee that the Company and its subsidiaries will be able to continue to differentiate their products and services from those of their competitors, maintain and improve their relationships with various participants in the healthcare value chain, or increase or even maintain their current market share. The Company and its subsidiaries may lose market share, and its financial position and the results of its operations may decline significantly if it is not able to compete effectively. The occurrence of any of these events will adversely and materially affect the Company's business, results of operations, financial position and future prospects.

### 2.5.3 Risks Related to the Competition Law

The Competition Law issued by Royal Decree No. (M/75) dated 29/06/1440H (corresponding to 06/03/2019G) and its executive regulations issued by the General Authority for Competition pursuant to Resolution No. (337) dated 25/01/1441H (corresponding to 24/09/2019G) prohibit practices whose purpose or effect is contrary to competition, including the determination of prices of goods, service fees, and conditions of sale or purchase.

The occurrence of any of the risks described above can adversely and materially affect the Company's business, results of operations, financial position and future prospects.

### 2.5.4 Risks Related to Saudization Requirements, Non-Saudi Employees and Other Requirements of Labor Law

The Saudization and Nitaqat programs were approved by Ministerial Resolution No. 4040 dated 12/10/1432H (corresponding to 10/09/2011G), where the Ministry of Human Resources and Social Development began implementing the Nitaqat program to encourage institutions to settle. Compliance with the requirements of Saudization is a legal requirement in the Kingdom, according to which all companies operating in the Kingdom, including the Company and its subsidiaries, are obligated to employ and retain a certain percentage of Saudi employees within its employees. Noting that the required Saudization rates vary according to the activities of companies and professions based on the qualitative Saudization of professions. As of the date of this Prospectus, the Company is classified based on entities classified within the platinum range (66.67% Saudization), which means that the Company is compliant with current Saudization requirements, as this will allow for work visas and sponsorship transfer. The Company has obtained the relevant Saudization certificates from the Ministry of Human Resources and Social Development to indicate this.

As of the date of this Prospectus, Al-Ahsa Medical Services Company has been classified based on entities classified within the medium green range (with a Saudization rate of 35%), which means that Al-Ahsa Medical Services Company is compliant with the current Saudization requirements, as this will allow obtaining work visas and transferring sponsorship. Al-Ahsa Medical Services Company has obtained the concerned Saudization certificates from the Ministry of Human Resources and Social Development to indicate this.

As of the date of this Prospectus, Al-Salam Medical Services Company has been rated based on entities rated Platinum (41% Saudization), which means that Al-Salam Medical Services Company is compliant with current Saudization requirements, as this will allow for work visas and sponsorship transfer. Al-Salam Medical Services Company has obtained the concerned Saudization certificates from the Ministry of Human Resources and Social Development to indicate this.

As of the date of this Prospectus, Al-Ahsa Food Industries Company has been classified based on the entities classified within the high green range (with a 30% Saudization rate), which means that Al-Ahsa Food Industries Company is compliant with the current Saudization requirements, as this will allow obtaining work visas and transferring sponsorship. Al-Ahsa Food Industries Company has obtained the relevant Saudization certificates from the Ministry of Human Resources and Social Development to indicate this.

In general, according to the Saudi Labor Law, foreign workers may not work for any Company in the Kingdom unless they are under its sponsorship or through the wage system. The fee for transferring workers from one Company to another Company is between SAR 2,000 and SAR 6,000 (depending on the number of times the worker has transferred his sponsorship in the past). For more information about employees, please refer to Section 4 ("**Employees**") of this Prospectus. Risks related to the requirements of non-Saudi workers are the imposition of fines or penalties such as the disruption of systems or recruitment processes in the Ministry of Human Resources and Social Development in the event of violation of residency regulations, transfer of sponsorship, employee notices and residence professions, which negatively affects the Company's business and the results of its operations. The penalties imposed on companies that violate the law for the first time by seconding foreign workers under their sponsorship to work for another Company (without obtaining an "Employee" notice) include a fine of SAR 25,000 for each violating worker, and penalties are increased if the facility or branch repeats this violation.

It shall be noted that the Company has 6 employees who are not on the Company's sponsorship, and the Company is working on transferring employees to be under the Company's sponsorship. In the event that it is unable to transfer them under its sponsorship, it will incur fines as indicated above, which will negatively and materially affect the Company's business, results of its operations, financial position and future prospects.

In addition, according to the Saudi Labor Law, every non-Saudi worker shall perform the job stipulated in his residence permit. Accordingly, the Company is working to rectify the status of all non-Saudi employees who perform jobs that are not compatible with the actual job installed in their residence permits. In the event that the Company is unable to correct the situation of all employees, the Company will be considered a violation of the Saudi Labor Law, which exposes it to a fine of SAR 10,000 for each violating worker for the first time, and these penalties will be increased in the event of a repeated violation.

The Company may not be able to meet current or amended requirements for Saudization or other future employment regulations or the minimum wage that the Company shall comply with may not be amenable to future increases. In case of non-compliance with Saudization requirements or requirements related to foreign labor, the Company will face penalties imposed by government agencies. In addition, the Company may not be able to provide the required manpower and employ the required number of Saudi or foreign workers without incurring additional costs, or may not be able to do any of this at all, which will adversely and materially affect the Company's business, results of its operations, financial position and future prospects.

### 2.5.5 Risks Related to the Imposition of Additional Fees or New Taxes

The Company and its subsidiaries are currently subject to Sharia Zakat, VAT and withholding tax (due to the fact that some of the Company's and its subsidiaries' dealings with third parties are not registered in the Kingdom), but it is possible that the Government may impose other fees or additional taxes on companies in the future. In the event that new taxes or fees are imposed on companies other than those currently applicable, this may adversely and materially affect the Company's business, results of its operations, financial position and future prospects.

For example, any potential future increase in VAT may reduce the level of demand for the Company's products or affect its profitability, which will have a negative and material impact on the Company's business, results of its operations, financial position and future prospects.

### 2.5.6 Risks Related to Changing the Mechanism of Calculating Zakat and Income Tax

The Zakat, Tax and Customs Authority (ZATCA) issued Circular No. (6768/16/1438) on 05/03/1438H (corresponding to 05/12/2016G), which obliges Saudi companies listed in the market to calculate income and zakat on the basis of the nationality of shareholders and actual ownership between Saudi and Gulf citizens and others as stated in the "Tadawulaty" system at the end of the year. Prior to the issuance of this circular, companies listed in the market were generally subject to the payment of zakat or tax on the basis of the ownership of their founders in accordance with their statutes, and the impact of listed shares was not taken into account in determining the zakat base. This circular was to be applied from 31 December 2016 and subsequent years. However, the Zakat, Tax and Customs Authority issued letter No. (12097/16/1438) on 19/04/1438H (corresponding to 17/01/2017G), which requires postponing the implementation of this circular for the financial year 2017G and subsequent years. For more information, please see Section 2.5.6 ("**Risks Related to Changing the Mechanism of Calculating Zakat and Income Tax**") of this Prospectus.

Until the Zakat, Tax and Customs Authority issues its directives regarding the mechanisms and procedures for implementing this circular, the implementation of this circular is still under study, including the final requirements that shall be met, as well as the rules that impose income tax on all non-gulf residents participating in listed Saudi companies and that apply withholding tax on dividends to non-resident shareholders regardless of their nationality. If the financial impact of this circular, once implemented, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will have a negative impact on the Company's business, results of its operations, financial condition, and future prospects.

### 2.5.7 Risks Related to VAT

The Company and its subsidiaries have submitted all their VAT returns since their registration (from 1 January 2018G until the date of this Prospectus) within the legal deadlines. The Company and its subsidiaries have also paid all ZATCA dues on legal dates.

The Zakat, Tax and Customs Authority (ZATCA) provided confirmation of its acceptance of all VAT returns submitted by the Company and its subsidiaries from the date of its establishment until June 2023G. In accordance with the tax and zakat regulations then in force in the Kingdom, in the event that tax and zakat returns are submitted on legal dates, the statutory limitation period shall be five (5) years from the date of filing the returns. The Company may make mistakes during the implementation of the regulatory requirements, which may lead to the imposition of penalties by the Zakat, Tax and Customs Authority in accordance with the VAT law, which will negatively and materially affect the Company's business, results of its operations, financial position and future prospects.

### 2.5.8 Risks Related to Non-compliance with Current Regulations and Laws and/or the Issuance of New Regulations and Laws

The Company and its subsidiaries are supervised by a number of government agencies in the Kingdom, including but not limited to the Capital Market Authority, the Ministry of Commerce, the Ministry of Investment, the Ministry of Health, the Competition Authority, and others. Thus, the Company and its subsidiaries are subject to the risks of changes in the laws, regulations, circulars and policies in the Kingdom. The legislative and regulatory environment in the Kingdom is witnessing the issuance of a number of laws and regulations, that is, they are more vulnerable to change and development. For example, the new Companies Law was issued by Royal Decree No. (M/132) dated 1/12/1443H corresponding to 30/6/2022G and entered into force on 19/01/2023G. Therefore, the Authority issued the rules for offering securities and continuing obligations by CMA Board Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G), in addition to the instructions for Company announcements amended by Resolution No. (10-5-2023) dated 25/06/1444H corresponding to 18/01/2023G and the Corporate Governance Regulations amended by CMA Board Resolution No. 8-5-2023 dated 25/6/1444H corresponding to 18/01/2023G, and other regulations. The costs of compliance with these regulations are high. In the event of changes to existing laws or regulations or the issuance of new laws or regulations, this will result in the Company and its subsidiaries incurring additional unexpected financial expenses for the purposes of complying with those regulations and meeting the requirements of these laws, or may be subject to penalties and fines imposed by the competent supervisory authorities in the event of non-compliance with these regulations and regulations on an ongoing basis, which will adversely affect its business, results of operations, financial position and future prospects.

## 2.6 Risks Related to the Offer Shares

### 2.6.1 Risks Related to Liquidity and Volatility in the Share Price

Investors may be unable to resell their Shares (including Right Shares) at or above the Offering Price, as the market price of the Shares after the Offering may be adversely affected by factors within or outside the control of the Company, including, but not limited to, stock market conditions, poor performance of the Company, inability to execute the Company's future plans, new competitors entering the market, changes in expert and local view or estimates of the stock market, or any announcement by the Company or any of its competitors relating to mergers, acquisitions or strategic alliances.

Qualified investors shall be aware that the value of investing in stocks (including right shares) may decrease or increase, and the market price of stocks may be volatile and subject to significant fluctuations due to changing market sentiment regarding stocks. From time to time, stock markets have experienced significant price and volume fluctuations that have affected the market prices of securities and have not been relevant to the performance of the Company or the prospects of its activities. Furthermore, the Company's operating results and forecasts may from time to time fall short of market analysts' expectations and overall market conditions. Any of these events may result in a decline in the market price of the shares.

### 2.6.2 Risk of Potential Fluctuations in the Price of Rights Issue Shares

The market price of the rights related to the Company's shares may face significant fluctuations due to the changing trends of the Saudi Stock Exchange ("**Tadawul**"). These fluctuations may be significant due to the difference in the allowable range of change ((10.0%) up and down from the previous day's closing price) in the priority rights trading prices compared to the allowable range of change of the Company's shares. Also, because the price of the priority rights depends on the trading price of the Company and the potential market prices of the shares of the priority rights, these factors in addition to the mentioned factors related to liquidity and volatility in the share price may affect the price of the priority rights. The sale of a large number of the Company's shares in Tadawul, or the expectation of selling a large number of them, may adversely affect the prices of shares in Tadawul in general and the Company's shares in particular.

### 2.6.3 Risks Related to the Lack of demand for Right Shares and Shares of the Company

There is no guarantee that there will be sufficient demand for the Rights Issue Shares during the Trading Period to enable the Rights Holder (whether a Registered Shareholder or a New Investor) to sell them and make a profit or to enable them to simply sell them. There is also no guarantee that there will be sufficient demand for the Rump Shares of the Company from investors during the Rump Offering period. In the event that institutional investors do not offer the Rump Shares at a high price, the amount of compensation may not be sufficient to distribute to persons who have not exercised their right to subscribe. Furthermore, there is no guarantee that there will be sufficient market demand for the Rights Issue Shares to be acquired by subscribers either: (a) through Rights Subscription; (b) during the Rump Offering Period; or (c) on the Open Market.

### 2.6.4 Risks Related to the Distribution of Profits

The distribution of future profits depends on several factors, including the financial position and future profits, capital requirements, distributable reserves, general economic conditions, and any other relevant factors that the Board of Directors of the Company deems relevant from time to time. Consequently, the Company does not guarantee the distribution of any dividends in the future.

### 2.6.5 Risks Related to Low Ownership Ratios

If the Eligible Shareholders do not subscribe in full for the Rights Issue Shares by the end of the Subscription Period, their ownership ratios and voting rights will decrease. Eligible shareholders who will subscribe to all rights of priority at the end of the subscription period may be subject to a reduction in their shareholding in the Company as their entitlements will be rounded down to the nearest whole number of shares of rights of priority. However, these shareholders will still be able to subscribe for additional Rights Issue Shares that will enable them to maintain or increase their proportionate shareholding in the Company. There is also no guarantee that eligible shareholders who have not sold their priority rights during the trading period will receive a sufficient return to compensate them for the decrease in their ownership ratios in the Company's capital as a result of the increase in its capital.

### 2.6.6 Risks Related to Trading in Rights

Speculation related to right shares may cause material losses. The permissible price change limits for trading rights (the indicative value of the right) exceed the permissible percentage of stock prices (10% up or down). There is also a direct relationship between the Company's share price and the indicative value of the right. The daily price limits of a right trade will thus be affected by the daily price limits of a stock trade.

If the speculative entity fails to sell the rights before the end of the trading period, it will be forced to use these rights to subscribe to the Rights Issue Shares and may incur some losses. Accordingly, investors shall review the full details of the mechanism for listing and trading priority rights and new shares and how they work, and shall be aware of all factors affecting them, to ensure that any investment decision will be based on full awareness and understanding.

### 2.6.7 Risks Related to Failure to Exercise Rights in a Timely Manner

The subscription period begins on 08/01/1446H (corresponding to 14/07/2024G) and ends on 18/01/1446H (corresponding to 24/07/2024G). The rights holders and their representatives from the financial intermediaries shall take appropriate measures to fulfill all the required exercise instructions for the rights and certificates to be received before the end of the subscription period. If rights holders and financial intermediaries fail to follow the rights subscription procedure in the correct manner, the subscription application may be rejected (see Section 12 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus). If Eligible Persons are unable to properly use their Subscription Rights at the end of the Subscription Period, depending on the rights they have, there is no guarantee that a compensatory amount will be distributed to Eligible Persons who have not subscribed or who have not followed the Subscription Procedures in the correct manner, which in turn will result in a decrease in their ownership percentage.

### 2.6.8 Risks Related to Shareholders' Lack of Awareness of the Trading Mechanism and their Exercise of Rights

Trading rights is a new market for investors in Tadawul, as many investors may not know much about the mechanism of trading these rights, which will negatively affect their willingness to invest and trade in them. Therefore, their ownership in the Company will decrease, which will harm those who have not used their rights to subscribe, especially if no compensation is distributed to them, when investors do not offer higher prices for the Rump Shares.

### 2.6.9 Risks Related to Future Offering of New Shares

The Company currently has no future plans to issue new shares (other than the Rights Issue Shares mentioned in this Prospectus). However, in the event that the Company decides to increase its capital by issuing new shares, and the existing shareholders do not exercise their rights when issuing new priority rights, their ownership of the shares will decrease proportionately and the consequent right to vote and the right to receive dividends. Any additional offering may have a material impact on the market price of the shares.

### 2.6.10 Risks Related to Failure to Ensure that Eligible Persons Receive Compensation

The subscription period will start on 08/01/1446H (corresponding to 14/07/2024G) and end on 18/01/1446H (corresponding to 24/07/2024G). Eligible persons and their representatives from financial intermediaries shall take appropriate measures to fulfill all required instructions and subscribe to Rights Issue Shares before the end of the subscription period. If Eligible Persons are unable to make proper use of their rights to subscribe at the end of the Offering Period, depending on the rights they hold, there is no guarantee that a compensatory amount will be distributed to Eligible Persons who have not participated or have not properly subscribed in the Rights Issue Shares.

### 2.6.11 Risks Related to the Suspension of trading or Cancellation of the Company's Shares as a result of Not publishing its Financial Statements during the Statutory Period

In the event that the Company is unable to publish its financial information within the statutory period (30 days from the end of the financial period of the initial financial statements, and three months from the end of the financial period of the annual financial statements), the procedures for suspending listed securities shall be applied in accordance with the listing rules approved by the CMA Board Resolution No. (1-22-2021) dated 12/07/1442H (corresponding to 24/02/2021G), which stipulates that the market shall suspend the trading of securities for one trading session following the expiry of the statutory period. In the event that financial information is not published within twenty trading sessions following the first trading session, Tadawul shall announce the re-suspension of the Company's securities until it announces its financial results. In the event that the suspension of trading of the Company's shares continues for a period of six months without the Company taking appropriate measures to correct that suspension, the Authority may cancel the listing of the Company's securities. The financial market lifts the suspension after one trading session following the announcement of the Company's financial results. However, in the event that the Company delays in announcing its financial results, or if it is unable to publish them within the statutory period referred to above, this will cause the suspension of the Company's shares or the de-listing of its shares, which would have a material and negative impact on the Company's business, results of its operations, financial position and future prospects.

# 3. Background of the Company and the Nature of its Business

## 3.1 Company Overview

Ayyan Investment Company is a Saudi joint stock Company, established by Ministerial Resolution No. 573 issued on 26/04/1414H (corresponding to 13/10/1993G), with Commercial Registration No. 2252021816 issued in Al-Mubarraz on 01/06/1414H. The Company's headquarters were transferred from Al-Mubarraz to Al-Khobar, and thus, the commercial registration of the Company was amended from No. 2252021816 to No. 2051064048 on 19/07/1438H (corresponding to 16/04/2017G). The head office of the Company is located in Al-Khobar, Tariq Bin Ziad Street, Southern Al-Rakah District, P.O. 77411, Al Khobar 31952, Kingdom of Saudi Arabia.

The capital of the Company is currently eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares with a fully paid nominal value of ten (10) riyals per share.

The Company's business is focused on investing in the health services sector and in food industry projects across the Kingdom.

Recognizing that the medical sector is one of the fastest growing sectors in the Kingdom. Based on the Kingdom's health transformation program in accordance with Saudi Vision 2030, the Board of Directors of the Company decided in 2017G to shift the Company's focus to the medical sector by increasing its investments in health care services. Thus, on June 25, 2020G, as part of its new strategy, the Company rebuilt its brand by changing its name from "Al-Ahsa Development Company" to "Ayyan Investment Company", and moving its headquarters from Al-Mubarraz to Al-Khobar. Furthermore, the Company has increased its investments in the medical sector over the last three years as follows:

- On 08/06/1441H (02/02/2020G), the Extraordinary General Assembly of the Company approved the acquisition of the entire capital of Al-Salam Medical Service Company, which owns, manages and operates the newly built Al-Salam Hospital as one of the most advanced and comprehensive private health care institutions in the Eastern Region. The acquisition was completed on March 15, 2020G. Therefore, Al-Salam Medical Service Company was shown in the initial financial statements for the period ended March 31, 2020G. Al-Salam Hospital has been classified as a "five-star hospital" through providing a high-quality experience and services to patients who have insurance coverage of the fifth degree and above.
- On 04/04/1443H (09/11/2021G), the Company acquired an additional share of 26.43% of the capital of Al-Ahsa Medical Services Company, which led to an increase in its ownership from 69.9% to 96.3% (after previously increasing its share from 53.61% to 69.9% in 2019G). On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company. Al-Ahsa Medical Services Company owns and operates Al-Ahsa Hospital, a public hospital operating in Hofuf since 2002.

In addition to the healthcare field, the Company also has other investments in the food sector, mainly Al-Ahsa Food Industries Company, and the Company also has investments in other sectors.

On 15/08/1445H (corresponding to 25/02/2024G), the Company signed a non-binding memorandum of understanding with Dallah Healthcare Company, under which the Company agreed to sell all its shares in Al-Ahsa Medical Services Company and all its shares in Al-Salam Medical Service Company (hereinafter referred to as "**the Potential Sale Transaction**") in exchange for issuing new shares in Dallah Healthcare Company through increasing the capital of Dallah Healthcare Company , or according to the payment mechanism to be agreed upon by the Company and Dallah Healthcare Company (for more information, please refer to subsection No. (2.4) "**Risks Related to a Potential Sale Transaction**" and subsection No. (9.5.4) "**Potential Sale deal with Dallah Health Services Company**" of this Prospectus).

## 3.2 Development of the Capital of the Company

The Company was established in the name of "Al-Ahsa Development Company" by virtue of the Memorandum of Association dated 11/11/1413H (corresponding to 02/05/1993G) and by virtue of Ministerial Resolution No. 573 dated 26/04/1414H (corresponding to 13/10/1993G), which provides for the announcement of the establishment of the Company and according to the Commercial Register No. 2252021816 issued in Al-Mubarraz on 01/06/1414H (corresponding to 15/11/1993G). on 26 /04/1414H (corresponding to 13/10/1993G) the Company has listed and registered three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi riyals per share on the Saudi Stock Exchange ("Tadawul"), where the founding shareholders subscribed for one million nine hundred thousand (1,900,000) ordinary shares, and one million one hundred thousand (1,100,000) ordinary shares were offered as an initial public offering representing 36.67% of the Company's capital.

The Company has listed and registered on the Saudi Stock Exchange ("Tadawul") three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi riyals per share, where the founding shareholders subscribed for one million nine hundred thousand (1,900,000) ordinary shares, and one million one hundred thousand (1,100,000) ordinary shares were offered as an initial public offering representing 36.67% of the Company's capital.

On 13/01/1419H (corresponding to 29/04/1998G), the Extraordinary General Assembly Meeting of the shareholders of the Company was held and it was approved to amend the shares of the Company and their nominal value from three hundred million (300,000,000) Saudi riyals divided into three million (3,000,000) shares with a nominal value of one hundred (100) Saudi riyals to three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) shares with a nominal value of fifty (50) Saudi riyals per share.

On 03/11/1426H (corresponding to 05/12/2005G), the Extraordinary General Assembly Meeting of the shareholders of the Company was held and approved to increase the capital from three hundred million (300,000,000) Saudi riyals divided into six million (6,000,000) ordinary shares to three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of fifty (50) Saudi riyals per share.

On 11/05/1427H (07/06/2006), the Extraordinary General Assembly Meeting of the shareholders of the Company was held and approved to increase the capital from three hundred and forty-three million (343,000,000) Saudi riyals divided into six million eight hundred and sixty thousand (6,860,000) ordinary shares to four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares by granting a free share for every four (4) shares owned by the shareholders registered in the shareholders' register with a nominal value of ten (10) Saudi riyals per share, where it was approved in the same assembly to amend the nominal value of the share from fifty riyals (50) Saudi riyals to ten (10) Saudi riyals, and the increase was met by transfer from the balance of retained profits.

On 03/12/1429AH (corresponding to 01/12/2008G), the extraordinary general assembly meeting of the shareholders of the Company was held and approved to increase the capital of four hundred and twenty-eight million seven hundred and fifty thousand (428,750,000) Saudi riyals divided into forty-two million eight hundred and seventy-five thousand (42,875,000) ordinary shares to four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares by granting a free share for every seven (7) shares owned by the shareholders registered in the shareholders' register with a nominal value of ten (10) Saudi riyals per share.

On 08/06/1441H (corresponding to 02/02/2020G), the extraordinary general assembly meeting of the shareholders of the Company was held and approved to increase the capital from four hundred and ninety million (490,000,000) Saudi riyals divided into forty-nine million (49,000,000) ordinary shares to seven hundred and thirty-seven million three hundred and twenty-six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares through the acquisition of the full shares of the shareholders in Al-Salam Medical Service Company.

On 04/11/1441H (corresponding to 25/06/2020G), the extraordinary general assembly meeting of the shareholders of the Company was held and it was approved to amend the name of the Company from "Al-Ahsa Development Company" to "Ayyan Investment Company" and to transfer the headquarters of the Company from Al-Mubarraz to Al-Khobar. Thus, the commercial register of the Company was amended from No. 2252021816 to No. 2051064048 under the commercial register on 19/07/1438H (corresponding to 16/04/2017G).

On 04/04/1443H (corresponding to 09/11/2021G), the extraordinary general assembly meeting of the shareholders of the Company was held and approved to increase the capital from seven hundred and thirty-seven million three hundred and twenty thousand six hundred and ninety (737,320,690) Saudi riyals divided into seventy-three million seven hundred and thirty-two thousand sixty-nine (73,732,069) ordinary shares to eight hundred and six million three hundred and sixty-three thousand two hundred and eighty (806,363,280) Saudi riyals divided into eighty million six hundred and thirty-six thousand three hundred and twenty-eight (80,636,328) ordinary shares by acquiring an additional share of 26.43% in the capital of Al-Ahsa Medical Services Company, which increased its ownership from 69.9% to 96.3% (after previously increasing its share from 53.61% to 69.9% in 2019G). On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company.

## 3.3 Substantial Shareholders of the Company

The substantial shareholders of the Company, who own 5% or more of the Company's capital, are Al-Othman Holding Company (a closed joint stock Company) and Manafea Al Salam for Medical Healthcare Holding Company.

### 3.3.1 Ownership of Substantial shareholders

The table below sets out the shareholding of the Substantial shareholders as of the date of this Prospectus:

**Table 3.1: Ownership of Substantial Shareholders**

| | Shareholder | Number of Shares | Ownership (%) |
|---|---|---|---|
| 1. | Al-Othman Holding Company (Closed Joint Stock Company) | 16,915,594 | 20.978% |
| 2. | Manafea Al Salam for Medical Healthcare Holding Company | 6,309,000 | 7.824% |

Source: Tadawul

### 3.3.2 Overview of Substantial Shareholders

#### Al-Othman Holding Company (Closed Joint Stock Company) ("Al-Othman")

Al-Othman Holding Company (Closed Joint Stock Company) was established in 1967. It is a Saudi closed joint stock Company, with a capital of nine hundred million (900,000,000) Saudi riyals, divided into ninety million (90,000,000) ordinary shares with a nominal value of ten (10) Saudi riyals per share and registered in the Commercial Register No. 2051012674 issued in Al-Khobar on 01/07/1409H (corresponding to 08/02/1989G), and its headquarters is located in Al-Khobar, Kingdom of Saudi Arabia. Othman Holding manages a diversified portfolio of leading brands and invests in a range of sectors including but not limited to oil and gas supply and related services thereof, in addition to steel fabrication, petrochemicals, food and beverage, IT software development, construction and hospitality.

#### Manafea Al Salam for Medical Healthcare Holding Company

Manafea Al Salam for Medical Healthcare Holding Company is a Saudi limited liability Company, with a capital of five hundred thousand (500,000) Saudi riyals, divided into five hundred (500) shares with a nominal value of one thousand (1,000) Saudi riyals per share. It registered in the Commercial Register No. 2051054289 issued in Al-Khobar on 05/11/1434H (corresponding to 09/2013G), where its headquarters is located in Al-Khobar, Kingdom of Saudi Arabia. Manafea Al Salam for Medical Healthcare Holding Company is a Saudi limited liability Company that invests and manages its subsidiaries in various sectors and owns real estate and movables. Moreover, its activities include, leasing industrial property rights, investing in stocks and other securities, providing loans, guarantees and financing to its subsidiaries, industrial property rights including patents, trademarks and franchises, and leasing them to its subsidiaries and others.

## 3.4 Overview of the Company's Subsidiaries

The table below details the capital of the Company's subsidiaries as of the date of this Prospectus and sets out the percentage contribution of each of the subsidiaries to the consolidated revenues of the Company for the periods indicated below:

**Table 3.2: Overview of the Company's Subsidiaries**

| Subsidiary | Capital (SAR) | Company Ownership (Percentage) | Percentage of total revenue as of 31 December 2020G | Percentage of total revenue as of 31 December 2021G | Percentage of total revenue as of 31 December 2022G | Percentage of total revenue as of 30 June 2023G |
|---|---|---|---|---|---|---|
| Al-Salam Medical Service Company (Closed Joint Stock Company) * | 200,000,000 | 100% | N/A* | N/A* | 0.3% | 9% |
| Al-Ahsa Medical Services Company (Closed Joint Stock Company) ** | 150,000,000 | 97.41% | 93% | 94% | 92.5% | 84% |
| Al-Ahsa Food Industries Company (Limited Liability Company) | 20,000,000 | 100% | 7% | 6% | 7.2% | 7% |

Source: Company

* Operations of Al-Salam Medical Service Company began in 2022G.

** On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company.

## 3.5 Company Vision and Mission

### 3.5.1 Vision

The Company seeks to be a distinguished investment Company in the healthcare sector primarily with a positive contribution to raising the quality of the sector and building strong relationships with all relevant parties.

### 3.5.2 Mission

- Developing the Company's assets through acquisitions and mergers with building strategic partnership relationships.
- Improving the return on investments by developing business & continuous expansion.
- Developing the capabilities and cadres of the Company in the administrative, financial and medical fields.

## 3.6 Company Strategy

The Company adopts a new approach to investments by focusing the investment strategy towards the healthcare sector as it provides a good opportunity for growth and achieves sufficient annual returns on investment.

Investment in the healthcare sector includes all relevant sectors/ activities namely:

- Healthcare facilities (including but not limited to hospitals, clinics, laboratories, psychiatry, and primary healthcare centers).
- Medical supplies (this includes all types of manufacturing and distribution of medical equipment supplies, including medical products and high-tech equipment).
- Medical services (includes insurance, R&D, medical and other logistics services).
- Pharmaceuticals (includes retail, distribution and pharmaceutical industry).

## 3.7 Strengths and Competitive Advantages of the Company

The management of the Company understands that the main competitive advantages and core strengths of the Company are as follows:

### 3.7.1 Strategic locations for affiliated hospitals (Al-Salam Hospital and Al-Ahsa Hospital) in the Eastern Province

The affiliated companies' hospitals (Al-Salam Hospital and Al-Ahsa Hospital) located in the Eastern Province are located in neighborhoods characterized by strategic locations with high population density and characterized by high levels of demand for health care services.

On one hand, Al-Ahsa Hospital is located on Prince Talal bin Abdulaziz Street in Hofuf, Al-Ahsa, Saudi Arabia, while Al-Salam Hospital is located on King Faisal Road in South Rakah, Khobar, Saudi Arabia.

The presence of hospitals in good strategic locations would enable the Company and its subsidiaries to benefit from future increases in the volume of demand in conjunction with the expected population growth in these areas.

### 3.7.2 Experienced and highly qualified medical staff

The Company and its subsidiaries seek to change the concept of integrated health care management by advancing the health care process, scientific research and the field of health care at all levels. One of the main pillars to achieve this depends on attracting the best medical staff of doctors, surgeons, nurses, technicians and others with high degrees of specialization. The medical teams working at the hospitals of the subsidiaries (Al-Salam Hospital and Al-Ahsa Hospital) include a group of health practitioners with diverse experience, who are highly skilled and have extensive experience in their field. Many of these health practitioners have ample experience in various medical specialties that they have gained through their work in some of the world's most renowned hospitals and medical centers. As of 30 June 2023G, the Company and its subsidiaries employ 298 doctors in both hospitals (Al-Salam Hospital and Al-Ahsa Hospital), of whom 16% are accredited by Western medical bodies, including American, British, French and Canadian medical bodies. The rest of the doctors are accredited by a number of Arab and Asian medical bodies.

### 3.7.3 Strong reputation for quality of healthcare services

Since the opening of Al-Ahsa Hospital in 2002, Al-Ahsa Medical Services Company (a subsidiary) has been working hard to apply the concept of overall quality in all aspects of its health care business. Al-Ahsa Medical Services Company (a subsidiary) employs qualified and experienced health personnel, including competent medical staff with global experience.

The Company believes that its reputation as a provider of medical services has improved significantly since the opening of Al-Salam Hospital as one of the most advanced and comprehensive private healthcare institutions in the Eastern Province. This hospital has been classified as a "five-star hospital" that provides a high-quality experience to its patients and the services provided are limited to patients with fifth class insurance and above.

Al-Salam Hospital was recently completed and built (in 2022G) according to a patient-centered design with a focus on providing the highest quality facilities and services. The design of this hospital has focused on enhancing the patient's experience while paying attention to the finest details in terms of quality observed by patients or visitors from the moment they are admitted to the hospital. In particular, the hospital aims to provide a VIP experience that is reflected in the quality of the equipment available in clinics, wards and private rooms where patients enjoy comfort at different levels. The Company further believes that the patient experience provided at Al-Salam Hospital will ensure that this hospital maintains high levels of patient satisfaction and loyalty.

### 3.7.4 The possibility of expanding and improving the current capacity of existing facilities

Al-Ahsa Hospital is designed to enable future expansion projects and to operate as both a general and specialized hospital to meet the needs of patients and visitors. It shall be noted that the number of beds for Al-Salam Hospital of Al-Salam Medical Service Company is 150 beds, according to the license of the Ministry of Health. The occupancy rate of Al-Salam Hospital is 35% of the hospital's capacity, as of the date of this Prospectus. During 2026G, Al-Salam Medical Service Company will amend the license of the Ministry of Health by raising the number of beds to 495 beds. In addition, it is possible to increase the number of operating rooms by adding 5 operating rooms for general surgery, gynecology and obstetrics, otorhinolaryngology, orthopedics and other specialties. It is worth mentioning that during the second phase of operation of Al-Salam Hospital, it will reach 13 floors and add any clinics that may be required according to the operational needs of the hospital, which is expected to be achieved by 2026G. The second phase has an area of about 3,965 square meters, which is an area that can be used for future expansion, without disrupting the current work of the hospital. The hospital building is located in the largest new development area in Khobar and Dammam, in a densely populated neighborhood.

Accordingly, the Company believes that it is well positioned to respond to regional healthcare market trends and meet the increase in demand for high-quality services.

### 3.7.5 Customer loyalty and strategic relationship with insurers

Through its subsidiaries (Al-Ahsa Medical Services Company and Al-Salam Medical Service Company) in the health sector, the Company has established strategic relations with its main customers, mainly insurance companies operating in the Kingdom, including major companies operating in the Eastern Province, which have chosen the hospitals of the subsidiaries (Al-Ahsa Hospital and Al-Salam Hospital) to be the preferred medical service providers for its employees and customers. Note that the revenues from the main customers of Al-Ahsa Hospital amounted to SAR 86,290,351, which is about 70% of the total revenues of Al-Ahsa Medical Services Company for the six-month period ended 30 June 2023G, while the revenues from the main customers of Al-Salam Hospital amounted to SAR 7,336,794, which is about 59% of the total revenues of Al-Salam Medical Service Company for the six-month period ended 30 June 2023G, taking into account that Al-Salam Hospital is still in its first year of operation.

These strategic relationships established by the Company and its subsidiaries with insurance companies have contributed to the marketing of health insurance services provided by those companies to their customers due to the volume of demand for health care services provided by the Company and its subsidiaries. This has led to an increase in the number of customers of hospitals affiliated with subsidiaries (Al-Ahsa Hospital and Al-Salam Hospital) insured by insurance companies, which in turn has led to an increase in the market share of hospitals affiliated with subsidiaries (Al-Ahsa Hospital and Al-Salam Hospital). It shall be noted here that this mutually beneficial relationship is supported by the administrative teams working in each of the affiliated companies' hospitals (Al-Ahsa Hospital and Al-Salam Hospital), which in turn take over the central management of all medical service contracts concluded with insurance companies.

In order to maintain patient loyalty, the Company and its subsidiaries have developed a strict system for monitoring and managing the quality of its medical services, including monitoring patient waiting periods, doctors' appointments, punctuality and follow-up statistics, as well as monitoring these statistics through the automated system connected to each of the subsidiaries' hospitals (Al-Ahsa Hospital and Al-Salam Hospital), which enables the Company and its subsidiaries to detect any problem that may affect the quality of medical services or the waiting period for patients, and enables it to implement the necessary corrective actions to address it. In addition, each of the affiliated companies' hospitals (Al-Ahsa Hospital and Al-Salam Hospital) comply with the standards set by both the Ministry of Health and the Saudi Center for Accreditation of Health Facilities (CBAHI) which require high levels of quality in health care and patient safety. The Company and its subsidiaries have formed a number of medical committees and are charged with the responsibility of ensuring that high levels of excellence and patient satisfaction are maintained.

The Company and its subsidiaries have obtained accreditation certificates from external bodies (such as the Joint Commission International (JCI), Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI), and the College of American Pathologists).

The Company and its subsidiaries have received several certificates of its commitment to quality and excellence. Specifically, the Company and its subsidiaries have received the following accreditations and certificates for Al-Ahsa Hospital: (1) accreditation from the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) issued on 4 September 2023G; (2) accreditation from the Joint Commission International (JCI) issued on 28 October 2022G; (3) accreditation from the College of American Pathologists = No. (9028865); and (4) certification from the International Standards Organization No. (IAS 04 2200506) issued on 25 June 2022G. In addition, on 19 June 2023G, Al-Salam Medical Service Company received accreditation from Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) for Al-Salam Hospital.

### 3.7.6 Relying on the latest technology and equipment

The Company and its subsidiaries have invested in advanced medical care technologies to ensure the quality of medical services provided to its patients and improve the quality of health services in accordance with the principles of overall quality. These medical technologies include: (1) a remote radiology center that connects all departments of each of the affiliated companies' hospitals (Al-Ahsa Hospital and Al-Salam Hospital) to a diagnostic radiology control center that allows doctors to read reports remotely and make quick diagnoses; and (2) an emergency control center that also connects all emergency departments to ambulances to reduce the time it takes for patients to arrive at the hospital and enables remote medical supervision.

In addition, the Company and its subsidiaries have also invested in IT infrastructure to ensure that they have the optimal software and technology tools to serve their patients and conduct their activities, while maintaining the highest standards of patient confidentiality. The

Company believes that Al Ahsa Hospital and Al-Salam Hospital are among the most advanced and advanced health facilities in the Eastern Province. The Company's and its subsidiaries' IT systems include patient registration, medical records, treatment history, medical history, laboratory tests, and radiology examinations.

## 3.8 Overview of the Company's Business

The Company owns substantial shares in its subsidiaries, which are concentrated in the health care and food sectors. Below is an overview of all the key sectors and businesses undertaken by the Company.

**Table 3.3: Overview of the Company's Business Sectors**

| Sector | Healthcare | Food |
|---|---|---|
| Business Activities | Management, Operations and Maintenance of Hospitals | Manufacturing of food products |
| Commencement of Operations | 2022G - Al-Salam Medical Service Company.<br>2002G - Al-Ahsa Medical Services Company. | 1997G – Al-Ahsa Food Industries Company. |
| Percentage of total revenues of the Company as of 30 June 2023G | 92.6% | 7.40% |
| Principal Entities | Al-Ahsa Medical Services Company<br>Al-Salam Medical Service Company | Al-Ahsa Food Industries Company |
| Highlights of products/services | General Medicine | Dates and processing products including date paste products, date syrup/molasses, date vinegar |
| Geographical Presence | Al-Ahsa City and Al-Mubarraz City, Saudi Arabia | Al Mubarraz City, Saudi Arabia |

Source: Company.

### 3.8.1 Healthcare Business Sector

The Company's healthcare sector consists of shares in two subsidiaries operating hospitals (Al-Salam Hospital and Al Ahsa Hospital). The Company's healthcare sector, through its subsidiaries (Al-Salam Medical Service Company and Al-Ahsa Medical Services Company), achieved revenues of SAR 134.9 million during the six months ended 30 June 2023G, representing 92.6% of the total revenues of the consolidated Company during the same period.

The following is a description of the two subsidiaries operating in the healthcare sector:

#### 3.8.1.1 Al-Ahsa Medical Services Company

Al-Ahsa Medical Services Company is a Saudi closed joint stock Company registered in the Commercial Register in the city of Al-Mubarraz under CR No. 2252025213 dated 07/08/1418H (corresponding to 07/12/1998G), with a capital of one hundred and fifty million (150,000,000) Saudi riyals. The activities of Al-Ahsa Medical Services include activities associated with "Hospitals". Al-Ahsa Medical Services Company owns and currently operates a hospital.

Al-Ahsa Hospital started its operations in 2002G as an integrated medical hospital providing specialized health care for inpatients and outpatients. The hospital is located at Prince Talal bin Abdulaziz Street, Hofuf, Al-Ahsa, Kingdom of Saudi Arabia. Al-Ahsa Hospital employs a highly skilled medical team, with international certificates accredited by American, Canadian, British, Lebanese, French, and Egyptian councils, along with employees with extensive experience in various medical specialties that have been gained through their work in the most important and well-known international hospitals and medical centers in the international arena. Al-Ahsa Hospital is licensed by the Ministry of Health as a private healthcare institution under License No. 3500101001210004 issued on 30/11/1418H (corresponding to 29/03/1998G), by the Saudi Health Council under License No. URH-00391 issued on 22/05/2023G, and by Cooperative Health Insurance under Certificate No. 1135. The hospital is accredited by the following bodies: the Saudi Central Board for Accreditation of Healthcare Institutions under the accreditation issued on 04/09/2023G, the Joint Commission International under the accreditation issued on 28/10/2022G, the College of American Pathologists under accreditation number 9028865, and the International Standards Organization under certificate number IAS 04 2200506 issued on 25/06/2022G.

Al-Ahsa Hospital is a public hospital that provides comprehensive medical services in a range of specialties, including the Emergency and Intensive Care Unit. The hospital also has twenty-eight (28) departments that include the most important medical specialties and are supported by four (4) specialized centers, including the Dermatology and Cosmetic Center, the Surgery and Obesity Unit, and the Arterial Catheterization Unit. In addition to fifty-one (51) outpatient clinics including but not limited to, Cardiovascular Disease Clinics, General Surgery, Internal Medicine, Gynecology and Obstetrics, ENT, Pediatrics, Rheumatology, Pulmonology, Nephrology, Pediatric Surgery, Orthopedics, (Eliza Roof) procedure which is used in fracture fixation, bone lengthening and joint fixation, Physiotherapy, Urology, Endocrinology, Neurology, Psychiatry, Family Medicine, Psychology, Plastic Surgery, Dental Clinic, Hematology, Neurosurgery, Neuropsychiatry, Infectious Diseases and Pain Management and Pre-Anesthesia. The hospital also has an in-house pharmacy, an emergency room pharmacy, and laboratory and diagnostic services. The hospital also provides support services which include Patient Examination Room, Patient Education, Vaccination Room, CTG Room, Ultrasound Room, Audiogram, Panoramic Radiology, Micro Operating Room, Coronavirus Swab Room, Lactation Room, Cardiac Laboratory, EEG/ EMG, Treatment Room, Physical Examination Room, Physical Examination and Endoscopy.

The hospital is located on a plot of land covering an area of 50,000 square meters owned by Al-Ahsa Medical Services Company, with a total built-up area of 34,542 square meters that includes a five-floor complex, an underground floor and about 525 parking lots. Al-Ahsa Hospital includes 51 clinics and 200 beds. The occupancy rate of Al-Ahsa Hospital is 61% of the hospital's capacity as of the date of this Prospectus, in addition to 5 operating rooms for general surgery, gynecology and obstetrics department, ear, nose and throat surgery, orthopedics and others. The hospital's design provides flexibility for any future expansion in order to respond to trends in the healthcare sector in the regional market and to meet the increased demand for high-quality services. As of 30 June 2023G, Al-Ahsa Hospital has 992 employees, including 161 treating doctors, including 26 visiting doctors, noting that 25% of doctors are accredited by international medical councils.

#### 3.8.1.2 Al-Salam Medical Service Company (Closed Joint Stock Company)

Al-Salam Medical Service Company is a Saudi closed joint stock Company registered in the Commercial Register in Al-Khobar under Commercial Registration Certificate No. 2051059611 dated 16/2/1436H (corresponding to 09/12/2014G), with a capital of two hundred million (200,000,000) Saudi riyals. Under the Commercial Registration Certificate, the activities of Al-Salam Medical Service Company include activities associated with "Hospitals" and "Medical Operation of Hospitals". Al-Salam Medical Service Company currently owns and operates the newly built Al-Salam Hospital, one of the most advanced and comprehensive private healthcare institutions in the Eastern Province.

Al-Salam Hospital started its operations on 13/03/1444H (corresponding to 09/10/2022G) as an integrated medical hospital that provides specialized health care for inpatients and outpatients, where services are limited to patients who have insurance coverage of the fifth degree and above. The hospital is located at King Faisal Road, South Rakah, Khobar, Saudi Arabia. Al-Salam Hospital employs a highly skilled medical staff, and includes international doctors accredited by American, Canadian, British, European and Arab councils, along with doctors with extensive experience in various medical specialties.

The hospital currently has 12 departments covering almost all medical sectors, supported by 7 specialized centers that provide various additional services required including but not limited to; physiotherapy, obesity center, IVF unit, dermatology center and plastic surgery.

Al-Salam Hospital is licensed by the Ministry of Health as a private health care institution under License No. 3800020721 issued on 09/03/1444H (corresponding to 05/10/2022G), by the Saudi Health Council under License No. 1413 issued on 13/09/2023G, and by Cooperative Health Insurance under License No. A-REQ-34390. Furthermore, the hospital is accredited by the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) under the accreditation issued on 19/06/2023G.

Al-Salam Hospital is a general hospital that provides comprehensive medical services for a range of specialties, including the Emergency and Intensive Care Unit. The hospital has twenty-one (21) departments that include the most important medical specialties, and are supported by seven (7) specialized centers: the Dermatology and Cosmetology Center, the Gastroenterology and Endoscopy Unit, the Physical Therapy and Rehabilitation Unit, the Obesity Treatment Center, the Artificial Insemination Center, the Dialysis Center, and the Arterial Catheterization Unit. The hospital also has an in-house pharmacy and laboratory, radiology diagnosis with the latest equipment, patient education, a vaccination room, and a CTG room.

The hospital is located on a plot of land covering an area of 37,815 square meters owned by Al-Salam Medical Service Company, with a total built-up area of 100,000 square meters including a 13-floor complex (where only 10 floors are used), and 6 car parks. It shall be noted that the number of beds according to the license of the Ministry of Health is 150 beds, while the occupancy rate of Al-Salam Hospital is 35% of the hospital's capacity as of the date of this Prospectus. However, the hospital has a plan to amend the license of the Ministry of Health by raising the number of beds to 495 beds during 2026G, in addition to 5 operating rooms for general surgery, gynecology and obstetrics, ear, nose and throat surgery, orthopedics and others.

As of 30 June 2023G, Al-Salam Hospital has 985 employees, including 137 doctors, noting that 44% of doctors are accredited by international medical councils and Arab and Asian medical councils.

### 3.8.2 Food Sector

#### 3.8.2.1 Al-Ahsa Food Industries Company (Limited Liability Company)

Al-Ahsa Food Industries Company is a Saudi limited liability Company registered in the Commercial Register in the city of Al-Mubarraz under Commercial Registration Certificate No. 2252023850 issued on 07/01/1416H (corresponding to 6/06/1995G). Its capital is twenty million (20,000,000) Saudi riyals. The activities of Al Ahsa Food Industries include the drying and packaging of dates and the manufacture of products derived therefrom.

Al-Ahsa Food Industries Company (a subsidiary) produces and distributes a range of date derivative products through its date manufacturing facility located in Al-Ahsa. Al-Ahsa Food Industries Company (a subsidiary) owns the brand (Temarna) and is one of the leading companies in the field of manufacturing and packaging dates and date-based processing products with a production capacity of up to 5000 tons per year. The factory is equipped to manufacture dates and foodstuffs with the best machinery and modern technology. Temarna packs dates and produces vinegar, molasses, dough, fodder and chemicals that go into medicinal and other manufacturing industries with the highest quality.

### 3.8.2.2 Products

Al-Ahsa Food Industries Company (a subsidiary) produces a wide range of high-quality dates and products derived from them for food companies, including:

- **Packaged dates (Vacuum)**: More than 10 varieties of packaged dates such as " Khalas " dates and "shishi" dates.
- **Date paste**: Date paste is produced in a manner that ensures the preservation of the nutritional value of dates and is used to prepare "maamoul" sweets and other sweets, in addition to being used to manufacture flavorings for milk production.
- **Date molasses**: Date molasses from Temarna is one of the finest molasses known in the region, thanks to the technology used to prepare it. Dates molasses is rich in vitamins and is an ideal alternative to sugar and is suitable in the preparation of many recipes.
- **Date Vinegar**: Date vinegar is one of the traditional food ingredients and health supplement in the Middle East where it is combined with multiple health benefits, including strengthening the immune system.

### 3.8.2.3 Manufacturing Facility and Warehouses

Al-Ahsa Food Industries Company (a subsidiary Company) owns a factory for the production of date derivatives and is located in Al-Ahsa region, where raw dates are processed to produce paste, molasses and date vinegar. Established in 1997, this factory produces a total amount of approximately 2.3 tons of date molasses per day and 17 tons of date paste per day.

Raw dates are purchased from suppliers of Al-Ahsa Food Industries Company (a subsidiary Company) and then stored in refrigerated and specially manufactured warehouses for the preservation of raw dates. The factory contains five (5) cold stores with a capacity of up to 5,000 tons. Al-Ahsa Food Industries Company (a subsidiary Company) follows the latest technical methods in applying comprehensive quality standards in the preservation of dates.

### 3.8.2.4 Quality Assurance and Control

The Quality Management Department of Al-Ahsa Food Industries Company (a subsidiary) is responsible for ensuring that the products sold to customers meet quality and consumption health standards. The team in charge of quality includes qualified individuals with previous experience in the field of quality control in the food industry and with the necessary experience to evaluate the quality of a variety of products, a number of which are coupled with different considerations and requirements in terms of quality and at the request of their customers.

Al-Ahsa Food Industries Company (a subsidiary) is committed to ensuring that customers are delivered with high quality products. In order to achieve the highest quality standards, the Company obtained certificates from Al-Ahsa Food Industries Company (a subsidiary Company) which grants TUV Austria, ISO 22000-2018 under Certificate No. 2015422301489 issued on 31/03/2022G, and the Saudi Halal Certificate issued by the Saudi Food and Drug Authority No. SHC-02-F-21-SAU-28/1 issued on 20/01/2021G.

The quality assurance process at Al Ahsa Food Industries (a subsidiary) is conducted across the entire supply chain, with quality assurance checks conducted at the following stages:

- Selected raw dates of high quality are purchased by ensuring their quality and ensuring that they do not contain anything that affect the quality of the final product.
- Ensure that raw dates are stored in cold stores at temperatures ranging from 0 to 5 degrees Celsius in order to maintain their quality without any pest.
- Ensure that raw dates are washed with fresh water in the date washing machine, which contains several stages, including the high-quality dust separation stage, pH and chlorine testing, and the percentage of solid sugars in dates every hour (Brix).
- The date paste product is processed in an area suitable for that process using the latest processing machines that ensure the quality of the final product. Different samples are inspected every half hour and tested to ensure their suitability through specific chemical and microbiological tests and are kept under quality management control in a refrigerated store at a temperature suitable to the required specifications.
- The date molasses product is processed by high quality equipment and machines where the date juice is passed in a 0.01 µb filter and the pasteurization process is carried out to ensure its quality and specific chemical and microbiological tests are carried out, and it is stored at room temperature.
- Before shipping the final product to the customers of Al-Ahsa Food Industries Company (a subsidiary), the Quality Department of Al-Ahsa Food Industries Company (a subsidiary) conducts the necessary checks for the process of shipping the products and ensures that the truck conforms to the necessary refrigerant levels in order to maintain its quality.

In addition to the above, upon receiving any complaint from customers, the Quality Department shall receive those complaints, verify them, state their reasons, and develop corrective actions to avoid the causes of that problem from happening again.

### 3.8.3 Other Investments

In addition to the healthcare and food business sectors, the Company has investments in a number of other sectors. Below is an overview of these alternative sectors and related key businesses, as the alternative sectors below do not generate any revenue.

**Table 3.4: Overview of the Company's Other Investments**

| Sector | Entity Name | Activity | Company ownership of the shares |
|---|---|---|---|
| Industrial Sector | Industrialization & Energy Services Company (TAQA) | Carrying out industries and services related to the petroleum, mineral, petrochemical, electrical and water desalination industries directly or by establishing specialized subsidiaries. | 0.95% |
| Industrial Sector | Arab Paper Manufacturing Co (WARAQ) | Production of paper and cardboard rolls, marketing of paper products, wholesale and retail trade in materials, tools, equipment and devices for paper making, commercial services, wholesale and retail trade in paper, cardboard, plastic and rubber | 4.74% |
| Industrial Sector | Arabian Industrial Fibers Company (Ibn Rushd) | It consists of three main sections and each section represents a stand-alone factory, namely, the Aromatics Factory, Pure Terephthalic Acid Factory, and Polyester Factory.<br>The three factories are complementary to each other. | 0.42% |
| Tourism Sector | Al-Ahsa Amusement & Tourism Company (Al-Ahsa Tourism) | Establishing, operating and managing tourism projects and recreational centers, and establishing and operating restaurants, hotels, restrooms and botanical gardens. | 7.568% |
| Education Sector | Education Investment Company Limited | Investing in educational projects where it currently invests in the development of one of the buildings of Amity School in Dubai | 12.78% |
| Real Estate Sector | N/A | Real estate investment is represented in a land group in Riyadh city with a net value of 121.34 million riyals, after excluding provisions for decline | 100% |
| Securities Sector | N/A | Due to the high rates of return on the cash markets, the Company sold all investments in securities at a value of 59 million riyals.<br>To benefit from the high rates of return in the cash markets, the Company invested in the cash markets with an average return on investment of 5%. | N/A |

Source: Company

## 3.9 Potential Sale transaction with Dallah Healthcare Company

On 15/08/1445H (corresponding to 25/02/2024G), the Company signed a non-binding memorandum of understanding with Dallah Healthcare Company, under which the Company agreed to sell all its shares in Al-Ahsa Medical Services Company and all its shares in Al-Salam Medical Service Company in exchange for obtaining new shares in Dallah Healthcare Company (hereinafter referred to as the "**Potential Sale transaction**") in exchange for issuing new shares in Dallah Healthcare Company through an increase in the capital of Dallah Healthcare Company, or according to the payment mechanism to be agreed upon by the Company and Dallah Healthcare Company. On 23/08/1445H (corresponding to 04/03/2024G), the Company appointed Alinma Investment Company as a financial advisor to the Company in connection with the proposed transaction.

Dallah Healthcare Company is a Saudi joint stock Company listed in the Saudi market and operating in the healthcare sector. Dallah Healthcare offers a wide range of healthcare services, including hospital and clinic operation, drug distribution, and hospital operation and maintenance services. For more information about Dallah Healthcare, please refer to the Dallah Healthcare website or the Saudi Exchange website.

### 3.9.1 Conditions related to the Potential Sale Transaction

As stated in the Company's announcement published on the Saudi Exchange website on 26/02/2024G, the potential sale transaction is subject to many conditions and to complete the financial, tax and legal due diligence study, and the parties obtaining the relevant legal approvals, as detailed below.

The term of the MOU shall expire within 180 days from the date of its signature on 15/08/1445H (corresponding to 25/02/2024G), unless the Company and Dallah Healthcare agree in writing to extend it, provided that the potential sale transaction shall be suspended in the event that the MOU expires, and the parties do not reach a binding agreement.

Accordingly, it is not possible to confirm the completion of the potential sale transaction, and if this transaction takes place, it will be subject to conditions not yet agreed upon by the parties, including with regard to the nature of the required consideration, which is expected to be by exchanging shares through the issuance of new shares in Dallah Healthcare Company for the benefit of the Company.

### 3.9.2 Regulatory Requirements Applicable to the Potential Sale Transaction

Since the Company and Dallah Healthcare Company are joint stock companies listed in the Saudi market, the execution of the potential sale transaction will be subject to a number of statutory requirements and approvals from the relevant authorities.

Under the requirements of Article 75 of the Companies Law and Part XI ("**Substantial Transactions**") of the Securities Offering and Continuing Obligations Rules, the Company's sale of its shares in Al Ahsa Medical Services Company and Al-Salam Medical Service Company is a substantial transaction and, accordingly, the sale transaction will require the approval of the General Assembly of the Company's shareholders.

In the event of the execution of the Sale Transaction, the Company will be required to comply with a number of conditions set forth in Part XI ("**Substantial Transactions**") of the Securities Offering and Continuing Obligations Rules, specifically, it will be required to prepare a Shareholders' Circular on the Sale Transaction prior to the date of the relevant General Assembly meeting at which the Company's Shareholders will vote on the Sale Transaction.

The shareholders' circular shall include, at a minimum, the proposed structure and purpose of the sale, its terms, its financial impact on the Company and the risks related thereto. The shareholders' circular shall also include letters from the specialized committee and the financial advisor explaining their recommendations regarding the transaction (for more information, please refer to subsection No. (2.4) "**Risks Related to a Potential Sale Transaction**" and subsection No. (9.5.4) "**Potential Sale deal with Dallah Health Services Company**" of this Prospectus).

## 3.10 Business Interruption

There has been no suspension or interruption in the business of the Company or its Subsidiaries that may affect or have a significant impact on the financial position of the Company during the twelve (12) months preceding the date of this Prospectus, and no material change is intended in the nature of its business.

# 4. Employees

## 4.1 Employee stock programs in place prior to filing a registration application and accepting the listing of Rights Issue Shares

The Company and its Subsidiaries do not have any employee stock programs or other arrangements that may facilitate the acquisition of the Company's shares by employees of the Company and its Subsidiaries (including senior management).

## 4.2 Arrangements involving employees in capital

There are no arrangements involving employees in the capital of the Company as of the date of this Prospectus.

# 5. Financial Information and Management Discussion and Analysis

## 5.1 Introduction

The Management Discussion and Analysis section provides Ayyan Investment Company – and its subsidiaries with an analytical presentation of the operational performance of the Company and its subsidiaries and their financial position during the years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G and the six-month period ended 30 June 2022G and 30 June 2023G. This section and the accompanying notes have been prepared based on the consolidated and audited financial statements for the financial years 2020G, 2021G and 2022G and the accompanying notes, and based on the interim consolidated financial statements for the six-month period ended 30 June 2022G and 30 June 2023G and the accompanying notes.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and issuances issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and in accordance with the Companies Law and the Articles of Association of the Company in the preparation of the consolidated financial statements for the financial year ended 31 December 2020G, which were audited by PKF - Al Bassam & Co, while the financial statements for the financial years ended 31 December 2021G and 31 December 2022G were audited by Abdullah Mohammed Al-Azem, Salman Bandar Al-Sudairi and Musab Abdulrahman Al-Sheikh and Partners for Professional Consultancy. The consolidated preliminary statements were examined in accordance with the accounting standard in accordance with the International Standard on Review Engagements (2410) "Examination of Summary Consolidated Preliminary Financial Information Performed by Abdullah Mohammed Al-Azim, Salman Bandar Al-Sudairi, Musab Abdulrahman Al-Sheikh and Partners for International Professional Consultancy for the Six-Month Period ended 30 June 2022G and 30 June 2023G.

PKF - Al Bassam & Co, nor any of its subsidiaries or employees (who are part of the team serving the Company) nor any of their relatives do not have any shares or interests of any kind in the Company or its subsidiaries that may affect its independence as of the date of issuance of the consolidated financial statements. PKF - Al Bassam & Co, as of the date of this prospectus, submitted its written approval to refer in this prospectus to its role as an auditor of the Company's accounts for the financial year ended on 31 December 2020G, and they did not withdraw that approval as of the date of issuance of this prospectus.

Abdullah Mohammed Al-Azim, Salman Bandar Al-Sudairi, Musab Abdulrahman Al-Sheikh and Partners for Professional Consultancy, nor any of its subsidiaries or employees (who are part of the team serving the Company) nor any of their relatives do not have any shares or interests of any kind in the Company that may affect its independence as of the date of issuance of the consolidated financial statements. Abdullah Mohammed Al-Azim, Salman Bandar Al-Sudairi, Musab Abdulrahman Al-Sheikh and Partners for Professional Consultancy, as of the date of this prospectus, submitted its written approval to refer in this prospectus to its role as an auditor of the Company's accounts for the financial years on 31 December 2021G and 2022G and the six-month period ending on 30 June 2022G and 2023G, and they did not withdraw that approval as of the date of issuance of this prospectus.

All amounts in this section have been rounded to the nearest thousand Saudi riyals unless otherwise stated, and the numbers and ratios have been rounded to the nearest decimal. Therefore, the sum of these figures may differ from the tables. Accordingly, all ratios, indicators, annual expenditures, and CAGRs are based on rounded figures.

The financial information for the financial year ended 31 December 2020G was used from the comparative financial information presented in the Company's audited consolidated financial statements for the financial year ended 31 December 2021G. The financial information for the financial years ended 31 December 2021G and 31 December 2022G were used from the Company's audited consolidated financial statements for the financial year ended 31 December 2022G. The financial information for the six-month period as of 30 June 2022G and 30 June 2023G was used from the preliminary consolidated financial statements for the period ended 30 June 2023G.

This section may include statements of a future nature relating to the future capabilities of the Company, based on management's plans and projections regarding the Company's growth, results of its operations and financial position as well as associated risks and uncertainties. The Company's actual results may differ materially from the expected results as a result of many factors, risks and future events, including those discussed in this section of the Prospectus or elsewhere, in particular Section No. (2) "**Risk Factors**" of this Prospectus.

## 5.2 Acknowledgement of Directors

The Directors of the Company acknowledge that:

1. The Directors acknowledge that the financial information contained in this Section is prepared on a consolidated basis and is extracted without material modifications and is presented in accordance with the audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G and 2022G and the accompanying notes prepared by the Company and its subsidiaries in accordance with International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia, the unaudited consolidated preliminary financial statements of the Company and its subsidiaries for the six-month period ended 30 June 2023G, and the accompanying notes prepared by the Company in accordance with International Accounting Standard 34 (Interim Financial Reporting) adopted in the Kingdom of Saudi Arabia.
2. The Directors acknowledge that the Company has working capital sufficient for a period of at least twelve months following the date of this Prospectus.
3. Except as disclosed in this Section and Risk No. (2.1.27) "**Risks Related to Accumulated Losses of the Company and its Subsidiaries**" of Section (2) "**Risk Factors**" of this Prospectus, the members of the Board of Directors acknowledge that there have been no material adverse changes in the financial or commercial position of the Company in the three financial years immediately preceding the date of submitting an application for registration and offering of the securities subject of this Prospectus, in addition to the end of the period covered in the auditor's report until the date of issuance of this Prospectus. The directors further acknowledge that all material facts relating to the Company, its subsidiaries and its financial performance have been disclosed in this Prospectus, and that there is no other information, documents or facts the failure to include which could render any statement misleading.
4. Except as disclosed in subsection (5.6.2.7) "**Investments in equity instruments at fair value through profit or loss**", subsection (5.6.3.1) "**Non-current Liabilities**", subsection (5.7.3.2) "**Current Assets**", subsection (5.7.2.7) "**Investments in Equity Instruments at Fair Value through Profit or Loss**", subsection (5.7.3.1) "**Non-Current Assets**", subsection (5.8.2.2) "**Statement of Financial Position**" and subsection (5.8.3.2) "**Statement of Financial Position**" of this Prospectus, the Directors acknowledge that the Company and its subsidiaries do not have any property, including any contractual securities or other assets, the value of which is subject to fluctuations or difficult to ascertain, which significantly affects the assessment of their financial position.
5. The directors acknowledge that the Company and its subsidiaries has not granted any commissions, discounts, brokerage fees, or any non-monetary consideration to any of the directors, proposed directors, senior executives, who are in charge of offering securities, or experts during the three years preceding the date of submitting an application for the issuance of rights issue shares subject to this Prospectus.
6. Except as disclosed in risk No. (2.1.14) "**Risks Related to Guarantees Provided to Financiers on behalf of Subsidiaries**", risk No. (2.1.15) "**Risks Related to the Mortgage of Certain Properties of the Company and its Subsidiaries**", risk No. (2.1.19) "**Risks Related to the Company's Reliance on Loans and Credit Facilities**", subsection No. (5.6.3.3) "**Non-Current Liabilities**", subsection (5.6.3.4) "**Current Liabilities**", subsection (5.7.3.4) "**Non-Current Liabilities**", subsection (5.7.3.5) "**Current Liabilities**", subsection (5.8.1.2) "**Statement of Financial Position**" and subsection (5.8.2.2) "**Statement of Financial Position**" and subsection No. (5.8.3.2) "**Statement of Financial Position**" of this Prospectus , the directors acknowledge that the Company and its subsidiaries do not have any loans or any debts, including overdrafts from bank accounts, and also acknowledge that there are no guarantee obligations (Including a personal guarantee, not covered by a personal guarantee, secured by a mortgage, or not secured by a mortgage), obligations under acceptance, acceptance credit, lease purchase obligations, any potential obligations or guarantees, and the Company does not have any issued and existing debt instruments, or approved debt instruments that have not been issued, term loans, mortgages secured, unsecured, current, or approved but not issued.
7. Except as disclosed in Subsection (5.3) "**Key Factors Affecting the Operations of the Company and its Subsidiaries**" of this Section, the Directors acknowledge that the Company and its Subsidiaries have no information about any governmental, economic, financial, monetary, political or other policies that have affected or could affect materially (directly or indirectly) the operations of the Company and its Subsidiaries.
8. Except as disclosed in subsection (5.3) "**Key Factors Affecting the Operations of the Company and its Subsidiaries**" of this section, the Company and its subsidiaries do not have any seasonal factors or economic cycles that may have an impact on the business and financial position of the Company and its subsidiaries.
9. The directors acknowledge that the operations of the Company or any of its subsidiaries have not ceased in such a way as to affect or substantially affect its financial position during the last twelve months.
10. The directors acknowledge that there is no option capital in the Company or its Subsidiaries as of the date of this Prospectus.
11. Except as disclosed in risk No. (2.1.28) "**Risks Related to Accumulated Losses of the Company and its Subsidiaries**", subsection No. (5.6.3.2) "**Equity**", subsection (5.7.3.3) "**Equity**", subsection (5.8.1.2) "**Statement of Financial Position**" and subsection (5.8.3.2) "**Statement of Financial Position**" of this Prospectus, the members of the Board of Directors acknowledge that there has been no material adverse change in the financial and commercial position of the Company and its subsidiaries during the three financial years ended 31 December 2020G, 2021G, 2022G and the six-month period ended 30 June 2023G, which preceded the date of submitting an application for registration and offering of securities subject to this Prospectus, in addition to the end of the period covered by the report of the chartered accountant until the adoption of this Prospectus.

12. Except as disclosed in subsection (3.2) "**Development of the Capital of the Company**" and subsection (5.6.3.2) "**Equity**" of this Prospectus, the Company and its subsidiaries did not witness any adjustments in the capital during the three years preceding the date of submitting the registration application and offering the securities subject to this Prospectus
13. Except as disclosed in Section No. (6) "**Using the Proceeds of the Offering**" of this Prospectus, the Company and its subsidiaries do not have any significant fixed assets planned to be purchased or leased.
14. Except as disclosed in risk No. (2.1.15) "**Risks Related to the Mortgage of Certain Properties of the Company and its Subsidiaries**" and subsection No. (9.5) "**Summary of Substantial Contracts**" of this Prospectus, the Company and its subsidiaries do not have mortgages, rights or burdens on the property of the Company and its subsidiaries.

## Going Concern

The Company's current liabilities exceeded its current assets by SAR 77.9 million as of 31 December 2022G (31 December 2021G: nil). The Company is currently in negotiations with a commercial bank to obtain additional facilities to finance working capital requirements. The management of the Company believes that it will succeed in obtaining additional facilities in the near future. In addition, when needed, the Company will sell one of its investments in its investment portfolio, whether real estate investments or investment in equity instruments at fair value through other comprehensive income. Accordingly, the financial statements have been prepared on the assumption that the Company will continue under the principle of continuity.

## Company Structure

The consolidated financial statements comprise the financial statements of the Company and the following subsidiaries and are hereinafter collectively referred to as (the "Company"):

| Company | Legal form | Country of Incorpora-tion | Actual Ownership Percentage | | | |
|---|---|---|---|---|---|---|
| | | | 2023G | 2022G | 2021G | 2020G |
| Al-Ahsa Food Industries Company (A) | Limited Liability Company | Saudi Arabia | 100% | 100% | 100% | 100% |
| Al-Ahsa Medical Services Company (B) * | Closed Joint Stock Company | Saudi Arabia | 96.3% | 96.3% | 96.3% | 69.9% |
| Al-Salam Medical Service Company (C) | Closed Joint Stock Company | Saudi Arabia | 100% | 100% | 100% | 100% |

Source: Company

* On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company.

The assets, liabilities and results of the operations of the aforementioned subsidiaries have been included in the accompanying consolidated financial statements.

### a. Al-Ahsa Food Industries Company

Al-Ahsa Food Industries Company is a Saudi limited liability Company registered under Commercial Registration No. 2252023850 dated 7 Muharram 1416H corresponding to 6 June 1995G. The activity of Al-Ahsa Food Industries Company is the production of dates and their transformational derivatives, which are wholly owned by the Company. The accumulated losses exceeded the Capital of Al-Ahsa Food Industries Company. Under Article 181 of the Companies Law, the partners shall decide on the continuity of the subsidiary in business and provide support to it or regarding its liquidation. The Board of Directors decided to continue to support the subsidiary (Al-Ahsa Food Industries Company) and provide it with the necessary funding (for more details, please refer to risk 2.1.28 "Risks related to the accumulated losses of the Company and its subsidiaries".

### b. Al-Ahsa Medical Services Company

Al-Ahsa Medical Services Company is a closed joint stock Company registered under Commercial Registration No. 2252025213 dated 7 Sha'ban 1418H corresponding to 7 December 1997G. Al Ahsa Medical Services Company is engaged in the establishment, management, operation and maintenance of hospitals. On 1 May 2019G, the Company acquired an additional 16.32% of the non-controlling interests of the Subsidiary which increased the percentage of actual ownership in the Subsidiaries from 53.61% to 69.9%

In November 2021G, the Company acquired an additional 26.43% share in the capital of Al-Ahsa Medical Services Company, which increased its ownership from 69.9% to 96.3%.

On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company.

### c. Al-Salam Medical Service Company

Al-Salam Medical Service Company is a closed Saudi joint stock Company registered under Commercial Registration No. 2051059611 dated 16 Safar 1436H corresponding to 9 December 2014G. The main activities of Al-Salam Medical Service Company include the establishment, maintenance and operation of hospitals, medical centers, and government and private clinics. On 15 March 2020G, the Company acquired 100% of the share capital and voting rights of Al-Salam Medical Service Company and acquired control.

## 5.3 Key Factors Affecting the Operations of the Company and its Subsidiaries

The factors listed below do not necessarily represent all the risks that may affect the Company and its subsidiaries in terms of their results of operations, financial position and future prospects. These factors are based on information currently available to the Company and its subsidiaries and may not represent all factors that may have an impact on the business of the Company and its subsidiaries.

### Economic Performance of the Kingdom

The expected future performance of the Company and its subsidiaries depends on a number of factors related to the economic conditions in the Kingdom in general. The Company's revenues and profit margins are usually affected, especially its subsidiaries and health sector companies, in the month of Ramadan, Eid al-Adha, Eid al-Fitr and during summer holidays, where a large number of residents travel abroad or to their hometown. This leads to a decrease in patient turnout, outpatient visits and inpatient admissions.

The revenues and profits of the Company (especially its subsidiaries and operating in the health sector) may be affected by the economic performance of the Kingdom, which is still mainly dependent on oil and oil industries, which still control a large share of GDP. Therefore, in the event of any unfavorable fluctuations in oil prices, it will have a direct and fundamental impact on the plans and growth of the Saudi economy in general and on government spending rates, which may lead to a decrease in government spending on health care.

### Operational capacity of the Company's health sector and its subsidiaries

The operations of the Company and its subsidiaries, particularly in Al Ahsa Medical Services Company and Al-Salam Medical Service Company, are affected by the demand for healthcare services and the extent and capacity of the Company to meet these requests. The following table shows the number of patients of Al-Ahsa Medical Services Company and the capacity of Al-Ahsa Hospitals in addition to the capacity of Al-Salam Hospital of Al-Salam Medical Service Company during the previous years:

| Indicators | Financial Year 2020G | Financial Year 2021G | Financial Year 2022G | Annual change percentage 2020G-2021G | Annual change percentage 2021G-2022G |
|---|---|---|---|---|---|
| Number of outpatients | 169.983 | 202.927 | 242.657 | 19.4% | 19.6% |
| Number of inpatients | 10.529 | 12.332 | 13.472 | 17.1% | 9.2% |
| Total number of patients | 180.512 | 215.259 | 256.129 | 19.2% | 19.0% |
| Number of clinics | 56 | 56 | 116 | 0% | 107.1% |
| Number of beds | 200 | 200 | 350 | 0% | 75.0% |
| Number of inpatients per bed | 53 | 62 | 67 | 17.1% | 9.3% |
| Number of outpatients per clinic | 3.035 | 3.624 | 4,332 | 19.4% | 19.6% |

Source: Company

### Cost Factors

A key factor affecting the financial performance of the Company and its subsidiaries, particularly at Al Ahsa Medical Services Company, is its ability to attract and retain highly qualified doctors, nurses and medical staff. Accordingly, one of the main cost components of the Company, especially Al-Ahsa Medical Services Company, is the costs of medical staff and other related costs such as allowances, incentives, etc. Direct staff costs, which include salaries and benefits, accounted for (35.2%), (39.4%) and (54.9%) of the Company's revenues for the years 2020G, 2021G and 2022G, respectively.

### Company Investment Policy Summary:

The investment policy aims to manage the Company's investment portfolios, as the new strategy focuses on long-term investments in the health care sector while maximizing rates of return on investment, without incurring any additional losses, and at the same time having cash flows by enhancing the performance of the treasury (short-term investments) and medium-term investments in a balanced portfolio of Shariah-compliant products/ investments.

The Company is working to enhance its profitability taking into account the following three factors:

- Investment Exit policy.
- Liquidity.
- Risk to capital.

## Long-term investment:

The Company adopts a new approach to investments by directing the main investment in the health care sector because it provides a good opportunity to grow and achieve appropriate annual returns on investment.

Investment criteria for long-term investments:

1. Minimum targeted ownership (20%)
2. Company having seats on the board of directors and committees of the board of directors.
3. A clear business plan with good growth potential for the next 5 years.
4. Acceptable level of governance.
5. Strong and specialized strategic partner(s).
6. Leverage may be applied in long-term investing.

## Medium-Term Investment:

Medium investments focus on investments with clear exit strategies with a timing of 2-5 years either through direct investment or through regulated funds in Saudi Arabia or the GCC with the potential to provide capital growth as well as annual returns.

### Investment criteria for medium-term investments:

1. Shares Portfolio Limits:
   - The maximum investment value is 10% of the Company's capital.
   - Concentration limit in each sector is 40% of the target portfolio.
   - The maximum investment in a particular share/fund is 25% of the target portfolio.
2. The maximum allocation of the fund /shares is 5% of the capital of the Company.
3. For dividend opportunities, the minimum cash dividend level is 4% per annum (excluding Zakat/Tax if applicable)
4. For capital gains, the minimum value growth is 15% CAGR during the investment period.
5. Acceptable level of governance for private property.

### Short-Term Investment:

Short-term investments consist of cash and cash equivalents and short-term investments, and they are used to maintain liquidity. The Company may invest in Murabaha locally or in the GCC through direct investments or through regulated funds by obtaining the best prices from various banks and financial institutions (Murabaha funds) to achieve the annual profit rates above the market average.

The financial department of the Company recommends setting appropriate measures and controls to monitor and manage liquidity. These investments shall be purchased in institutions with a minimum investment rating of at least BBB.

## 5.4 Summary of Key Audit Matters

| Key Audit Matters | |
|---|---|
| **Decrease in the value of real estate investments** | |
| **Key Audit Matter Description** | **How to address the key matter in our audit** |
| As of 31 December 2022G, the value of real estate investments registered with the Company amounted to SAR 126.5 million (2021G: SAR 123.9 million), as these real estate investments are recorded at cost. Management annually determines if there are any indications of impairment, then management conducts an impairment test to determine the value of the impairment based on the recoverable amount according to the relevant market indicators.<br>The extent of the decline in the value of real estate investments is assessed by applying valuation methods that often involve practicing professional judgments and following assumptions and estimates.<br>The book value of real estate investments is adjusted by any permanent decrease in their value.<br>Due to the relative importance of real estate investments and uncertainties of estimates regarding the valuation of the relevant impairment, we considered this to be key matter.<br>Please refer to Note No. (3-13 and4G) for significant accounting policies and Note No. (10) for significant accounting estimates and assumptions. | We obtained external evaluation reports where the department uses valuers licensed by the Saudi Authority for Accredited Valuers (Taqeem).<br>We have implemented procedures to test whether the background information provided by management to external evaluation firms is relevant and reliable.<br>We reviewed the final evaluation reports and determined if there was a need to record a decrease in the value of real estate investments.<br>We discussed those reports with the management to find out the market data about them and the general assumptions used.<br>We have reviewed the final evaluation reports and ensured that the evaluation methods and assumptions used are consistent with those used in the past year.<br>Based on the results of our valuation, we have assessed the adequacy of the disclosures included in the financial statements. |
| **Investments in equity instruments at FVOCI** | |
| As of 31 December 2022G, the Company has investments in equity instruments at FVOCI of SAR 121.9 million (2021G: SAR 148.5 million).<br>Those investments have been classified as investments in equity instruments at FVOCI in accordance with the Company's business model and contractual cash flow characteristics.<br>We considered this to be a key audit matter taking into account the fact that IFRS 9 requires a material judgement by carrying out an examination of the characteristics of cash flows and business models.<br>Please refer to Note No. (3-17 and 4E) of the significant accounting policies and Note No. (8) of the significant accounting estimates and assumptions. | We have verified the appropriateness of the Company's classification of financial instruments in accordance with the requirement of the business model and the relevant contractual cash flow characteristics.<br>We have obtained an external evaluation report by an independent expert valuer accredited by the Saudi Authority for Accredited Valuers (Taqeem) to measure the fair value of financial instruments.<br>We have implemented procedures to test the accuracy and completeness of the information provided by management to the valuer.<br>We discussed the report of the external valuer with the management to find out the market data about it and the assumptions used.<br>We have reviewed the final evaluation reports and ensured that the evaluation methods and assumptions used are consistent with those used in the past year.<br>We have reviewed the disclosures in the financial statements to ensure that they comply with IFRS 9 and the requirements of IFRS 7. |

Source: Company's Financial Statements

## 5.5 Basis for Preparation of Financial Statements and Summary of Significant Accounting Policies

### 5.5.1 Basis of Preparation

#### Commitment list

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and issuances adopted by the Saudi Organization for Chartered and Professional Accountants.

#### Preparation of Consolidated Financial Statements

The financial statements have been prepared under the historical cost principle except for the recognition of accruals for defined benefit obligations of employees at the present value of future liabilities using the expected credit unit valuation method, and the investment in equity instruments at fair value through other comprehensive income measured at fair value. The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that may affect accounting policies and the amounts disclosed in the consolidated financial statements.

## Functional and Quote Currency

These consolidated financial statements are presented in Saudi Riyals, which represents the functional and quote currency of the Company. Unless otherwise noted, all amounts shown in these consolidated financial statements are rounded to the nearest Saudi Riyal.

## Basis of Consolidation of Financial Statements

The consolidated financial statements of the Company and its subsidiaries include as shown in the Company overview. Control is achieved when the Company has:

- The ability to control the invested facility.
- Emergence of Company's right to variable returns as a result of its association with the invested facility.
- The ability to use its control to influence investment returns.

The Company shall reassess whether or not it controls any of the invested facilities, if the facts and circumstances indicate any changes to one or more of the three elements of control referred to above.

Where the voting rights of the Company in any of the invested facilities are less than a majority of the voting rights, the Company shall have control of that invested facility when the voting rights are sufficient to give it a practical sole ability to direct the activities related to the invested facility.

The Company shall take into account all relevant facts and circumstances when assessing whether the Company has voting rights in the invested facility to give it control, including the following:

- the size of the voting rights held by the Company in relation to the size and extent of ownership of other holders of voting rights;
- Potential voting rights held by the Company and other holders of voting rights and third parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that may indicate that the Company has, or does not have, the current ability to direct relevant activities when needed to make decisions, including how to vote at previous shareholders' meetings.

The process of consolidation of a subsidiary begins when the Company gains control of that subsidiary, while it ceases when the Company loses control of the subsidiary. In particular, revenues and expenses of subsidiaries acquired or excluded during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company acquires control until the date of loss of control of the subsidiary.

The consolidated statement of profit or loss and each of the other elements of comprehensive income is distributed among the Company's shareholders and non-controlling interests in accordance with the equity interests. The Subsidiary's total comprehensive income is distributed among the Company's shareholders and non-controlling equity according to ownership interests. Adjustments are made to the financial statements of subsidiaries, as and when the need arises, to align their accounting policy with that used by the Company.

All transactions including assets, liabilities, shareholders' equity, revenues, expenses and cash flows resulting from transactions between companies of the Company are excluded upon consolidation.

## Changes in Company Equity in Existing Subsidiaries

Changes in a Company's ownership in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Listed values of the Company's ownership and non-controlling shareholders' equity are adjusted to reflect changes in its ownership in subsidiaries. Any difference between the value of the adjustment of non-controlling shareholders' equity and the fair value of the allowance paid or received shall be directly included in the shareholders' equity and shall be attributable to the shareholders of the Company.

When the Company loses control of the Subsidiary, any gain or loss on the consolidated profit or loss is recognized and calculated as the difference between (i) the total fair value of the amount received and the fair value of any retained interest and (ii) the previously reported carrying amount of the assets (including goodwill), the liabilities of the Subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income relating to that subsidiary are accounted for as if the Company had directly derecognized the subsidiary's assets or liabilities (in other words, reclassified to consolidated statement of profit or loss or converted to another classification of shareholders' equity as defined/ permitted by IFRS).

## 5.5.2 Significant Accounting Policies

### Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, subject to the payment terms specified in the contract and excluding taxes or duties. The Company recognizes revenue from contracts with customers based on the following five-step model:

- Identify the contract with the customer, i.e. agreements with the Company, that create enforceable rights and obligations.
- Define performance obligations in the contract, such as promises to transfer products or services.
- Determine the transaction price based on the consideration that the Company expects to receive in return for fulfilling performance obligations (and excluding any amounts collected on behalf of third parties).
- Distribution of the transaction price for each performance obligation based on the estimated independent selling price of the products or services provided to the customer.
- Revenue is recognized when (or as soon as) the facility meets the conditions for performing the obligation, such as that the contracted products or services are transferred to the customer and the customer obtains control. This may be overtime or at a particular time.

#### a. Sale of goods

The sale of goods is recognized upon delivery or shipment of the products, according to the agreed contractual terms, when control of the goods passes to the buyer and when the Company does not have a continuing management relationship to the extent normally associated with ownership nor effective control of the goods sold.

#### b. Service Delivery

Revenue from services is recognized when the relevant performance obligations are met and is classified as part of the revenue from key operating activities. Some services are subject to variable considerations such as discounts and objections. The Company also calculates the discount and objection based on its best estimates and based on its experience and knowledge of previous events.

#### c. Revenue from Leases

Rental income is recognized on a straight-line basis over the lease term. Unearned revenue represents revenue received from customers in advance and is recorded as a liability. It is recorded in the income statement on a fixed basis over the contract period when realized.

#### d. Revenue from Term Deposits

Revenue from term deposits relating to financial assets linked to a commission is recognized using the effective commission rate.

#### e. Dividend

Revenue is realized from dividends when the Company is entitled to receive these dividends, and this is usually done when the shareholders of the invested companies approve the distribution of dividends.

#### f. Other

Other income is recognized on an accrual basis.

### Expenses

Distribution expenses consist mainly of costs incurred in the distribution and delivery of the Company's products.

Marketing expenses consist mainly of costs incurred in marketing and advertising of the Company's products and services. All other expenses, except the cost of sales and marketing expenses, are classified as administrative expenses.

Administrative expenses include indirect costs that are not necessarily part of the cost of revenue. Expenses are apportioned between cost of revenue, selling and marketing expenses, and administrative expenses, on a regular basis.

### Earnings per share

The underlying share of earnings is calculated by dividing the net profit by the weighted average number of common shares outstanding during the year. The Company does not have any factors that may lead to a reduction in the basic share of earnings. Therefore, the basic share of earnings per share is equal to the reduced share of earnings per share.

## Foreign Currency Transactions

### Quote Currency

These consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Company. Items included in the financial statements of each Company of the Company are measured using the main currency of the economic environment in which each Company operates (functional currency). All subsidiaries of the Company carry out their activities primarily in the Kingdom of Saudi Arabia.

### Transactions and balances

Transactions made in transactions other than the Company's functional currency (foreign currencies) are recognized at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each financial period are translated on the exchange basis prevailing at that date. Non-monetary items listed at fair value and listed in foreign currencies are translated at the exchange rates prevailing at the date of determination of fair value. Exchange rate differences on monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

## Employee Defined Benefit Obligations

Defined benefit liabilities of employees are determined using the credit unit valuation method, with an actuarial valuation performed at the end of each financial year. Re-measurement, which consists of actuarial gains and losses, is recognized directly in the consolidated statement of financial position with the charge or reversal thereof included in other comprehensive income in the year in which it occurs. The re-measurement recognized in other comprehensive income is recognized directly in retained earnings and will not be reclassified to consolidated profit or loss in subsequent periods. Changes in the present value of benefit liabilities resulting from plan adjustments or reductions are recognized directly in consolidated profit or loss as interest expense.

Interest is calculated by applying the discount rate at the beginning of the year to the net specified liabilities or assets. Specific benefit costs are classified as follows:

- Service cost (including current service cost or past service cost, plus gains and losses from reductions and adjustments).
- Interest Expense
- Re-measurement

The Company charged the first two elements of benefit costs to the consolidated statement of profit or loss as "administrative expenses", while the third element, "remeasurement", is charged to comprehensive income and is then included in the consolidated statement of changes in equity.

The termination benefit obligation is recognized when the Company cannot withdraw the termination benefit offer or when the Company recognizes any related restructuring costs, whichever comes first.

## Short-term employee benefits

The benefit liabilities payable to employees in respect of wages, salaries, annual leave and sick leave which are expected to be paid within 12 months after the end of the period are recognized during the period in which the relevant service is rendered in the amount expected to be paid for the benefits expected to be paid for that service and are disclosed in current liabilities.

## Zakat

The Company is subject to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. Zakat is cured according to the principle of entitlement. Zakat is calculated on the basis of the Zakat base or the adjusted net profit, whichever is greater. Any differences between the estimates and the final assessment shall be recorded when approved, at which point the provision shall be settled.

## Sectoral Reports

The sector represents an identifiable unit in the Company that sells or provides goods and services, which is called (sectors according to activities), or those that sell or provide goods and services within a specific economic environment, which is called (sectors according to geographical areas), provided that each sector has its risks and benefits different from the risks and benefits of other sectors. The Company's sectors are divided into an industrial sector, a service sector (medical) and an investment sector. Although the "Industry Department" does not meet the requirements of the quantitative limits that qualify it to be a sectoral report, the management attaches the need to disclose it separately as it monitors this sector as a sector that is likely to grow economically and is expected to contribute significantly to the Company's future revenues.

## Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and accumulated impairment losses.

Property under construction is shown at cost less any impairment. These properties are classified into the appropriate item of property, plant and equipment when they are complete and ready for their intended use. Depreciation of these assets begins on the same basis as other real estate assets when they are ready for their intended use.

Property under construction for production, services or management is stated at cost less any impairment losses. The cost includes the purchase price, construction and development cost and any other costs associated with the acquisition of the asset as well as professional fees. As for eligible assets, borrowing costs are capitalized in accordance with the Company's accounting policy. Such property shall be classified into the appropriate items of property, plant and equipment when they are complete and ready for their intended use. Depreciation of these assets begins on the same basis as other real estate assets when the assets are ready for their intended use. Property, plant and equipment excluding land owned and real estate under construction are depreciated over their useful lives using the straight-line method.

The estimated useful lives of the assets are as follows:

| | Year |
|---|---|
| Buildings and improvements to rented buildings | 5 – 33 years |
| Furniture, fixtures and office equipment | 3 – 10 years |
| Automotive | 4 years |
| Machines | 10 years |
| Computer | 4 years |

Source: Company's Financial Statements

The estimated useful lives, residual values and depreciation method shall be reviewed at the end of each financial reporting period, for any technical changes estimated on a future basis.

The item of property, plant and equipment is derecognized on derecognition or when no future economic benefits are expected from its continued use. Any gain or loss resulting from the derecognition, or disposal of an item of property, plant and equipment is determined by the difference between the proceeds of sale and the carrying amount of the asset and is included in the consolidated statement of profit or loss.

The capital work in progress is represented in the cumulative costs incurred by the Company for the construction of additional buildings. Costs incurred on capital works in progress are recorded and then transferred to property, plant and equipment when construction of these facilities is completed. Financing costs are capitalized from loans related to the construction of eligible assets within the time period necessary for its completion and preparation for the purpose for which it is intended.

## Cost Capitalization

The cost of any item of property, plant and equipment consists of:

- their purchase price inclusive of import duties and non-refundable purchase taxes after deducting trade discounts and rebates.
- Any costs directly attributable to the transfer of the asset to the site and condition necessary to be able to operate in the manner specified by management.
- A preliminary estimate of the costs of dismantling and removing the item and restoring the location where it is located, and the obligation incurred either upon obtaining the item or as a result of using the item during a certain period for purposes other than the production of inventories during that year.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component that is accounted for is derecognized as a separate asset when replaced.

Borrowing costs related to eligible assets are capitalized as part of the cost of eligible assets up to the commencement of commercial production. All other repairs and maintenance shall be charged to the consolidated statement of profit or loss during the financial year in which they were incurred. Ordinary maintenance and repairs that do not extend the estimated economic useful life of the asset or output are charged to the consolidated statement of profit or loss when they occur.

## Capital work-in-progress

Assets under construction or development are capitalized in a capital work-in-progress account. Assets under construction or development are transferred to the appropriate category in property, equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary to be able to operate in the manner intended by management. The cost of any item of capital work in progress includes its purchase price, the cost of construction/ development and any other item that can be directly attributed to the creation or acquisition of an item of management's intent. Costs associated with testing items (before they are available for use), they are capitalized net of proceeds from the sale of any production during the testing period. Capital works in progress are not depreciated or amortized.

## Intangible Assets

Intangible assets of specified ages purchased separately are recorded at cost less accumulated amortization and total impairment losses. Amortization is recognized using the straight-line method over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each financial report, and any changes in estimates are accounted for on a future basis. Intangible assets with indefinite useful lives purchased separately are stated at cost less total impairment losses.

Intangible assets are derecognized when they are derecognized or when no future economic benefit is expected from their use or derecognition. Gains or losses resulting from derecognition of intangible assets are measured by the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in consolidated profit or loss upon derecognition of the asset.

The following are the most important intangible assets accounted for by the Company and its useful lives:

| Intangible Assets | Useful life |
|---|---|
| Computer program | 4 years |
| Contractual Relationships | 5 years |

Source: Company's Financial Statements

## Impairment of tangible and intangible assets

At the end of each financial reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that these assets have been exposed to impairment losses. If such an indicator exists, the recoverable amount of the asset is estimated to determine the extent of impairment losses (if any). In the event that it is not possible to estimate the recoverable amount of a specific asset, the Company shall estimate the recoverable amount of the cash-generating unit to which the asset itself belongs. When reasonable and consistent distribution bases can be determined, the combined assets are distributed to specified cash-generating units, or distributed to the smallest group of cash-generating units for which reasonable and consistent distribution bases can be determined.

Impairment of intangible assets with indefinite useful lives and intangible assets that have not yet been used is tested, at least once a year, when there is an indication that the asset has decreased in value.

The recoverable amount is the fair value of the asset less cost to sell or value to use whatever is higher. In estimating the value of use, estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market estimates of the time value of cash and risks related to the asset for which the estimate of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) shall be reduced to the recoverable amount. Impairment losses are recognized directly in the consolidated statement of profit or loss.

In the event that impairment losses are subsequently recovered, the carrying amount of the asset (or cash-generating unit) shall be increased to the revalued value or the recoverable amount, so that the adjusted carrying amount does not exceed the carrying amount of the asset (or cash-generating unit) if the impairment losses were not calculated in previous years. Impairment losses are reimbursed directly to the consolidated statement of profit or loss and other comprehensive income.

## Inventory

Inventory is valued at cost or net realizable value, whichever is lower. The cost of inventory is determined based on its weighted average method and includes expenses incurred to acquire inventory, production or conversion costs and other costs incurred to bring inventory to the site in its current state. In the case of manufactured goods and goods under operation, the cost includes an appropriate share of indirect production expenses based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary activity after deducting the estimated costs of completion and sale expenses.

## Provisions

Provisions are recognized when the Company has a present obligation (legal or judgmental) as a result of a past event that is likely to result in the payment of the obligation and the amount of the obligation can be estimated reliably. The amount recognized as a provision is calculated according to the best expectations for the consideration required to pay the obligation as of the end of the reporting period after taking into account the risks and uncertainties surrounding the obligation. When the value of a provision is measured using the estimated cash flows to settle the present obligation, then the carrying amount will be the present value of that cash flow (when the effect of the time value of cash is material). When part or all of the economic benefits required to pay the provision are expected to be recovered from a third party, the receivable is recognized as an asset in the event that the receipt and replacement of the amount is confirmed and can be reliably measured.

## Real Estate Investments

Real estate investments are initially recognized at cost including transaction costs. Real estate investments are subsequently measured at cost less accumulated depreciation and any impairment losses. Real estate investments are land held for capital development and not for sale in the short term in the ordinary course of business, land held for future use not currently specified, and buildings leased. Depreciation for buildings over 33 years is calculated using the straight-line method and no land depreciation is calculated.

The fair value of real estate investments is disclosed, which reflects the prevailing market conditions at the date of preparing the financial report. Fair value is determined based on an annual valuation by an independent valuer.

The carrying amounts of real estate investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount is not recoverable. If there are indications that the carrying amount of real estate investments exceeds their estimated recoverable amount, that difference is recognized as impairment losses in the consolidated statement of profit or loss. The recoverable amount is fair value less costs to sell or use value whichever is higher.

Real estate investments are derecognized when permanently excluded from use, or no future economic benefits are expected from their exclusion. The difference between the net proceeds of the exclusion and the carrying amount of the asset is included in the consolidated profit or loss for the period in which the exclusion is made.

## Investment in an Associate Company

Associated companies are those over which the Company has substantial influence but not control and are often associated with ownership interests ranging from 20% to 50% of the voting capital.

Associates are accounted for using the equity method. According to the equity method, the investment is initially recognized at cost and then the investment is increased or decreased by the Company's share in the profits or losses of the invested Company realized after the acquisition date.

The Company's share of post-acquisition gains or losses in other comprehensive income is recognized in comprehensive income with a corresponding adjustment to the carrying amount of the investment. Where the Company's share in the losses of the Associate is equal to or greater than its share in the Associate, including any other unsecured receivables, the Company shall not recognize any additional losses, unless the Company is legally or implicitly obligated to make payments on behalf of the Associate. Dividends received or due from associates are recognized as a reduction in the investments carrying amount.

The Company determines on the date of each financial report whether there is any objective evidence of impairment in the value of the investment in associates. Where such evidence exists, the Company shall calculate the amount of impairment on the basis of the difference between the recoverable amount of the associate and its carrying amount and then separately recognize that amount in profit or loss.

The accounting policies of the associate shall be adjusted, when required, to ensure their consistency with the policies applied by the Company.

## Borrowing Costs

Borrowing costs directly attributable to the purchase, creation, or production of eligible assets, which inevitably require a period of time to be ready for scheduled use or sale, are capitalized to the costs of such assets until such assets are substantially ready for their intended use or sale. All other borrowing costs are included in the consolidated statement of profit or loss in the year in which they are incurred.

## Leases

In principle, the assets and liabilities arising from the lease contract are measured on the basis of the current value as follows:

a. Right-of-use assets are measured at cost, which includes the following:

   - Initial measurement amount of lease liabilities
   - Any rental payments made on or before the start date of the contract minus any rental incentives received

- Any initial direct costs incurred by the tenant
- Estimating the costs that will be incurred by the Lessee in dismantling and removing the asset subject of the contract

b. Lease obligations include the following net present value of lease payments:

- Fixed payments (including essentially fixed payments) less any debit rent incentives
- Variable rent payments based on index or rate
- Amounts expected to be paid by the Lessee under the residual value guarantees
- The exercise price of the call option if the lessee is reasonably certain that such option will be exercised
- Penalty payments for the termination of the lease if the lease term reflects the lessee's exercise of that option

Lease payments are deducted using the incremental borrowing rate, which is the price that the lessee will pay to borrow money to acquire an asset of a similar value in a similar economic environment on similar terms and conditions.

Payments associated with short-term leases and leases of impaired assets are recognized on a straight-line basis as an expense in consolidated profit or loss. Short-term leases are leases with a lease period of 10 months or less.

Lease terms are renegotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose any covenants, but leased assets may not be used as a guarantee for borrowing purposes.

## Financial Instruments

### 1. Financial Assets

The Company classifies financial assets according to the business model through which the financial assets are managed and their contractual cash flow characteristics as follows:

- Financial assets at amortized cost. or
- Equity instruments at FVOCI

The financial assets (unless they are trade receivables without a material financing element initially measured at the transaction price) are initially measured at fair value; for an item that is not measured at fair value through profit or loss, the transaction costs directly related to its acquisition are added.

## Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if they meet each of the two conditions below:

- are held within the business model that is intended to hold the assets to collect contractual cash flows, and
- Its contractual period arises at specified dates for cash flows that represent only payments of principal and interest on principal outstanding.

Subsequent measurement of these assets at amortized cost is done using the effective interest method. Amortized cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss.

The Company shall exclude financial assets at amortized cost when the contractual rights to cash flows expire from the asset or if the Company transfers the rights to receive the contractual cash flows of the financial assets in the transaction in which all risks and benefits associated with ownership of the financial assets are transferred. Any gain or loss resulting from cessation of recognition is recognized in the profit or loss statement.

## Equity instruments at FVOCI

Equity instruments at fair value through other comprehensive income (FVOCI) are financial instruments for which the Company has finally elected to present subsequent changes in their fair value within other comprehensive income. This option is made on an investment-by-investment basis.

Subsequent measurement of these assets is done at fair value. Dividends are recognized as income within profit or loss unless the dividend clearly represents a partial refund of the cost of the investment. Changes in fair value are recognized within other comprehensive income and are never reclassified to profit or loss.

Equity instruments at FVOCI are excluded if the Company transfers the rights to receive contractual cash flows for financial assets in the transaction in which all risks and benefits associated with ownership of the financial assets are transferred. Any gain or loss resulting from cessation of recognition is recognized through equity and is never reclassified to profit or loss.

## Equity Instruments at Fair Value Through Profit or Loss

The Company classifies the following financial assets at fair value through profit or loss:

- Debt investments that are not eligible to be measured at either amortized cost or at FVOCI.
- Equity investments held for trading.
- Equity investments for which the entity has not chosen to recognize fair value gains and losses through other comprehensive income.

These assets are subsequently measured at fair value. A change in the fair value of such instruments and a dividend is recognized in profit or loss unless the dividend clearly represents a recovery of part of the investment cost.

The Company derecognizes equity instruments at fair value through profit or loss when it transfers the rights to receive contractual cash flows on the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset are transferred. Any gain or loss from derecognition is charged to the profit or loss.

## 2. Financial Liabilities

Initial recognition of non-derivative financial liabilities is made on the trade date at which the Company becomes a party to the contractual provisions of the instrument as these financial liabilities are initially recognized at fair value plus any direct transaction costs.

Financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's non-derivative financial liabilities consist of bank loans, trade payables and other payables.

The Company shall exclude financial liabilities when fulfilling, cancelling or terminating its contractual obligations. The amounts of financial assets and financial liabilities are offset, and the net amount is presented in the consolidated statement of financial position only when the Company has a legal right to offset the amounts and the intention to either settle on a net basis or realize the asset and settle the liability simultaneously.

## 3. Impairment of financial assets

Based on the outlook, the Company assesses the expected credit losses of its financial assets at amortized cost. For receivables, the Company applies the simplified approach, which requires the recording of expected losses on the basis of age from the date of initial recognition of the receivables. In order to measure expected credit losses, receivables were grouped based on common credit risk characteristics and the number of outdated days. The expected loss rates were derived from the Company's historical information and adjusted to reflect the expected future outcome which also includes future information for macroeconomic factors such as inflation and GDP growth rate.

Other financial assets such as employee receivables and bank balances have low credit risk, so the impact of applying ECL is inessential.

## 4. Effective Interest Rate Method

The effective interest rate method is a method of calculating the amortized cost of a debt instrument and distributing interest income over the associated period. The effective interest rate is that rate which is used to discount anticipated future cash payments (comprising all fees and points paid and received which are an integral part of the effective interest rate as well as transaction costs, premiums and other discounts) within the expected life of the debt instrument or a shorter period, if appropriate, to the net carrying amount at initial recognition.

## Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them. Government grants are recorded in the period during which they are received and are included as a deduction from the relevant fixed assets.

## Non-Continuous Operations

Non-continuous operations are part of the Company's activities, which represent:

a. Separate main line of business, geography of operations, or
b. part of one coordinated plan to exclude a separate main line of business or geographic area of operations
c. A subsidiary acquired exclusively for resale

Non-continuing operations are presented separately in the consolidated statement of profit or loss and comprehensive income, which includes gains or losses calculated after taxes for non-continuing operations in addition to gains and losses calculated after taxes during the process of re-measuring the fair value of the excluded assets or groups, which represent non-continuing operations less the cost of sale.

## 5.5.3 Critical Accounting Estimates and Assumptions

In the process of applying the Company's accounting policies outlined in Note 1, the Management shall make judgments, estimates, or assumptions that may affect the actual amounts of assets and liabilities that are not readily apparent from other sources. These relevant estimates and assumptions are based on historical experience and other critical factors. Actual results may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimate is revised if the change relates only to that year or in the period of change and future periods if the change affects both the current year and future periods.

Significant estimates and key assumptions are summarized as follows:

### Impairment of Property, Plant, and Equipment

Property, plant, and equipment are carried at cost less accumulated depreciation and impairment. The carrying amount of property, plant, and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount is not recoverable. If such an indication exists and the carrying amount exceeds the estimated recoverable amount, the assets are written down to their recoverable amount, which is the higher of fair value less costs of disposal and value in use.

### Useful Lives and Residual Value of Property, Plant, and Equipment & Intangible Assets

The estimated useful lives of property, plant, and equipment & intangible assets are determined by the Management to calculate depreciation and amortization. This estimate is determined after taking into account the assets' expected use, replacement, and renewal. Management annually reviews the residual value and useful lives and the change in amortization expense (if any) is adjusted in the current and future periods.

### Provisions

Provisions are recognized when the Company has a current (legal or constructive) obligation as a result of a past event, whereby it is probable that the Company will be required to settle the obligation and where a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision represents the best estimate of the consideration required to settle the current obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the estimated cash flows to settle the current obligation, the carrying amount is the current value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered by a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the receivable amount can be measured reliably.

### Fair Value Measurement

Fair value is the price that may 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 determined based on the presumption that a 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 shall be accessible by the Company.

The fair value of an asset or liability is measured assuming that market participants will benefit when the asset or liability is priced and assuming that market participants pursue their best economic interests. The fair value measurement of non-financial assets considers market participants' ability to realize economic benefits by using the assets in their highest and best use or by selling them to another market participant who may also realize the highest and best use of the assets. The Company uses valuation techniques appropriate to the circumstances and for which sufficient data is available to measure fair value, maximize the use of relevant and observable inputs, and minimize using unobservable inputs.

### Fair Value of Investments in Equity Instruments at Designated Fair Value Through Other Comprehensive Income

The fair value of investments in equity instruments that are not quoted in active markets is determined by using known valuation techniques such as discounted cash flows and recent transaction prices. Fair value is determined at a given time based on market conditions and available information about the investee companies. These estimates are subjective, involve uncertainties, and require a high degree of diligence, and therefore cannot be determined with extreme precision.

Future events (such as continued operating profit and financial strength) are uncertain and it is possible, based on current information, that the results for the next financial year will differ from earlier assumptions, requiring future adjustments to the carrying amount of investments.

In cases where discounted cash flow models are used to estimate fair values, future cash flows are estimated by the Management in accordance with the information available with the representatives of the investee companies' Management and according to the latest available audited or unaudited financial statements.

## Goodwill Impairment

An impairment test is performed on cash-generating units by comparing the carrying amount of the cash-generating units and their recoverable amount. The recoverable amount of the cash-generating unit is the higher of its fair value less costs of disposal or its value in use. The valuation process used to determine fair value and value in use includes the use of methods such as the discounted cash flow method that uses assumptions to estimate cash flows. The recoverable amount depends largely on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

## Real Estate Investments Impairment

The Company reviews the carrying amount of real estate investments to determine whether there is any indication that the asset is impaired. Where necessary, the Management uses estimates and judgments to determine whether there is any indication of impairment of real estate investments. The carrying values of real estate investments are reviewed to ensure that there is no impairment when events or changes in circumstances indicate that the carrying amount is not recoverable. Where there are indications that the carrying amount of the real estate investments exceeds its estimated recoverable amount, that difference is recognized as an impairment loss in the statement of profit or loss. The recoverable amount is the higher of fair value less costs of disposal or value in use.

## Impairment of Financial Assets

The loss allowances for financial assets are based on assumptions about the risks of default and unexpected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

## Employee End-of-Service Benefits

The present value of the pension liabilities depends on several factors that are determined on an actuarial basis using various assumptions that may differ from actual developments in the future. The used assumptions include the discount rate, future salary increases, mortality rates, and future pension increases. Changes in these assumptions will impact the carrying amount of the pension obligation.

The Company determines the appropriate discount rate at each reporting date. In determining the appropriate discount rate, Management considers the interest rates of corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the expected term of the related pension obligation.

## Impairment of Inventories

Inventories are stated at the lower of the cost or net realizable value. When inventories become obsolete or deteriorated or subject to technological changes, an estimate is made of their net realizable value. In determining the impairment of inventories, current and projected demand factors, client preferences, inventory age, and seasonal trends are taken into account. For significant individual amounts, this estimate is performed on an individual basis. On the other hand, amounts that are not individually significant, but are considered obsolete or deteriorated, are assessed collectively and the inventories are written down. A provision is established based on the type of inventory and the degree of inventories' obsolescence or deterioration based on historical selling prices.

## Sales Discounts and Rejected Service

Management provides its best judgment to adjust the discount/ rejection based on its knowledge and experience from past and current events.

## 5.5.4 New Standards, Amendments to Standards and Interpretations

In the current year, the Company has applied several amendments to IFRSs issued by the International Accounting Standards Board (IASB) which are mandatorily effective for accounting periods beginning on or after 1 January 2022G. The application of these amendments did not have a material impact on the disclosures or amounts in these financial statements.

| Standard | Interpretation |
|---|---|
| Amendments to IFRS 3 "Reference to the Conceptual Framework" | The Company has adopted the amendments to IFRS 3 "Business Combinations" for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018G Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that for obligations within the scope of IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets", an acquirer applies IAS 37 to determine whether, at the acquisition date, a present obligation exists as a result of past events. For a levy that may be within the scope of IFRIC 21 "Levies", the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. |
| Amendments to IAS 16 "Property, Plant, and Equipment - Proceeds before Intended Use" | The Company has adopted the amendments to IAS 16 "Property, Plant, and Equipment" for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds generated from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 "Inventories".<br>The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or administrative purposes.<br>If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. |
| Amendments to IAS 37 (Onerous Contracts - Cost of Fulfilling a Contract) | The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (such as direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (such as the allocation of the depreciation charge for an item of property, plant, and equipment used in fulfilling the contract). |
| Annual Improvements to IFRS Accounting Standards 2018G-2020G Cycle | The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018G-2020G Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.<br>– IFRS 1: First-time Adoption of International Financial Reporting Standards<br>– IFRS 9 "Financial Instruments"<br>– IAS 41 "Agriculture"<br>– IFRS 16 "Leases" |

Source: The Company's Financial Statements

Issued standards, but not yet effective.

| Standard | Interpretation |
|---|---|
| IFRS 17 (including the June 2020G and December 2021G amendments to IFRS 17) | Insurance Contracts |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

Source: The Company's Financial Statements

The Company does not expect that the application of these new and amended standards and interpretations will have a material impact on its financial statements.

## 5.6 Results of Operations for the Financial Years Ended 31 December 2020G, 31 December 2021G, and 31 December 2022G

The Company's presented financial information and the key performance indicators set out below shall be read in conjunction with the financial information for the financial years ended 31 December 2020G, 2021G, and 2022G, which has been prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Auditors and Accountants (SOCPA).

### 5.6.1 Summary of Financial Information and Key Performance Indicators

**Table 5.1: Summary of financial information from the profit or loss statement and other comprehensive income statement for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Net revenue | 255,316 | 269,563 | 266,227 | 5.6% | (1.2%) | 2.1% |
| Cost of revenue | (187,451) | (205,011) | (249,394) | 9.4% | 21.6% | 15.3% |
| Gross profit | 67,865 | 64,552 | 16,833 | (4.9%) | (73.9%) | (50.2%) |
| Operating profit (Loss) | 1,729 | (10,123) | (57,137) | (685.4%) | 464.4% | N/A |
| Net profit (Loss) for the year before Zakat | 37,577 | 11,008 | (38,714) | (70.7%) | (451.7%) | N/A |
| Net profit (Loss) for the year | 30,847 | 6,376 | (44,631) | (79.3%) | (800.0%) | N/A |
| Other comprehensive income (Loss) | (30,447) | (5,331) | (28,178) | (82.5%) | 428.6% | (3.8%) |
| Total comprehensive income (Loss) for the year | 400 | 1,045 | (72,809) | 161.3% | (7,066.7%) | N/A |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

**Table 5.2: Summary of financial information from the statement of financial position for the years ended 31 December 2020G, 2021G, and 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Total non-current assets | 1,105,561 | 1,290,360 | 1,397,931 |
| Total current assets | 205,659 | 227,043 | 238,312 |
| Total equity | 819,004 | 816,902 | 744,093 |
| Total non-current liabilities | 259,471 | 585,794 | 575,987 |
| Total current liabilities | 232,746 | 114,708 | 316,162 |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

**Table 5.3: Summary of financial information from the audited statement of cash flows for the years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December | | |
|---|---|---|---|
| | 2020G (Audited) | 2021G (Audited) | 2022G (Audited) |
| Net cash (used in) from operating activities | 57,504 | 47,632 | (38,841) |
| Net cash used in investing activities | (88,769) | (167,470) | (82,800) |
| Net cash generated by financing activities | 20,841 | 145,876 | 169,199 |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

**Table 5.4: Key performance indicators for income statement metrics for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| Income Statement Metrics | | | |
|---|---|---|---|
| As a percentage of revenue | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) |
| Gross Profit Margin [1] | 26.6% | 23.9% | 6.3% |
| Operating Profit Margin [2] | 0.7% | (3.8%) | (21.5%) |
| EBITDA Margin [3] | 20.9% | 11.6% | (5.2%) |
| Net Profit Margin [4] | 12.1% | 2.4% | (16.8%) |

Source: The Management Information

(1) Gross Profit Margin is defined as gross profit divided by revenue, which is expressed as a percentage.
(2) Operating Profit Margin is defined as operating profit divided by revenue, which is expressed as a percentage.
(3) EBITDA Margin is defined as EBITDA divided by revenue, which is expressed as a percentage.
(4) Net Profit Margin is defined as net profit for the year divided by revenue, which is expressed as a percentage.

**Table 5.5: Key performance indicators for the statement of financial position metrics for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| Metrics of the Statement of Financial Position | | | |
|---|---|---|---|
| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) |
| Return on Assets [1] | 3.1% | 0.5% | (2.8%) |
| Return on Equity [2] | 4.4% | 0.8% | (5.7%) |

Source: The Management Information

(1) Return on assets is calculated as follows: Net profit for the year/ Average assets during the year.
(2) Return on equity is calculated as follows: Net profit for the year/ Average equity during the year.

## 5.6.2 Statement of Profit or Loss and Other Comprehensive Income

**Table 5.6: Statement of Profit or Loss and Other Comprehensive Income for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Net Revenue | 255,316 | 269,563 | 266,227 | 5.6% | (1.2%) | 2.1% |
| Cost Of Revenue | (187,451) | (205,011) | (249,394) | 9.4% | 21.6% | 15.3% |
| **Gross Profit** | **67,865** | **64,552** | **16,833** | **(4.9%)** | **(73.9%)** | **(50.2%)** |
| G&A Expenses | (65,206) | (73,723) | (72,825) | 13.1% | (1.2%) | 5.7% |
| Selling and Marketing Expenses | (930) | (952) | (1,145) | 2.4% | 20.3% | 11.0% |
| **Operating Profit (Loss)** | **1,729** | **(10,123)** | **(57,137)** | **(685.4%)** | **464.4%** | **N/A** |
| Financing Expenses | (2,571) | (2,935) | (3,387) | 14.1% | 15.4% | 14.8% |
| Dividend Income | 2,706 | 3,486 | 4,036 | 28.8% | 15.8% | 22.1% |
| Share of results of an associate | 275 | 2,301 | 5,557 | 736.8% | 141.5% | 349.5% |
| Differential purchase price gain on the acquisition of a subsidiary | 14,580 | - | - | (100.0%) | N/A | (100.0%) |
| Realized gain on disposal of investments in equity instruments at fair value through profit or loss | 2,128 | 2,209 | 1,616 | 3.8% | (26.8%) | (12.8%) |

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Unrealized gains on investments in equity instruments at fair value through profit or loss | 8,512 | 10,424 | - | 22.5% | (100.0%) | (100.0%) |
| Other revenue | 7,207 | 5,646 | 10,601 | (21.7%) | 87.8% | 21.3% |
| **Net profit (loss) for the year from continuing operations** | **34,565** | **11,008** | **(38,714)** | **(68.2%)** | **(451.7%)** | **N/A** |
| Profit on disposal of discontinued operations | 3,012 | - | - | (100.0%) | N/A | (100.0%) |
| **Net profit (loss) for the year before Zakat** | **37,577** | **11,008** | **(38,714)** | **(70.7%)** | **(451.7%)** | **N/A** |
| Zakat | (6,730) | (4,632) | (5,917) | (31.2%) | 27.7% | (6.2%) |
| Net profit (loss) for the year | 30,847 | 6,376 | (44,631) | (79.3%) | (800.0%) | N/A |
| **Other Comprehensive Income** | | | | | | |
| **Items that will not be subsequently reclassified into profit or loss** | | | | | | |
| Net fair value movement on equity instruments at fair value through other comprehensive income | (28,440) | (3,265) | (26,518) | (88.5%) | 712.2% | (3.4%) |
| Remeasurement of employees' defined benefits liabilities | (2,007) | (2,066) | (1,659) | 2.9% | (19.7%) | (9.1%) |
| **Other Comprehensive Income (Loss)** | **(30,447)** | **(5,331)** | **(28,178)** | **(82.5%)** | **428.6%** | **(3.8%)** |
| **Total Comprehensive Income (Loss) for the Year** | **400** | **1,045** | **(72,809)** | **161.3%** | **(7066.7%)** | **N/A** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

## Net Revenues

The Company and its subsidiaries carry out their main business activities in both the medical services sector and the date-derived products manufacturing sector. Revenues are mainly represented in (1) the medical services sector, which contributed approximately 93% of total revenues during the financial period 2020G-2022G and is related to the establishment, management, operation, and maintenance of hospitals, dispensaries, and medical centers; and (2) the manufacturing sector, which contributed about 7% of total revenues during the financial period 2020G-2022G and is related to drying and packing dates, producing their transformational derivatives, and selling dates wholesale and retail.

The Company witnessed an increase in revenues from SAR 255.3 million in the financial year ended 31 December 2020G to SAR 269.6 million in the financial year ended in 2021G. This increase was primarily driven by revenue growth in the medical services sector; that growth in the medical services sector is largely due to revenues generated by insurance companies, which amounted to SAR 24.1 million. Such increase is due to an increase in the number of patients covered by insurance companies with a total of (+29,485 patients), in addition to the increase in the average revenue per insurance patient from SAR 0.5 thousand in the financial year ended 31 December 2020G to SAR 0.6 thousand in the financial year ended in 2021G.

The Company witnessed a slight decrease in revenues, by 1.2%, from SAR 269.6 million in the financial year ended 31 December 2021G to SAR 266.2 million in the financial year ended 31 December 2022G. This decrease is attributed to lower revenues in the Company's medical business, which was closely related to the impact of the Coronavirus (COVID-19). During the peak of the pandemic, the increase was driven by revenues from the Ministry of Health, covering COVID-19 patients at an "extra" 20% over the current price list, as well as a higher number of patients seeking medical services. As the impact of COVID-19 subsided, this naturally impacted the Company's revenues, resulting in a decrease in total revenues.

## Cost of Revenue

Cost of revenues mainly includes (1) personnel costs, approximately 59%; (2) consumables, approximately 28%; and (3) depreciation, approximately 6.6%, among other costs.

Cost of revenues increased by 9.4% from SAR 187.5 million in the financial year ended 31 December 2020G to SAR 205.0 million in the financial year ended 31 December 2021G; mainly due to an increase in personnel costs of SAR 16.5 million. This increase is due to the growth in the number of employees during the period by adding 63 new employees. It is worth noting that the majority of the new employees, approximately 89%, were appointed specifically for Al-Ahsa Company, as a result of the urgent necessity during the COVID-19 pandemic.

In the financial year ended in 2022G, the cost of revenue increased by 21.6% from SAR 205.0 million in the financial year ended 31 December 2021G to SAR 249.4 million, as a result of the growth in operations and expansion in the medical services sector, which led to an increase in the number of employees and thus an increase in the personnel cost by SAR 40.1 million, mainly in line with the opening of Al-Salam Hospital during the Q4 FY 2022G, noting that approximately 97% of the employees appointed during the period are assigned to Al-Salam Hospital.

## Gross Profit

The gross profit margin decreased from 26.6% in the financial year ended 31 December 2020G to 23.9% in the financial year ended 2021G in line with the increase in costs incurred during this period.

Gross profit margin also decreased to 6.3% in the financial year ended 31 December 2022G. This significant decrease in gross profit margin is due to the following:

1. The Company incurred high costs related to the opening of Al-Salam Medical Service Company amounting to SAR 35.3 million. The Management explained that it is normal for the costs of operations in the first years to be high, as the hospital shall be equipped with a sufficient number of employees and capable of operating with high capacity and efficiency; and
2. In the previous year, the Company achieved a higher gross profit margin of 23.9%, as the Ministry of Health provided, during the peak of the COVID-19 pandemic, an additional 20% on the price list for medical services related to COVID-19, which led to an exceptional improvement in gross profit margin. As the impact of COVID-19 gradually diminishes, the previous significant increase in gross profit margin has been reduced.

## General and Administrative Expenses

General and administrative expenses mainly include (1) personnel costs, which constituted an average of approximately 71%; and (2) depreciation, which constituted an average of approximately 5%, among other general and administrative expenses.

General and administrative expenses increased by 13% from SAR 65.2 million in the financial year ended 31 December 2020G to SAR 73.7 million in the financial year ended 31 December 2021G, mainly due to the expansion of the Company's medical services, which led to an increase in personnel costs by SAR 3.3 million.

General and administrative expenses decreased slightly by 1.2% from SAR 73.7 million in the financial year ended 31 December 2021G to SAR 72.8 million in the financial year ended 31 December 2022G, mainly due to a decrease in the impairment loss on receivables by SAR 6.5 million related to the provision of receivables registered against (Source A), which were settled later in the financial year ended 31 December 2022G. This was partially offset by an increase in personnel costs of SAR 2.2 million in line with the growth in operations during the period.

## Selling and Marketing Expenses

Selling and marketing expenses mainly include (1) personnel costs, which averaged approximately 43%; and (2) shipping costs, which averaged approximately 41%, and other selling and marketing expenses.

Selling and marketing expenses increased by 2.4% from SAR 930 thousand in the financial year ended 31 December 2020G to SAR 952 thousand in the financial year ended 31 December 2021G, and this was mainly due to an increase in personnel costs of SAR 55 thousand in line with business expansion.

In the financial year ended 31 December 2022G, selling and marketing expenses increased by 20.2% to reach SAR 1.1 million; due to the following: (1) an increase in personnel costs by SAR 115 thousand; and (2) an increase in shipping expenses by SAR 80 thousand. The increase in shipping expenses was due to an increase in shipping prices (mainly licensing fees).

## Financing Expenses

Financing expenses increased slightly from SAR 2.6 million in the financial year ended 31 December 2020G to SAR 2.9 million in the financial year ended 31 December 2021G, despite the increase in long-term loans from SAR 191.5 million to SAR 491.1 million as a result of the capitalization of a large portion of the financing expenses for these loans that relate to assets under construction.

During the financial year ended 31 December 2022G, financing expenses increased to SAR 3.4 million as a result of the increase in financing expenses on lease liabilities related to the Company's leasing of medical devices and equipment, in addition to an increase in short-term loans from SAR 14.9 million as of 31 December 2021G to reach SAR 117.3 million as of 31 December 2022G, and long-term loans also increased from SAR 491.1 million as of 31 December 2021G to reach SAR 552.1 million as of 31 December 2022G.

## Dividend Income

Dividend income increased by 28.8% from SAR 2.7 million in the financial year ended 31 December 2020G to SAR 3.5 million in the financial year ended 31 December 2021G. Such increase was mainly as a result of dividend income from investing in securities determined at fair value through profit or loss amounting to SAR 702 thousand.

In the financial year ended 31 December 2022G, dividend income increased by 15.8%, to reach SAR 4.0 million, as a result of dividend income from the Arab Paper Manufacturing Company (WARAQ), which amounted to SAR 2.1 million during the period.

## Share in the Results of an Associate Company

The share in the results of an associate Company relates primarily to the Company's share of 25% in Twareat Medical Care Company.

The share in the results of associate companies increased from SAR 275 thousand in the financial year ended in 2020G to SAR 2.3 million in the financial year ended 31 December 2021G and then continued to increase to reach SAR 5.6 million in the financial year ended 31 December 2022G, due to the improvement of the associate Company's business performance.

## The Differential Purchase Gain from the Acquisition of a Subsidiary

The differential purchase gain relates to the acquisition transaction of the subsidiary (Al-Salam Medical Service Company) amounted to SAR 14.6 million as of 31 December 2021G. This represents the increase of the fair value of the assets and liabilities acquired over the consideration transferred. The differential purchase gain recognized on the transaction relates primarily to the land, buildings, and loans acquired.

## Realized Gain on Disposal of Investments in Equity Instruments at Fair Value Through Profit or Loss

Realized gain on disposal of investments in equity instruments at fair value through profit or loss increased by 3.8% from SAR 2.1 million in the financial year ended 31 December 2020G to SAR 2.2 million in the financial year ended 31 December 2021G and then decreased by 26.8% to SAR 1.6 million in the financial year ended 31 December 2022G. The reason for the fluctuation in realized gain is the share prices of the investee companies (an investment portfolio managed by licensed companies), as well as the change in share prices during that period affected by the COVID-19 pandemic.

## Unrealized Gain on Disposal of Investments in Equity Instruments at Fair Value Through Profit or Loss

Unrealized gain on disposal of investments in equity instruments at fair value through profit or loss increased by 22.5% from SAR 8.5 million in the financial year ended 31 December 2020G to SAR 10.4 million in the financial year ended 31 December 2021G, such fluctuation in gains is due to the fluctuation in the share prices of investee companies (an investment portfolio managed by licensed companies) as a result of the COVID-19 pandemic.

In the financial year ended 31 December 2022G, the Company failed to report any investment in shares held for trading; due to that the Company has liquidated its investment portfolios through the statement of profit or loss.

## Other Revenues

Other revenues mainly consist of (1) revenues from conferences and seminars, which constituted approximately 26%; and (2) revenues from leases to third parties, which constituted 24%, and others.

Other revenue decreased by 21.7% from SAR 7.2 million in the financial year ended 31 December 2020G to SAR 5.6 million in the financial year ended 31 December 2021G, as the Company recorded a one-time revenue from the reversal of a provision for doubtful receivables.

In the financial year ended 31 December 2022G, there was an 87.8% increase in other revenue from SAR 5.6 million in the financial year ended 31 December 2021G to SAR 10.6 million in the financial year ended 31 December 2022G, primarily driven by revenue growth generated by conferences and seminars organized by the Company. These revenues are attributed to mandatory requirements set by the government for trainees to obtain licenses.

## Profit from the Disposal of Discontinued Operations

The value of the profit from the exclusion of discontinued operations amounted to SAR 3.0 million in the financial year ended in 2020G as a result of canceling all registrations and licenses, as the Company wrote off all assets and liabilities related to the Saudi Japanese Textile Company, as the Company sold during 2014 the Saudi Japanese Textile Factory which required taking the necessary measures to write off the Saudi Japanese Textile Company from the records… etc., resulting in the recognition of exclusion income of SAR 3 million during the financial year 2020G.

## Zakat

Zakat decreased from SAR 6.7 million in the financial year ended 31 December 2020G to SAR 4.6 million in the financial year ended 2021G, then it increased to reach SAR 5.9 million in the financial year ended 2022G.

## Net Profit (Loss) for the Year

Net income for the year decreased by 79.3% from SAR 30.9 million in the financial year ended 31 December 2020G to SAR 6.4 million in the financial year ended 2021G. This decrease is due to the increase in the cost of revenues resulting from the expansion of activity and business operations during the period.

Net income decreased by 800.0% from SAR 6.4 million in the financial year ended 31 December 2021G to SAR -44.6 million in the financial year ended 31 December 2022G. This additional decrease is mainly due to a higher increase in the cost of revenues in line with the opening of Al-Salam Medical Hospital during Q4 FY 2022G.

Net profit margin decreased from 12.1% in the financial year ended 31 December 2020G to 2.4% in the financial year ended 2021G in line with the higher costs incurred during this period. Net profit margin continued to decline to reach (16.8%) in the financial year ended 31 December 2022G. This is mainly due to the significant increase in operational losses on the sideline of the opening of Al-Salam Medical Hospital during Q4 FY 2022G.

### 5.6.2.1 Revenues

**Table 5.7: Revenue by business sector for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Medical services sector | 238,533 | 252,640 | 246,971 | 5.9% | (2.2%) | 1.8% |
| Manufacturing sector | 16,784 | 16,922 | 19,256 | 0.8% | 13.8% | 7.1% |
| **Total revenue, net** | **255,316** | **269,563** | **266,227** | **5.6%** | **(1.2%)** | **2.1%** |
| **As a percentage of the total** | | | | | **Percentage point** | |
| Medical services sector | 93.4% | 93.7% | 92.8% | 0.3 | (1.0) | (0.7) |
| Manufacturing sector | 6.6% | 6.3% | 7.2% | (0.3) | 1.0 | 0.7 |

Source: Audited consolidated financial statements for the financial year ended 31 December 2020G, 2021G, and 2022G.

The Company's net revenues are represented in two main business sectors: the medical services sector, represented by Al-Ahsa Medical Services Company and Al-Salam Medical Service Company, and the manufacturing sector, represented by Al-Ahsa Food Industries Company, which specializes in producing and packing dates.

## Medical Services Sector

The net revenues of the medical services sector increased by 5.9% from SAR 238.5 million in the financial year ended 31 December 2020G to SAR 252.6 million in the financial year ended 31 December 2021G; due to the increase in the number of patients during the period, and the increase in the average revenues per patient from insurance, so that the number of insurance patients represents the highest percentage of the total patients in the medical services sector. The increase is due to the increase in the number of patients. The impact of the Coronavirus played a substantial role in the additional increase in revenues per patient.

The net revenues of the medical services sector decreased by 2.2% from SAR 252.6 million in the financial year ended 31 December 2021G to SAR 247.0 million in the financial year ended 31 December 2022G; due to the decrease in average revenues per patient as a result of the change in the pricing structure, as the Management transferred from a fixed price per patient to variable pricing according to the cases presented during the period in proportion to the needs of clients.

## Manufacturing Sector

The net revenues of the manufacturing sector increased slightly by 0.8% from SAR 16.8 million in the financial year ended 31 December 2020G to SAR 16.9 million in the financial year ended 31 December 2021G; due to the increase in sales of (Product 1) and sales of (Product 2) as a result of the increase in quantities sold through contracting with new clients.

The net revenues of the manufacturing sector increased by 13.8% from SAR 16.9 million in the financial year ended 31 December 2021G to SAR 19.3 million in the financial year ended 31 December 2022G; due to an increase in sales of (Product 1), sales of (Product 2), and sales of (Product 4) as a result of the increase in the quantities sold during the period.

**Table 5.8: Medical services sector revenues by source for the financial year ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Insurance | 70,647 | 94,780 | 110,616 | 34.2% | 16.7% | 25.1% |
| Source B | 76,345 | 80,241 | 60,311 | 5.1% | (24.8%) | (11.1%) |
| Source A | 81,122 | 62,608 | 40,867 | (22.8%) | (34.7%) | (29.0%) |
| Cash | 10,419 | 15,012 | 35,177 | 44.1% | 134.3% | 83.7% |
| **Total revenues** | **238,533** | **252,640** | **246,971** | **5.9%** | **(2.2%)** | **1.8%** |
| **As a percentage of the total** | | | | | | |
| Insurance | 29.6% | 37.5% | 44.8% | 7.9 | 7.3 | 15.2 |
| Source B | 32.0% | 31.8% | 24.4% | (0.2) | (7.3) | (7.6) |
| Source A | 34.0% | 24.8% | 16.5% | (9.2) | (8.2) | (17.5) |
| Cash | 4.4% | 5.9% | 14.2% | 1.6 | 8.3 | 9.9 |
| No. of patients | | | | | | |
| Insurance | 140,537 | 170,022 | 232,494 | 21.0% | 36.7% | 28.6% |
| Source B | 67,216 | 76,246 | 81,030 | 13.4% | 6.3% | 9.8% |
| Source A | 11,200 | 11,951 | 1,685 | 6.7% | (85.9%) | (61.2%) |
| Cash | 13,140 | 19,244 | 22,559 | 46.5% | 17.2% | 31.0% |
| **Total** | **232,093** | **277,463** | **337,768** | **19.5%** | **21.7%** | **N/A** |
| **Revenue average per patient (SAR)** | | | | | | |
| Insurance | 503 | 557 | 476 | 10.9% | (14.7%) | N/A |
| Source B | 1,136 | 1,052 | 744 | (7.3%) | (29.3%) | N/A |
| Source A | 7,243 | 5,239 | 24,253 | (27.7%) | 363.0% | N/A |
| Cash | 793 | 780 | 1,559 | (1.6%) | 99.9% | N/A |
| **Total** | **1,028** | **911** | **731** | **(11.4%)** | **(19.7%)** | **N/A** |
| **No. of beds** | | | | | | |
| Al-Ahsa Medical Services Company | 200 | 200 | 200 | 0.0% | 0.0% | 0.0% |
| Al-Salam Medical Service Company | - | - | 50 | N/A | N/A | N/A |
| **Benefit rate** | | | | | | |
| Al-Ahsa Medical Services Company | 77.0% | 70.0% | 65.0% | (7.0) | (5.0) | (12.0) |
| Al-Salam Medical Service Company | 0.0% | 0.0% | 0.0% | - | - | - |

Source: The Management's Information

## Insurance

Insurance is related to the revenues from insured patients covered by insurance companies.

Insurance revenue has witnessed a CAGR of 25.1%, growing from SAR 70.6 million in the financial year ended 31 December 2020G to SAR 94.8 million in the financial year ended 31 December 2021G and SAR 110.6 million in the financial year ended 31 December 2022G. Such growth is primarily attributed to an increase in the number of insured patients covered by insurance companies, rising from 140,537 to 170,022 and then to 232,494 patients during the said period. Additionally, there was an increase in the average revenue per insured patient, by (+SAR 54) from the financial year ended 31 December 2020G to the financial year ended 31 December 2021G. However, there was a slight decrease in the average revenue per insured patient by (-SAR 0.08 thousand) in 2021G-2022G.

### Source B

This is related to fixed fee revenues charged to the employees of (Source B) to cover its employees.

Revenues from Source B increased by 5.1% from SAR 76.3 million in the financial year ended 31 December 2020G, to SAR 80.2 million in the financial year ended 31 December 2021G, primarily in line with an increase in the number of patients from 67,216 to 76,246 during the said period. Revenues declined by 24.8% to SAR 60.3 million in the financial year ended 31 December 2022G, primarily due to a decrease in average revenue per patient from SAR 1,052 to SAR 744 as a result of the change in pricing structure where the Management switched from a fixed price per patient to a variable pricing based on the cases presented during the said period.

### Source A

It is related to the revenues generated from patients covered under (Source A) who are referred to hospitals for necessary treatment. However, during the period, a significant number of patients were related to COVID-19 treatment, as the government provided the necessary care to all COVID-19 patients during the pandemic.

Revenue from (Source A) decreased by 22.8% from SAR 81.1 million in the financial year ended 31 December 2020G, to SAR 62.6 million in the financial year ended 31 December 2021G. This was primarily due to the impact of the COVID-19 pandemic, which peaked in the financial year ended 30 December 2020G, and gradually subsided during the financial year ended 31 December 2021G.

Revenue from (Source A) also decreased by 34.7% to SAR 40.9 million in the financial year ended 31 December 2022G, primarily due to the gradual decrease in the number of referrals from Source A to the Company as the COVID-19 pandemic subsided. It is noteworthy that Source A had covered COVID-19 patients by adding 20% to the current price list for patients referred through it. Consequently, the impact of COVID-19 receded, naturally affecting the Company's revenue from Source A, leading to an overall decline in revenue from this source. However, the average revenue per patient from (Source A) increased significantly during the period by SAR 19 thousand compared to the financial year ended 31 December 2021G and the financial year ended 31 December 2022G, in line with the transfer of (Source A) patients to inpatients who require intensive care compared to COVID-19 patients during the historical period.

### Cash

It is related to the revenues from patients whose treatment is paid for in cash and not covered by any third party.

The revenues increased by 44.1% from SAR 10.4 million in the financial year ended 31 December 2020G, to SAR 15.0 million in the financial year ended 31 December 2021G, in line with the increase in the number of patients, which rose from 13,140 patients to 19,244 patients during the period. The main reason for such increase is attributed to the addition of new doctors in the cosmetic surgery department during the period.

Cash revenues increased by 134.3% from SAR 15.0 million in the financial year ended 31 December 2021G, to SAR 35.2 million in the financial year ended 31 December 2022G in line with the increase in the number of patients, which rose from 19,244 to 22,559 during the period. This increase is primarily attributed to COVID-19 testing services conducted during the period.

**Table 5.9: Revenues by product for the manufacturing sector for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G.**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR rate 2020G-2022G |
|---|---|---|---|---|---|---|
| Product 1 | 13,101 | 13,559 | 15,970 | 3.5% | 17.8% | 10.4% |
| Product 2 | 1,275 | 1,575 | 1,853 | 23.5% | 17.7% | 20.6% |
| Product 3 | 2,041 | 1,196 | 1,080 | (41.4%) | (9.6%) | (27.2%) |
| Product 4 | 38 | 34 | 56 | (11.6%) | 65.9% | 21.1% |
| Product 5 | 125 | 332 | 51 | 166.5% | (84.5%) | (35.8%) |
| Other | 204 | 228 | 245 | 11.6% | 7.5% | 9.5% |
| **Total revenues** | **16,784** | **16,922** | **19,256** | **0.8%** | **13.8%** | **7.1%** |
| **As percentage of revenues** | | | | | | |
| Product 1 | 78.1% | 80.1% | 82.9% | 2.1 | 2.8 | 4.9 |
| Product 2 | 7.6% | 9.3% | 9.6% | 1.7 | 0.3 | 2.0 |
| Product 3 | 12.2% | 7.0% | 5.6% | (5.1) | (1.5) | (6.6) |
| Product 4 | 0.2% | 0.2% | 0.3% | (0.0) | 0.1 | 0.1 |
| Product 5 | 0.7% | 2.0% | 0.3% | 1.2 | (1,7) | (0.5) |
| **Other** | **1.2%** | **1.3%** | **1.3%** | **0.1** | **(0.1)** | **0.1** |

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR rate 2020G-2022G |
|---|---|---|---|---|---|---|
| **Quantity (Tons)** | | | | | | |
| Product 1 | 4,126 | 4,387 | 5,253 | 6.3% | 19.7% | 12.8% |
| Product 2 | 87 | 115 | 132 | 32.6% | 13.9% | 22.9% |
| Product 3 | 221 | 141 | 134 | (36.1%) | (5.1%) | (22.1%) |
| Product 4 | 2 | 1 | 4 | (47.7%) | 205.4% | 26.4% |
| Product 5 | 30 | 80 | 2 | 168.7% | (97.2%) | (72,7%) |
| Other | 789 | 777 | 978 | (1.5%) | 25.8% | 11.3% |
| **Total** | **5,256** | **5,503** | **6,502** | **4.7%** | **18.2%** | **11.2%** |
| **Average price per ton (SAR)** | | | | | | |
| Product 1 | 3,175 | 3,091 | 3,040 | (2.7%) | (1.6%) | (2.1%) |
| Product 2 | 14,638 | 13,633 | 14,088 | (6.9%) | 3.3% | (1.9%) |
| Product 3 | 9,226 | 8,453 | 8,052 | (8.4%) | (4.8%) | (6.6%) |
| Product 4 | 16,859 | 28,481 | 15,468 | 78.9% | (45.7%) | (4.2%) |
| Product 5 | 4,165 | 4,131 | 22,994 | (0.8%) | 456.6% | 135.0% |
| Other | 259 | 293 | 250 | 13.3% | (14.6%) | (1.6%) |
| **Total** | **3,194** | **3,075** | **2,961** | **(3.7%)** | **(3.7%)** | **(3.7%)** |

Source: The Management's Information

Al-Ahsa Company (a subsidiary) produces a wide range of high-quality dates and date-derived products for food companies, including:

- Packaged dates (vacuum-packed) consisting of more than 10 varieties of packaged dates, such as "Khalas" dates and "Shishi" dates.
- Date paste (date paste).
- Date syrup.
- Date vinegar.

The following is an analysis of revenue generated from products:

## Product 1:

Product 1 represented approximately 80% of average net sales during the financial period 2020G-2022G.

Revenue from (Product 1) increased slightly by 3.5% from SAR 13.1 million in the financial year ended 2020G to SAR 13.6 million in the financial year ended 31 December 2021G, primarily in line with an increase in sales volumes from 4,126 tons in the financial year ended 31 December 2020G to 4,387 tons in the financial year ended 31 December 2021G. The increase in sales volumes during the period was due to:

1. Increased orders from large and medium-sized factories such as (Client 4) and (Client 5) during the period; and
2. Expansion of operations through contracting with new key clients such as (Client 8) and (Client 7) during such period.

In the financial year ended 31 December 2022G, revenue from (Product 1) increased by 17.8% to SAR 16.0 million, due to an increase in the quantities of (Product 1) sold by 866 tons. This increase was primarily due to:

1. An increase in orders from factories such as (Client 6) by SAR 983 thousand and (Client 7) as a new client by SAR 792 thousand during the period.

## Product 2

Product 2 constituted approximately 9% of average net sales during the financial period 2020G-2022G.

Revenue from (Product 2) increased by 23.5% from SAR 1.3 million in the financial year ended 2020G to SAR 1.6 million in the financial year ended 31 December 2021G, in line with higher sales volumes driven by increased production and the opening of new accounts with substantial new clients, such as (Client 3). Additionally, sales of (Product 2) to one of the Company's largest clients (Client 2), increased from 44 tons in the financial year ended 31 December 2020G to 60 tons in the financial year ended 31 December 2021G.

In the financial year ended 31 December 2022G, revenue from (Product 2) increased by 17.7% to SAR 1.9 million. This was due to an increase in sales volume from 115 tons in the financial year ended 31 December 2021G, to 132 tons in the financial year ended 31 December 2022G. This was primarily driven by a 29-ton increase in sales to a substantial client of the Company (Client 2) during the period.

### Product 3

Product 3 represented approximately 8% of average net sales during the financial period 2020G-2022G.

Revenue from (Product 3) declined by 41.4% from SAR 2.0 million in the financial year ended 2020G to SAR 1.2 million in the financial year ended 31 December 2021G. This was primarily due to a decrease in both the sales volumes and the average price per ton, which fell by 8.4%. The decline was a result of the following factors:

1. The Company ceased doing business with (Client 1) during the early months of the financial year ended 31 December 2021G. The Company's revenue in the financial year ended 31 December 2020G represented 13% of total revenue, which subsequently declined to only 2% of total revenue in the financial year ended 31 December 2021G. This decline is primarily attributed to Client 1's decision to switch to in-house packaging and manufacturing of the product from Client 1's raw materials.
2. The fair market value of the owners and factories being transferred to internal processing of dates to transform the same to (Product 3), which means a general decline in demand for (Product 3) sold by the Company during that period.

Revenue from (Product 3) declined by 9.6% to SAR 1.1 million in the financial year ended 31 December 2022G. This was primarily due to a decrease in the sales volumes as well as a 4.8% decrease in the average price per ton. The decrease was a result of:

- A decrease in the quantities sold to one of our substantial clients (Client 1) during the period; and
- The product was sold to clients at a lower price and there was a general decline in demand during this period.

### Product 4

Revenue from (Product 4) remained relatively stable at SAR 36 thousand in the financial year ended 31 December 2020G and the financial year ended 31 December 2021G, before increasing by 65.9% to SAR 56 thousand in the financial year ended 31 December 2022G. This was primarily in line with the increase in sales volumes during this period.

### Product 5

Product 5 represented approximately 1% of average net sales during the financial period 2020G-2022G.

Revenue from Product 5 increased from SAR 125 thousand in the financial year ended 31 December 2020G, to SAR 332 thousand in the financial year ended 31 December 2021G. Revenue then decreased to SAR 51 thousand in the financial year ended 31 December 2022G. (Product 5) revenue is generated based on clients' orders received during the period and is not tied to any pre-existing contracts.

### Other

Revenue from derivative products constituted an average of approximately 1.5% of net sales during the financial period 2020G-2022G. This revenue relates to the sale of by-products, which are seeds that are produced during the production of the main products.

Revenue from derivative products increased by 11.6% from SAR 204 thousand in the financial year ended 31 December 2020G to SAR 228 thousand in the financial year ended 31 December 2021G, then further increased to SAR 245 thousand in the financial year ended 31 December 2022G. This was primarily in line with the increase in operations and the increase in total sales.

### 5.6.2.2 Cost of Revenue

**Table 5.10: Cost of revenue of the financial year ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR rate 2020G-2022G |
|---|---|---|---|---|---|---|
| Personnel Costs | 89,884 | 106,363 | 146,413 | 18.3% | 37.7% | 27.6% |
| Consumables | 68,803 | 69,153 | 69,768 | 0.5% | 0.9% | 0.7% |
| Depreciation | 11,202 | 12,286 | 13,665 | 9,7% | 11.2% | 10.4% |
| External Medical Services | 5,783 | 6,846 | 6,216 | 18.4% | (9.2%) | 3.7% |
| Maintenance | 3,024 | 4,305 | 4,651 | 42.4% | 8.0% | 24.0% |
| Benefits | 2,918 | 3,485 | 3,237 | 19.4% | (7.1%) | (5.4%) |
| Depreciation of right of use assets | - | - | 2,611 | N/A | N/A | N/A |
| Amortization of real estate investments | - | 184 | 184 | N/A | 0.0% | N/A |
| Other | 5,836 | 2,389 | 2,649 | (59.1%) | 10.9% | (32.6%) |
| **Total** | **187,451** | **205,011** | **249,394** | **9.4%** | **21.6%** | **15.3%** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

#### Personnel Costs

Personnel costs consist of, inter alia, basic salaries, overtime pay, and other allowances.

Personnel costs increased by 18.3% from SAR 89.9 million in the financial year ended 31 December 2020G, to SAR 106.4 million in the financial year ended 31 December 2021G. This was after an increase in the number of employees during the period, as the number of employees increased from 1,082 employees in the financial year ended 31 December 2020G to 1,145 employees in the financial year ended 31 December 2021G. It is noteworthy that the majority of the new employees, approximately 89%, were hired specifically for Al-Ahsa Company.

Personnel costs increased by 37.7% from SAR 106.4 million in the financial year ended 31 December 2021G to SAR 146.4 million in the financial year ended 31 December 2022G. This is in line with the increase in the number of employees from 1,145 in the financial year ended 31 December 2021G to 1,488 in the financial year ended 31 December 2022G. The majority of these new hires were at Al-Salam Medical Service Company, as the hospital became operational in Q4 FY 2022G. Approximately 97% of the new hires were for Al-Salam Medical Service Company during the period.

#### Consumables

Consumables consist of medical consumable materials and the cost of medications sold to patients.

The cost of consumables increased by 20.7% from SAR 68.8 million in the financial year ended 31 December 2020G, to SAR 69.2 million in the financial year ended 31 December 2021G. This is primarily due to the increase in the cost of medical supplies during the period.

The cost of consumables further increased by 0.9% from SAR 69.2 million in the financial year ended 31 December 2021G, to SAR 69.8 million in the financial year ended 31 December 2022G. This increase is mainly attributed to the operational status of Al-Salam Medical Service Company during the period, leading to expanded operations and incurring additional costs.

#### Depreciation

Depreciation is primarily comprised of depreciation costs related to property, plant, and equipment, buildings and machinery, furniture, fixtures, etc.

Depreciation costs increased by 9.7% from SAR 11.2 million in the financial year ended 31 December 2020G, to SAR 12.3 million in the financial year ended 31 December 2021G, and then further increased by 11.2% to SAR 13.7 million in the financial year ended 31 December 2022G. This was primarily due to additions made during the period.

## External Medical Services

External medical services primarily relate to medical services provided by a third party, such as external laboratory tests and external ophthalmology services.

Costs of external medical services increased by 18.4% from SAR 5.8 million in the financial year ended 31 December 2020G to SAR 6.8 million in the financial year ended 31 December 2021G. This was primarily in line with the increase in the number of patients (Source B) requiring treatment from (Supplier 1) by virtue of the new contract.

External medical services costs decreased by 9.2% from SAR 6.8 million in the financial year ended 31 December 2021G to SAR 6.2 million in the financial year ended 31 December 2022G. This was due to a decrease in third-party medical services such as external laboratory tests.

## Maintenance

Maintenance costs increased by 42.4% from SAR 3.0 million in the financial year ended 31 December 2020G to SAR 4.3 million in the financial year ended 31 December 2021G. The increase in maintenance costs was primarily due to higher costs for medical equipment maintenance and regular hospital maintenance.

Maintenance costs increased by 8.0% from SAR 4.3 million in the financial year ended 31 December 2021G to SAR 4.7 million in the financial year ended 31 December 2022G, in line with the increase in maintenance costs incurred primarily as a result of additional maintenance costs related to Al-Salam Medical Service Company, which contributed to the overall increase in maintenance costs.

## Utilities

Utilities are related to support services such as electricity expenses and other unclassified expenses:

Utility costs increased by 19.4% from SAR 2.9 million in the financial year ended 31 December 2020G, to SAR 3.5 million in the financial year ended 31 December 2021G. The increase in utility expenses was due to: (1) an increase in electricity costs of SAR 317 thousand; and (2) an increase in communication expenses of SAR 175 thousand.

Utility costs decreased by 7.1% from SAR 3.5 million in the financial year ended 31 December 2021G, to SAR 3.2 million in the financial year ended 31 December 2022G. This was due to a decrease in electricity costs of SAR 335 thousand during the financial years ended 31 December 2021G-2022G.

## Depreciation of Right-of-Use Assets

This is related to the amortization of the right-to-use leased buildings.

Depreciation of right-of-use assets costs amounted to SAR 2.6 million for the financial year ended 31 December 2022G. This was primarily due to the Company's decision to lease two new employee housing buildings during the period.

## Amortization of Real Estate Investments

This is primarily related to the depreciation of real estate investments (buildings) primarily leased to "Magrabi Optical Company" by Al-Ahsa Medical Services Company and leased to "Starbucks Coffee" by Al-Salam Medical Service Company during the period.

There were no recorded real estate investment depreciation costs in the financial year ended 31 December 2020G. In the financial year ended 31 December 2021G, there was an increase in the depreciation amount, with depreciation amounting to SAR 184 thousand, and it continued at the same rate in the financial year ended 31 December 2022G.

## Other

Other costs are related primarily to machinery costs (approximately 11%), electricity costs (approximately 11%), and plant and equipment costs (approximately 10%), as in the financial year 2022G.

Other costs decreased by 59.1% from SAR 5.8 million in the financial year ended 31 December 2020G, to SAR 2.4 million in the financial year ended 31 December 2021G. This was primarily due to a decrease in overtime pay from SAR 2.3 million to SAR 79 thousand in the financial year ended 31 December 2021G, as the Company decided to switch to temporary employees at Al-Ahsa Medical Services Company.

Other costs increased by 10.9% from SAR 2.4 million in the financial year ended 31 December 2021G to SAR 2.6 million in the financial year ended 31 December 2022G, due to professional fees associated with Al-Salam Medical Service Company.

### 5.6.2.3 Administrative and general expenses

**Table 5.11: Administrative and general expenses for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR rate 2020G-2022G |
|---|---|---|---|---|---|---|
| Personnel Costs | 46,151 | 49,495 | 51,709 | 7.2% | 4.5% | 5.9% |
| Depreciation | 2,934 | 3,443 | 3,806 | 17.4% | 10.5% | 13.9% |
| Board of Directors' expenses and attendance allowances | 1,388 | 1,868 | 1,952 | 34.6% | 4.5% | 18.6% |
| Legal and professional fees | 3,401 | 1,857 | 1,486 | (45.4%) | (20.0%) | (33.9%) |
| Amortization of right-of-use assets | 1,176 | 1,202 | 803 | 2.2% | (33.2%) | (17.3%) |
| Amortization of intangible assets | 18 | 185 | 457 | 959.9% | 146.8% | 411.2% |
| Depreciation loss on receivables | 3,646 | 6,545 | - | 79.5% | (100.0%) | (100.0%) |
| Loan settlement costs | - | 2,986 | - | N/A | (100.0%) | N/A |
| Leases | 14 | - | - | (100.0%) | N/A | (100.0%) |
| Other | 6,479 | 6,140 | 12,612 | (5.2%) | 105.4% | 39.5% |
| **Total** | **65,206** | **73,723** | **72,825** | **13,06%** | **(1.22%)** | **5.68%** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

#### Personnel Costs

Personnel costs relate to employees in service departments, including legal, finance, information technology, human resources, and other departments.

Personnel costs increased by 7.2% from SAR 46.2 million in the financial year ended 31 December 2020G, to SAR 49.5 million in the financial year ended 31 December 2021G. This was primarily due to an increase in the number of employees hired, which increased from 680 employees in the financial year ended 31 December 2020G, to 732 employees in the financial year ended 31 December 2021G. The growth in the workforce is in line with the Company's growth, specifically as a result of medical revenue growth and Al-Ahsa Medical Services Company by 56 employees and Al-Salam Medical Service Company by 22 employees during the period.

Personnel costs increased by 4.5% from SAR 49.5 million in the financial year ended 31 December 2021G, to SAR 51.7 million in the financial year ended 31 December 2022G. This was primarily due to the continued hiring of more employees, as the number of employees increased from 732 in the financial year ended 31 December 2021G, to 1,027 in the financial year ended 31 December 2022G. This was due to an increase of 287 employees as Al-Salam Medical Service Company commenced operations in Q4 of the financial year ended 31 December 2022G.

#### Depreciation

Depreciation expense is primarily comprised of depreciation charges related to property, plant and equipment, buildings, furniture, fixtures, etc.

Depreciation expense increased by 17.4% from SAR 2.9 million in the financial year ended 31 December 2020G to SAR 3.4 million in the financial year ended 31 December 2021G, then further increased by 10.5% to SAR 3.8 million in the financial year ended 31 December 2022G. This was primarily due to net transfers from capital work in progress to buildings and improvements to leased buildings during the financial year ended 31 December 2021G and the financial year ended 31 December 2022G.

#### Board of Directors' Expenses and Attendance Allowances

Board of Directors' expenses and attendance allowances relate to the incentives and associated expenses paid to Board members on an annual basis.

The increase in the Board of Directors' expenses and attendance allowances is attributed to a 34.6% rise from SAR 1.4 million in the financial year ended 31 December 2020G, to SAR 1.9 million in the financial year ended 31 December 2021G. This was followed by a 4.5% increase to SAR 2.0 million in the financial year ended 31 December 2022G, primarily due to higher expenses associated with Board meetings as the Company's articles of association stipulates that each member shall receive SAR 150 thousand for Board membership and SAR 50 thousand for committee membership.

## Legal and Professional Fees

Legal and professional fees consist of advisory fees, auditing/accounting fees, legal fees, and other professional fees.

Legal and professional fees decreased by 45.4% from SAR 3.4 million in the financial year ended 31 December 2020G, to SAR 1.9 million in the financial year ended 31 December 2021G. This was primarily due to the Company incurring one-time advisory fees of SAR 1.6 million related to the Company's acquisition of Al-Salam Medical Service Company, during the financial year ended 31 December 2020G.

Legal and professional fees decreased by 20.0% from SAR 1.9 million in the financial year ended 31 December 2021G, to SAR 1.5 million in the financial year ended 31 December, 2022G. Legal and professional fees primarily include annual trading fees charged to each joint stock Company.

## Amortization of Right-of-Use Assets

Amortization of right-of-use assets expenses relates to leased assets used for employee housing.

Amortization of right-of-use assets decreased from SAR 1.2 million in the financial years ended 31 December 2020G and 2021G to SAR 803 thousand in the financial year ended 31 December 2022G.

## Amortization of Intangible Assets

Amortization of intangible assets increased from SAR 18 thousand in the financial year ended 31 December 2020G, to SAR 185 thousand in the financial year ended 31 December 2021G, and further increased to SAR 457 thousand in the financial year ended 31 December 2022G.

## Loss from Impairment of Receivables

Loss from impairment of receivables increased from SAR 3.6 million in the financial year ended 31 December 2020G, to SAR 6.5 million in the financial year ended 31 December 2021G. This increase is related to the provision for receivables registered with (Source A).

(Source A) settled receivables during the period for outstanding overdue balances. It is also noteworthy that inadmissible claims from insurance companies are deducted directly from the revenue item.

## Loan Settlement Costs

Loan settlement costs amounted to SAR 3.0 million in the financial year ended 31 December 2021G and were incurred as administrative fees when the Company obtained a loan from Saudi Awwal Bank (SAB). These costs were subsequently amortized over the term of the loan. However, when the Company sought to restructure the loan with Alinma Bank at a later stage, it became necessary to write off the previously amortized administrative fees, which included the loan settlement charges that had been recorded as part of general and administrative expenses in accordance with the standard.

## Leases

This item is related to operating leases related to rented vehicles and other leases, which amounted to SAR 14 thousand as of 31 December 2020G.

## Other

Other administrative and general expenses primarily include security costs, transportation fees, subscription fees, license renewal fees, etc.

Other administrative and general expenses decreased by 5.2% from SAR 6.5 million in the financial year ended 31 December 2020G, to SAR 6.1 million in the financial year ended 31 December 2021G. This was due to a decrease in public relations and entertainment expenses of SAR 2.0 million. This decrease was offset by an increase in other expenses, such as the incurred provision of SAR 300 thousand and Iqama fees of SAR 58 thousand during the period.

In the financial year ended 31 December 2022G, other administrative and general expenses increased by 105.4% to SAR 12.6 million. This was primarily due to an increase in (1) security costs of SAR 3.4 million related to an external security services contract at Al-Ahsa Hospital, (2) transportation fees of SAR 785 thousand, and (3) software subscription fees of SAR 296 thousand during the period.

### 5.6.2.4 Selling and marketing Expenses

**Table 5.12: Selling and marketing expenses for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR rate 2020G-2022G |
|---|---|---|---|---|---|---|
| Personnel Costs | 324 | 379 | 493 | 16.9% | 30.3% | 23.4% |
| Shipping expenses | 379 | 384 | 465 | 1.2% | 21.2% | 10.7% |
| Advertising | 68 | 11 | 48 | (83.2%) | 319.9% | (16.0%) |
| Marketing expenses | 71 | 57 | 42 | (18.8%) | (27.5%) | (23.3%) |
| Other expenses | 88 | 121 | 97 | 36.9% | (20.0%) | 4.7% |
| **Total** | **930** | **952** | **1,145** | **2.36%** | **20.27%** | **10,915%** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

#### Personnel Costs

Personnel costs under selling and marketing expenses primarily relate to the salaries, allowances, and commissions of sales and marketing management.

Personnel costs increased by 16.9% from SAR 324 thousand in the financial year ended 31 December 2020G to SAR 379 thousand in the financial year ended 31 December 2021G, and then increased by 30.3% to SAR 493 thousand in the financial year ended 31 December 2022G. This increase during the period is due to the increase in personnel commissions at Al-Ahsa Food Industries Company, as a result of increased sales and the high quality of collection.

#### Shipping expenses

Shipping expenses increased by 1.2% from SAR 379 thousand in the financial year ended 31 December 2020G, to SAR 384 thousand in the financial year ended 31 December 2021G, and then increased by 21.2% to SAR 465 thousand in the financial year ended 31 December 2022G. This was due to measures taken against unauthorized foreign shipping vehicles during the period.

#### Publicity and Advertising

Publicity and advertising expenses decreased from SAR 68 **thousand** in the financial year ended 31 December 2020G to SAR 11 **thousand** in the financial year ended 31 December 2021G, and then increased to SAR 48 **thousand** in the financial year ended 31 December 2022G.

#### Marketing expenses

Marketing expenses decreased from SAR 71 thousand in the financial year ended 31 December 2020G to SAR 57 thousand in the financial year ended 31 December 2021G, and further decreased to SAR 42 thousand in the financial year ended 31 December 2022G.

#### Other

Other selling and marketing expenses increased by 36.9% from SAR 88 thousand in the financial year ended 31 December 2020G to SAR 121 thousand in the financial year ended 31 December 2021G, and then decreased by 20.0% to SAR 97 thousand in the financial year ended 31 December 2022G.

### 5.6.2.5 Financing expenses

**Table 5.13: Financing expenses for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR rate 2020G-2022G |
|---|---|---|---|---|---|---|
| Financing expenses- lease contracts liabilities | 2,336 | 2,322 | 2,658 | (0.6%) | 14.5% | 6.7% |
| Financing expenses-Tawarruq loan | 167 | - | - | (100.0%) | N/A | (100.0%) |
| Financing expenses- loans | 68 | 612 | 729 | 805.1% | 19.0% | 228.3% |
| **Total** | **2,571** | **2,935** | **3,387** | **14.15%** | **15.42%** | **14.78%** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

#### Financing Expenses - Lease Contracts Liabilities

Financing expenses relate to financing costs of leased medical equipment and machinery.

Financing expenses - lease contract liabilities decreased slightly by 0.6% from SAR 2.3 million in the financial year ended 31 December 2020G to SAR 2.3 million in the financial year ended 31 December 2021G, then increased by 14.5% to SAR 2.7 million in the financial year ended 31 December 2022G. This is primarily due to additions of SAR 10.8 million and a restructuring impact of SAR 3.1 million.

#### Financing expenses - Tawarruq Loan

Financing expenses – Tawarruq loan amounted to SAR 167 thousand for the financial year ended 31 December 2020G.

#### Financing Expenses - Loans

Financing expenses - loans increased from SAR 68 thousand in the financial year ended 31 December 2020G to SAR 612 thousand in the financial year ended 31 December 2021G, and further to SAR 729 thousand in the financial year ended 31 December 2022G, in line with the increase in loans during the period.

### 5.6.2.6 Dividend Revenues

**Table 5.14: Dividend Revenues for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR rate 2020G-2022G |
|---|---|---|---|---|---|---|
| Taleem Investments Limited | 1,723 | 1,801 | 1,902 | 4.5% | 5.6% | 5.1% |
| Arab Paper Manufacturing Company (WARAQ) | - | - | 2,134 | N/A | N/A | N/A |
| Dividend on fair value portfolio through profit or loss | 982 | 1,684 | - | 71.5% | (100.0%) | (100.0%) |
| **Total** | **2,706** | **3,486** | **4,036** | **28.82%** | **15.80%** | **22.14%** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

#### Taleem Investments Limited

Taleem Investments Limited dividend increased by 4.5% from SAR 1.7 million in the financial year ended 31 December 2020G, to SAR 1.8 million in the financial year ended 31 December 2021G, then further increased by 5.6% to SAR 1.9 million in the financial year ended 31 December 2022G.

#### Arab Paper Manufacturing Company (WARAQ)

For the first time, the Company recorded dividend from Arab Paper Manufacturing Company (WARAQ) amounting to SAR 2.1 million in the financial year ended 31 December 2022G.

### Dividend on fair value portfolio through profit or loss

Dividends on fair value portfolio through profit or loss increased by 71.5% from SAR 982 thousand in the financial year ended 31 December 2020G, to SAR 1.7 million in the financial year ended 31 December 2021G, and then decreased to zero in the financial year ended 31 December 2022G.

## 5.6.2.7 Investments in equity instruments at fair value through profit or loss

**Table 5.15: Investments in equity instruments at fair value through profit or loss for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR rate 2020G-2022G |
|---|---|---|---|---|---|---|
| Opening balance | - | 53,286 | 57,602 | N/A | 8.1% | N/A |
| Additions | 54,374 | 9,990 | 24,202 | (81.6%) | 142.3% | (33.3%) |
| Disposals | (9.600) | (18,308) | (83,420) | 90.7% | 355.7% | 194.8% |
| Realized earnings from the disposal of investments in equity instruments at fair value through profit or loss | - | 2,209 | 1,166 | N/A | (26.8%) | - |
| Unrealized earnings from the disposal of investments in equity instruments at fair value through profit or loss | 8,512 | 10,424 | - | 22.5% | (100.0%) | (100.0%) |
| Closing balance | 53,286 | 57,602 | - | 8.10% | (100.0%) | N/A |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

This is related to the Company's investment in a portfolio of equity instruments held for trading. Such investments are measured at fair value through profit or loss. Investment portfolios are managed by a licensed Company.

## 5.6.2.8 Other Revenues

**Table 5.16: Other Revenues for the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change Percentage 2020G-2021G | Annual Change Percentage 2021G-2022G | CAGR rate 2020G-2022G |
|---|---|---|---|---|---|---|
| Leases to third parties | 2,440 | 2,252 | 2,590 | (7.7%) | 15.0% | 3.0% |
| Meal revenue | 625 | 799 | 894 | 27.8% | 11.9% | 19.6% |
| conferences and symposiums | 969 | 763 | 2,742 | (21.3%) | 259.5% | 68.2% |
| Real estate investments impairment reversal | 1,728 | - | - | N/A | - | N/A |
| Other | 1,446 | 1,833 | 4,375 | 26.8% | 138.7% | 74.0% |
| **Total** | **7,207** | **5,646** | **10,601** | **(21.79%)** | **87.8%** | **21.28%** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

### Leases to Third Parties

This is related to lease revenues from commercial properties leased by the Company.

Revenue from leases to third parties decreased by 7.7% from SAR 2.4 million in the financial year ended 31 December 2020G, to SAR 2.3 million in the financial year ended 31 December 2021G. This decrease was primarily due to discounts provided to lessees during the COVID-19 pandemic. These discounts were aimed at supporting lessees during this tough period, which resulted in a decrease in total lease revenue to third parties.

Revenue from leases to third parties increased by 15.0% from SAR 2.3 million in the financial year ended 31 December 2021G, to SAR 2.6 million in the financial year ended 31 December 2022G. This was due to the return of lease rates to normal levels after the discounts provided during the COVID-19 pandemic, in addition to a natural increase in lease rates.

## Meal Revenue

Meal revenue refers to meals sold to employees and visitors at medical centers.

Meal revenue increased by 27.8% from SAR 625 thousand in the financial year ended 31 December 2020G, to SAR 799 thousand in the financial year ended 31 December 2021G, and then increased by 11.9% to SAR 894 thousand in the financial year ended 31 December 2022G. This increase is primarily attributed to the increase in the number of employees and the number of visitors to the hospital during this period.

## Conferences and Symposiums

This item is related to conferences and symposiums conducted by medical centers to provide training for a professional certification called Basic Life Support (BLS). The Company is invited by the government with a support incentive to hold such conferences and symposiums. In addition, training attendance fees are paid by the employees.

Revenue from conferences and symposiums decreased by 21.3% from SAR 969 **thousand** in the financial year ended 31 December 2020G to SAR 763 **thousand** in the financial year ended 31 December 2021G. This was due to a lower number of conferences and symposiums held during this period as a result of the restrictions imposed during the COVID-19 pandemic.

Revenue from conferences and symposiums increased by 259.5% from SAR 763 **thousand** in the financial year ended 31 December 2021G to SAR 2.7 million in the financial year ended 31 December 2022G. This is primarily in line with the operating status of Al-Salam Medical Service Company, as government regulations require newly established medical organizations to hold these conferences as part of the licensing process.

## Real Estate Investments Impairment Reversal

Real estate investments impairment reversal represents a one-time reversal of the allocated balance against the entitled party in 2021G.

## Other

Other revenues primarily consist of revenues from the Human Resources Development Fund.

The increase is mainly attributed to the revenue derived from the Human Resources Development Fund, which is generated through the employment of Saudi nationals, as the Human Resources Development Fund supports at least 30% of the cost of hiring Saudi nationals over two years, and this percentage may increase under certain conditions, up to a maximum of 50%. The increase in revenue from the Human Resources Development Fund is directly related to an increase in the number of Saudi employees hired during the specified period.

### 5.6.3 Statement of Financial Position

**Table 5.17: Statement of Financial Position as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant, and equipment, net | 809,879 | 995,579 | 1,061,690 |
| Intangible assets, net | 163 | 1,614 | 1,157 |
| Investments in equity instruments at fair value through other comprehensive income | 151,725 | 148,460 | 121,942 |
| Investment in an associate Company | 13,126 | 15,427 | 20,184 |
| Real estate investments, net | 124,172 | 123,988 | 126,500 |
| Right-of-use assets, net | 4,402 | 3,197 | 64,364 |
| Goodwill | 2,095 | 2,095 | 2,095 |
| **Total non-current Assets** | **1,105,561** | **1,290,360** | **1,397,931** |
| Current assets | | | |
| Inventory, net | 24,715 | 21,504 | 30,171 |
| Trade receivables, prepayments, and other assets, net | 124,204 | 118,446 | 131,090 |
| Investments in equity instruments at fair value through profit or loss | 53,286 | 57,602 | - |
| Cash and cash equivalents | 3,454 | 29,492 | 77,050 |
| **Total Current Assets** | **205,659** | **227,043** | **238,312** |
| **Total Assets** | **1,311,220** | **1,517,403** | **1,636,243** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Capital | 737,321 | 806,363 | 806,363 |
| Premium/ (discount) of issuing capital, net | (10,882) | 65,479 | 65,479 |
| Statutory reserve | 7,357 | 7,786 | 7,786 |
| (Accumulated losses)/ retained earnings | (579) | 1,789 | (42,979) |
| Reserve for the acquisition of additional shares in a subsidiary | (33,332) | (122,454) | (122,454) |
| Fair value reserve | 44,218 | 42,450 | 15,932 |
| Reserve for the remeasurement of employees' defined benefits liabilities | 6,701 | 7,245 | 5,608 |
| **Total equity to the Company's Shareholders** | **750,803** | **808,658** | **735,736** |
| Non-controlling interest | 68,200 | 8,244 | 8,358 |
| **Total Equity** | **819,004** | **816,902** | **744,093** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long-term loan - Non-current portion | 191,506 | 491,128 | 471,283 |
| Leases liabilities - Non-current portion | 35,697 | 57,067 | 65,747 |
| Employees' defined benefits Liabilities | 32,268 | 37,599 | 38,958 |
| **Total non-current assets** | **259,471** | **585,794** | **575,987** |
| **Current liabilities** | | | |
| Long-term loan - Current portion | 31,122 | - | 80,809 |
| Payable to the bank | 5,705 | - | - |
| Short-term loans | 129,675 | 14,876 | 117,293 |

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Trade payables, accrued expenses, and other liabilities | 55,490 | 82,941 | 96,063 |
| Leases liabilities - Current portion | 4,187 | 11,365 | 16,115 |
| Zakat provision | 6,567 | 5,525 | 5,882 |
| **Total Current Liabilities** | **232,746** | **114,708** | **316,162** |
| **Total Liabilities** | **492,217** | **700,501** | **892,149** |
| **Total Equity and Liabilities** | **1,311,220** | **1,517,403** | **1,636,243** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

## Non-current Assets

Non-current assets increased from SAR 1.1 billion as of 31 December 2020G to SAR 1.3 billion as of 31 December 2021G; mainly driven by an increase in net property, plant, and equipment of SAR 185.7 million as a result of additions to capital work in progress of SAR 196.6 million. In addition to the increase in investment in an associate Company by SAR 2.3 million due to the Company's share in the associate Company's profit. This was partially offset by a decrease in investments in equity instruments at fair value through other comprehensive income of SAR 3.3 million, mainly due to the annual revaluation of the Company's investments as well as the divestment of unprofitable investments.

Non-current assets increased from SAR 1.3 billion as of 31 December 2021G to SAR 1.4 billion as of 31 December 2022G. This is due to an increase in net property, plant, and equipment by SAR 66.1 million as a result of additions to capital work in progress, which amounted to SAR 144.6 million, in addition to the increase in net right-of-use assets amounted to SAR 61.2 million as a result of the conversion of capital work in progress into right-of-use assets. This was partially offset by a decrease in investments in equity instruments at fair value through other comprehensive income amounted to SAR 26.5 million, mainly due to the annual revaluation of the Company's investments as well as the divestment of unprofitable investments.

## Current Assets

Current assets increased from SAR 205.7 million as of 31 December 2020G to SAR 227.0 million as of 31 December 2021G. This was mainly due to the increase in cash and cash equivalents of SAR 26.0 million as the result of the increase in cash with banks. In addition to an increase in investments in equity instruments at fair value through profit or loss by SAR 4.3 million. This was partially offset by a decrease in net trade receivables, prepayments, and other assets of SAR 5.8 million due to the default of (Source A) and a net decrease in inventory amounted to SAR 3.2 million as a result of the increase in quantities sold, and thus this is attributed to a decrease in inventory as of the end of the period.

Current assets increased from SAR 227.0 million as of 31 December 2021G to SAR 238.3 million as of 31 December 2022G. This is due to an increase in cash and cash equivalents amounted to SAR 47.6 million driven by Murabaha term deposits. In addition to the increase in net trade receivables, prepayments, and other assets by SAR 12.6 million due to an increase in trade receivables by SAR 8.0 million as the result of an increase in unclaimed insurance amounted to SAR 4.5 million during the year and a net increase in inventory amounted to SAR 8.7 million, due to the increase in Al-Salam Medical Service Company's inventory. This was partially offset by a decrease in investments in equity instruments at fair value through profit or loss by SAR 57.6 million after liquidating the Company's position in the portfolio.

## Equity

Total equity decreased from SAR 819.0 million as of 31 December 2020G to SAR 816.9 million as of 31 December 2021G. This is mainly due to the increase in the reserve for the acquisition of additional shares in a subsidiary by SAR 89.1 million, as the Company's control increased from 69.9% to 96.3% during the period. This was partially offset by a capital increase resulting from issuing Rights amounted to SAR 69.1 million.

Total equity decreased from SAR 816.9 million as of 31 December 2021G to SAR 744.1 million as of 31 December 2022G; due to the decrease in retained earnings which converted into accumulated losses amounted to SAR 43.0 million.

## Non-current Liabilities

Non-current liabilities increased from SAR 259.5 million as of 31 December 2020G to SAR 585.8 million as of 31 December 2021G. This was mainly due to the increase in the non-current portion of long-term loans; resulting from the new loan from Alinma Bank amounted to SAR 443.0 million, which was used to finance the repayment of the SAB loan amounted to SAR 177.4 million. In addition to the increase in employees' defined benefit liabilities by SAR 5.3 million, due to the cost charged to the year, which amounted to SAR 8.7 million during the year.

Non-current liabilities decreased from SAR 585.8 million as of 31 December 2021G to SAR 576.0 million as of 31 December 2022G.; due to the decrease in the non-current portion of long-term loans by SAR 19.8 million. This was partially offset by an increase in the non-current portion of lease liabilities by SAR 8.7 million as a result of additions during the year.

### Current Liabilities

Current liabilities decreased from SAR 232.7 million as of 31 December 2020G to SAR 114.7 million as of 31 December 2021G; mainly due to the decrease in short-term loans by SAR 114.8 million as a result of the settlement of the loan related to Al-Salam Medical Service Company in the amount of SAR 122.1 million. This was partially offset by an increase in trade payables, accrued expenses, and other liabilities by SAR 27.5 million, mainly due to the increase in trade payables of Al-Ahsa Medical Services Company driven by improved business activities.

Current liabilities increased from SAR 114.7 million as of 31 December 2021G to SAR 316.2 million as of 31 December 2022G; as a result of the increase in short-term loans, as the Company obtained new loans to Al-Salam Medical Service Company amounted to SAR 65.0 million and Al-Ahsa Medical Services Company amounted to SAR 50.0 million, in addition to the increase in the current portion of long-term loans by SAR 80.1 million, due to the maturity of installments for one of the Company's loans during the year.

## 5.6.3.1 Non-current Liabilities

**Table 5.18: Non-current liabilities as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Property, plant, and equipment, net | 809,879 | 995,579 | 1,061,690 |
| Intangible assets, net | 163 | 1,614 | 1,157 |
| Investments in equity instruments at fair value through other comprehensive income | 151,725 | 148,460 | 121,942 |
| Investment in an associate Company | 13,126 | 15,427 | 20,184 |
| Real estate investments, net | 124,172 | 123,988 | 126,500 |
| Right-of-use assets, net | 4,402 | 3,197 | 64,364 |
| Goodwill | 2,095 | 2,095 | 2,095 |
| **Total non-current assets** | **1,105,561** | **1,290,360** | **1,397,931** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

### Property, Plant, and Equipment, net

**Table 5.19: Net Carrying Amount of Property, Plant, and Equipment as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Lands | 136,699 | 136,699 | 165,897 |
| Buildings and leasehold improvements | 91,972 | 99,855 | 294,032 |
| Machinery | 45,989 | 45,912 | 41,867 |
| Cars | 855 | 749 | 554 |
| Furniture and stationery | 10,036 | 6,435 | 5,665 |
| Computers | 831 | 1,053 | 2,495 |
| Capital work in progress | 523,498 | 704,876 | 551,179 |
| **Total** | **809,879** | **995,579** | **1,061,690** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

**Table 5.20: Additions to Property, Plant, and Equipment as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Lands | - | - | - |
| Buildings and leasehold improvements | 742 | 420 | 274 |
| Machinery | 8,031 | 3,369 | 3,634 |
| Cars | 172 | 592 | 78 |
| Furniture and Stationery | 697 | 1,419 | 547 |
| Computers | 360 | 472 | 1,977 |
| Capital Work in Progress | 92,153 | 196,572 | 144,611 |
| **Total** | **102,155** | **202,844** | **151,122** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

The Company's property, plant, and equipment includes land, buildings, leasehold improvements, machinery, cars, furniture, stationery, computers, and capital work in progress.

## Lands

This item is related to the owned lands on which the Company's projects were established.

The net carrying value of the lands increased from SAR 136.7 million as of 31 December 2020G and as of 31 December 2021G, to reach SAR 165.9 million as of 31 December 2022G. This increase is related to adjustments to the valuation of Al-Salam Medical Service Company's lands upon acquisition in the amount of SAR 29.2 million.

## Buildings and Leasehold Improvements

The net carrying value of buildings and leasehold improvements increased from SAR 92.0 million as of 31 December 2020G to SAR 99.9 million as of 31 December 2021G; due to transfers from capital work in progress amounted to SAR 13.1 million related to the completion of construction works at Al-Ahsa Medical Services Company headquarters during the period.

The net carrying value of buildings and leasehold improvements continued to increase from SAR 99.9 million as of 31 December 2021G to SAR 294.0 million as of 31 December 2022G; as a result of transfers from capital work in progress in the amount of SAR 201.2 million related to the progress of construction work for Al-Salam Medical Service Company. The trial opening of the first phase of the medical hospital took place in October 2022G.

## Machinery

The net carrying value of the machinery amounted to SAR 46.0 million as of 31 December 2020G and SAR 45.9 million as of 31 December 2021G, and then the balance decreased to reach SAR 41.9 million as of 31 December 2022G due to depreciation during the period.

## Cars

The net carrying value of cars decreased from SAR 855 thousand as of 31 December 2020G to SAR 749 thousand as of 31 December 2021G, and then decreased to reach SAR 544 thousand as of 31 December 2022G.

## Furniture and Fixtures

The net carrying value of furniture and fixtures decreased from SAR 10.0 million as of 31 December 2020G to SAR 6.4 million as of 31 December 2021G, and then decreased to SAR 5.7 million as of 31 December 2022G.

## Computers

The net carrying value of the computers increased from SAR 831 thousand as of 31 December 2020G to SAR 1.1 million as of 31 December 2021G, then it increased to reach SAR 2.5 million as of 31 December 2022G.

## Capital Work in Progress

Capital work in progress relates to (1) the construction of the headquarters of Al-Salam Medical Service Company, which amounted to SAR 444.1 million, and it is expected that the second phase will be completed by the financial year 2028G; and (2) the cost of the expansion that was implemented in the emergency departments and intensive care unit in Al-Ahsa Medical Services Company, the purpose of this expansion is to increase the number of beds to reduce the number of waiting patients.

## Intangible Assets, Net

**Table 5.21: Net Intangible Assets as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Cost | | | |
| Balance at the beginning of the year | 4,034 | 4,197 | 5,834 |
| Additions | 163 | 1,637 | - |
| **Balance at the end of the year** | **4,197** | **5,834** | **5,834** |
| **Accumulated Amortization** | | | |
| Balance at the beginning of the year | 3,930 | 4,034 | 4,220 |
| Charged during the year | 105 | 185 | 457 |
| **Balance at the end of the year** | **4,034** | **4,220** | **4,677** |
| **Net carrying value** | **163** | **1,614** | **1,157** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Intangible assets relate to computer software used mainly in medical works.

The net carrying value of intangible assets increased from SAR 163 thousand as of 31 December 2020G to SAR 1.6 million as of 31 December 2021G, mainly due to software additions amounting to SAR 1.6 million at Al-Ahsa Medical Services Company.

The net carrying value of intangible assets decreased from SAR 1.6 million as of 31 December 2021G to SAR 1.2 million as of 31 December 2022G, in line with the amortization of SAR 457 thousand during the period.

## Investments in Equity Instruments at Fair Value Through Other Comprehensive Income

**Table 5.22: Investments in Equity Instruments at Fair Value Through Other Comprehensive Income as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Balance at the beginning of the year | 222,503 | 151,725 | 148,460 |
| Disposals | (42,338) | - | - |
| Change in fair value | (28,440) | (3,265) | (26,518) |
| **Balance at the end of the year** | **151,725** | **148,460** | **121,942** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Equity instruments at fair value through other comprehensive income relate to Ayyan's equity investments classified as FVOCI and which are managed by the Company's Management. These investments decreased from SAR 151.7 million as of 31 December 2020G to SAR 148.5 million as of 31 December 2021G, and then decreased to reach SAR 121.9 million as of 31 December 2022G, mainly due to:

- Issuing Rights by the Manufacturing and Energy Services Company "TAQA" in the financial year 2022G. The Company did not participate in that issue due to the insufficient return on investment compared to the Company's required return. This is reflected by the decline in equity during the period;
- Liquidating the Company's investment in the National Aviation Ground Support Company in the financial year 2021G, in which the Company previously owned approximately 5%, due to the successive losses of the investee Company;
- The decrease in the fair value of the Company's investment in Taleem Investments Limited during the auditing period, which was partially offset by the increase in the fair value of the investments of the Arab Paper Manufacturing Company (WARAQ) and Al-Ahsa Amusement & Tourism Company.

Equity investments are re-evaluated on an annual basis by an independent valuer's report issued at the end of the year.

## Investment in an Associate Company

**Table 5.23: Investment in an Associate Company as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Balance at the beginning of the year | 12,851 | 13,126 | 15,427 |
| Shares in the results of an associate Company* | 275 | 2,301 | 5,557 |
| Received dividends | - | - | (800) |
| **Balance at the end of the year** | **13,126** | **15,427** | **20,184** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

* The share in the results of an associate Company includes the amortization of the fair value distributed to identifiable assets in addition to the share in the results of the operations of the associate Company.

During March 2019G, the Company acquired 25% of Twareat Medical Care Company, at a total cost of SAR 15.4 million, which was initially recognized at its cost including the paid bid and other direct expenses, noting that the cost amount includes the purchase option of another share of Twareat Medical Care Company, which was evaluated by an independent body accredited by the Saudi Authority of Accredited Valuers (TAQEEM), where the fair value of the acquired identifiable assets amounted to SAR 11.1 million, and the goodwill included in the value of the investment amounted to SAR 4.3 million. In addition, the purchase option shares were evaluated to zero as of the acquisition date and as of the date of these consolidated financial statements. Twareat Medical Care Company is a limited liability Company registered in the Kingdom of Saudi Arabia where its main activity is to provide administrative services, medical support services, health activities, and social work. During 2021G, Twareat Medical Care Company increased its capital from SAR 5,277,000 to SAR 8,999,000. During 2022G, the Company was converted from a "limited liability Company" to a "closed joint stock Company" as of 11 Shawwal 1443H (corresponding to 12 May 2022G). As of the end of the year, all relevant legal procedures were completed. During 2022G, in accordance with the shareholders' resolution dated 21 August 2022G, the Company increased its capital by SAR 11 million through a transfer from retained earnings. Relevant procedures were completed during the year.

## Real Estate Investments, Net

**Table 5.24: Net Carrying Amount of Real Estate Investments as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Land | 121,339 | 121,339 | 123,098 |
| Leased Buildings | 2,833 | 2,649 | 3,402 |
| Net Carrying Amount | 124,172 | 123,988 | 126,500 |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Real estate investments consist of land and leased buildings. Net real estate investments increased slightly from SAR 124.2 million as of 31 December 2020G to SAR 126.5 million as of 31 December 2022G, mainly due to the transfer of property leased to third parties (property, plant, and equipment) to Al-Salam Medical Service Company in December 2022G.

The Company's investment real estate, predominantly owned by Ayyan Investment, includes land and buildings held for lease. Investment real estate is carried at cost less accumulated depreciation and impairment and consists of:

- Land in Old Khurais Road valued at SAR 111.9 million as of 31 December 2022G, including a provision of SAR 21.6 million due to the impairment of the property. The property is held for the purpose of capital appreciation and has remained stable throughout the audit period due to the application of the cost model for evaluating leased real estate.
- Land in Sheikh Jaber Road valued at SAR 9.5 million as of 23 June, held for the purpose of capital appreciation.
- Other real estate, including real estate owned by Al-Salam Medical Service Company valued at SAR 2.7 million, which includes land and buildings used as cafes, currently occupied by Starbucks within the hospital building, and real estate belonging to Al-Ahsa Medical Services Company (SAR 2.4 million as of 23 June), leased to Magrabi Optical Company and others.

## Net Right-of-Use Assets

**Table 5.25: Net Carrying Amount of Right-of-Use Assets as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Land | 1,512 | 1,451 | 1,391 |
| Buildings | 2,890 | 1,745 | 1,002 |
| Medical Instruments and Equipment | - | - | 47,701 |
| Furniture, Office Equipment, and Vehicles | - | - | 7,959 |
| Technological Equipment | - | - | 6,310 |
| Net Carrying Amount | 4,402 | 3,197 | 64,364 |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Right-of-use assets mainly consist of leased medical instruments and equipment, etc.

Right-of-use assets decreased from SAR 4.4 million as of 31 December 2020G to SAR 3.2 million as of 31 December 2021G due to a depreciation of SAR 1.2 million.

Right-of-use assets increased from SAR 3.2 million as of 31 December 2021G to SAR 64.4 million as of 31 December 2022G as a result of the conversion of capital work in progress to right-of-use assets valued at SAR 64.6 million. During the period, the Company sold and re-leased medical equipment to Pioneer, resulting in the recognition of right-of-use assets and the exclusion of capital work in progress.

## Current Assets

**Table 5.26: Current Assets as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Net inventory | 24,715 | 21,504 | 30,171 |
| Net trade receivables, prepayments, and other assets | 124,204 | 118,446 | 131,090 |
| Investments in equity instruments at fair value through profit or loss | 53,286 | 57,602 | - |
| Cash and cash equivalents | 3,454 | 29,492 | 77,050 |
| **Total current assets** | **205,659** | **227,043** | **238,312** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

## Net Inventory

**Table 5.27: Net Inventory as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Medical consumables | 10,171 | 9,594 | 11,922 |
| Medicines | 6,456 | 6,264 | 12,248 |
| Stock of dates and other items | 7,478 | 5,226 | 5,802 |
| Medical equipment spare parts | 715 | 823 | 604 |
| Total inventory | 24,820 | 21,908 | 30,576 |
| Provision for slow-moving inventory | (105) | (405) | (405) |
| Net inventory | 24,715 | 21,504 | 30,171 |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

## Medical Consumables

Medical consumables relate to operating rooms, warehouses, medical stores, etc.

Medical consumables decreased from SAR 10.2 million as of 31 December 2020G to SAR 9.6 million as of 31 December 2021G, mainly due to a decrease in medical consumables for operating rooms by SAR 128 thousand.

Medical consumables increased from SAR 9.6 million as of 31 December 2021G to SAR 11.9 million as of 31 December 2022G driven by an increase in medical consumables for operating rooms by SAR 2 million and medical consumables for medical stores by SAR 1.2 million.

## Medicines

This item is related to medicine storage, centralized medicine store, outpatient pharmacy, etc.

Medicines decreased from SAR 6.5 million as of 31 December 2020G to SAR 6.3 million as of 31 December 2021G due to a decrease of SAR 67 thousand in stored medicines.

Medicines increased from SAR 6.3 million as of 31 December 2021G to SAR 12.2 million as of 31 December 2022G, driven by the opening of Al-Salam Hospital.

## Stock of Dates and Other Items

This item is related to raw materials, materials in process, packaging materials, and finished goods.

Stock of dates and other items decreased from SAR 7.5 million as of 31 December 2020G to SAR 5.2 million as of 31 December 2021G. This is mostly due to a decrease in (Product 3) by SAR 1.3 million as a result of ceasing operations with one of the Company's former substantial clients (Client 1).

Stock of dates and other items increased from SAR 5.2 million as of 31 December 2021G to SAR 5.8 million as of 31 December 2022G.

## Medical Equipment Spare Parts

Medical equipment spare parts consist of biopharmaceutical stores, non-medical supply warehouses, general stores, etc.

Medical equipment spare parts increased from SAR 715 thousand as of 31 December 2020G to SAR 823 thousand as of 31 December 2021G due to an increase in maintenance by SAR 95 thousand.

Medical equipment spare parts decreased from SAR 823 thousand as of 31 December 2021G to SAR 604 thousand as of 31 December 2022G. This is attributed to the decrease in maintenance costs by SAR 95 thousand and the non-medical inventory of Al-Ahsa Medical Services Company by SAR 19 thousand.

## Trade Receivables, Prepayments, and Other Assets, Net

**Table 5.28: Trade Receivables, Prepayments, and Other Assets as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Trade receivables | 128,093 | 122,993 | 131,021 |
| Due from related parties | 215 | - | - |
| Prepaid expenses and other receivables | 14,124 | 18,793 | 23,409 |
| **Total** | **142,432** | **141,786** | **154,430** |
| Less: Provision for impairment of receivables | (18,229) | (23,340) | (23,340) |
| Net | 124,204 | 118,446 | 131,090 |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

**Table 5.29: Ages of Trade Receivables as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Up to three months | 66,469 | 64,642 | 88,153 |
| Three months to six months | 7,134 | 9,477 | 13,647 |
| More than six months | 54,490 | 48,873 | 29,221 |
| **Total** | **128,093** | **122,993** | **131,021** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

## Trade Receivables

Trade receivables mainly consist of balances due from medical insurance companies, (Source A), and others.

Trade receivables decreased from SAR 128.1 million as of 31 December 2020G to SAR 123.0 million as of 31 December 2021G and increased to SAR 131.0 million as of 31 December 2022G. The movement in days sales outstanding (DSO) was in line with trade receivables as it decreased from 164 days in the financial year 2020G to 143 days in the financial year 2021G, before subsequently increasing to 170 days during the same period.

The decrease in trade receivables as of 31 December 2021G mainly relates to Al-Ahsa Medical Services Company by SAR 3.9 million. This is mainly due to the increased collection of payments from (Source A).

The provision for impairment of receivables increased from SAR 18.2 million as of 31 December 2020G to SAR 23.3 million during the same period, related to receivables from (Source A) that were not paid until 31 December 2021G.

## Due from Related Parties

Due to related parties amounted to SAR 215 thousand as of 31 December 2020G.

## Prepaid Expenses and Other Receivables

Prepaid expenses and other receivables mainly include prepayments, VAT dues, accrued and unpaid income, etc.

Prepaid expenses and other receivables increased from SAR 14.1 million as of 31 December 2020G to SAR 18.8 million as of 31 December 2021G and further increased to SAR 23.4 million as of 31 December 2022G, mainly due to Al-Salam Medical Service Company whose prepayments and other receivables increased by SAR 6.2 million.

## Investments in Equity Instruments at Fair Value Through Profit or Loss

**Table 5.30: Investments in Equity Instruments at Fair Value Through Profit or Loss as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Opening Balance | - | 53,286 | 57,602 |
| Additions | 54,374 | 9,990 | 24,202 |
| Disposals | (9,600) | (18,308) | (83,420) |
| Realized gain on disposal of investments in equity instruments at fair value through profit or loss | - | 2,209 | 1,616 |
| Unrealized gain on disposal of investments in equity instruments at fair value through profit or loss | 8,512 | 10,424 | - |
| Closing Balance | 53,286 | 57,602 | - |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

The Company has a portfolio of equity instruments held for trading, which are measured at fair value through profit or loss.

Investments in equity instruments at fair value through profit or loss amounted to SAR 57.6 million as of 31 December 2021G.

During the financial year ended 31 December 2022G, the Company liquidated its position in the portfolio, realized a gain of SAR 1.6 million, and invested the entire proceeds in Murabaha term deposits to take advantage of the high-interest rates at that time.

### Cash and Cash Equivalents

**Table 5.31: Cash and Cash Equivalents as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December, 2020G (Audited) | As of 31 December, 2021G (Audited) | As of 31 December, 2022G (Audited) |
|---|---|---|---|
| Cash at Banks - Current Accounts | 3,352 | 29,328 | 20,399 |
| Murabaha Investment Deposits | - | - | 56,493 |
| Cash on Hand | 102 | 164 | 157 |
| **Total** | **3,454** | **29,492** | **77,050** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Cash and cash equivalents consist of cash at banks - current accounts, investment Murabaha deposits, and cash on hand.

Cash and cash equivalents increased from SAR 3.5 million as of 31 December 2020G to SAR 29.5 million as of 31 December 2021G, mainly due to the increase in cash at banks - current accounts by SAR 26.0 million.

Cash and cash equivalents increased from SAR 29.5 million as of 31 December 2021G to SAR 77.1 million as of 31 December 2022G, driven by investment Murabaha deposits amounting to SAR 56.5 million.

## 5.6.3.2 Equity

**Table 5.32: Equity as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Capital | 737,321 | 806,363 | 806,363 |
| Share Premium/ (Discount) | (10,882) | 65,479 | 65,479 |
| Statutory Reserve | 7,357 | 7,786 | 7,786 |
| (Accumulated losses)/ Retained Earnings | (579) | 1,789 | (42,979) |
| Reserve for the acquisition of an additional share in a subsidiary | (33,332) | (122,454) | (122,454) |
| Fair Value Reserve | 44,218 | 42,450 | 15,932 |
| Reserve for premeasurement of Employees' defined benefits liabilities | 6,701 | 7,245 | 5,608 |
| **Total equity attributable to shareholders** | **750,803** | **808,658** | **735,736** |
| Non-controlling Interest | 68,200 | 8,244 | 8,358 |
| **Total equity** | **819,004** | **816,902** | **744,093** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

### Capital

The Company has a paid-up capital of SAR 806.4 million divided into 80,636,328 shares, with a par value of SAR 10 per share.

The Company's capital increased from SAR 737.3 million as of 31 December 2020G to SAR 806.4 million as of 31 December 2021G and 2022G as a result of the acquisition of additional shares in Al-Ahsa Medical Services Company by 6.9 million shares valued at SAR 69.0 million.

### Share Premium/ (Discount)

The Company has an equity discount of SAR 10.9 million as of 31 December 2020G, which changed to a share premium of SAR 65.5 million as of 31 December 2021G due to the additional shares acquired in Al-Ahsa Medical Services Company during the financial year 2021G. The share premium remained the same as of 31 December 2022G.

## Statutory Reserve

In accordance with the requirements of the Saudi Companies Law and the Company's Articles of Association, the Company shall establish a reserve of 10% of the annual net income until this reserve reaches 30% of the capital. This reserve is not available for distribution.

The statutory reserve increased from SAR 7.4 million as of 31 December 2020G to SAR 7.8 million as of 31 December 2021G due to a net profit for the year of SAR 6.4 million during the period. The reserve remained stable throughout the remaining historical period, as the Company reported a loss of SAR 44.6 million in the financial year ended 31 December 2022G.

## (Accumulated Losses)/ Retained Earnings

This item is related to the net income retained by the Company at the end of the period, after dividend distribution and transferring to the statutory reserve.

The accumulated losses increased from accumulated losses of SAR 579 thousand as of 31 December 2020G to retained earnings of SAR 1.8 million as of 31 December 2021G, due to net profit for the year attributable to shareholders (after disposal of minority interest) of SAR 4.3 million, which was partially offset by the loss on disposal of investments held through other comprehensive income of SAR 1.5 million during the period.

Retained earnings decreased from SAR 1.8 million as of 31 December 2021G to an accumulated loss of SAR 43.0 million as of 31 December 2022G, mainly due to the net loss for the year of SAR 44.6 million in the financial year ended 31 December 2022G, mainly driven by the losses of Al-Salam Medical Service Company.

## Reserve for the Acquisition of an Additional Share in a Subsidiary

The reserve represents the difference between the amount paid to acquire additional shares in Al-Ahsa Medical Services Company (a subsidiary), after gaining control thereof, and the fair value of those additional shares.

The reserve to acquire additional shares in a subsidiary increased from SAR 33.3 million as of 31 December 2020G to SAR 122.5 million as of 31 December 2021G, as the Company's control increased from 69.9% to 96.3% during the period. The reserve remained stable throughout the remaining historical period.

## Fair Value Reserve

The fair value reserve represents the cumulative unrealized gains or losses on financial instruments that are recognized directly in equity.

The fair value reserve decreased from SAR 44.2 million as of 31 December 2020G to SAR 42.5 million as of 31 December 2021G and further decreased to SAR 15.9 million as of 31 December 2022G.

## Reserve for Re-measurement of Employees' Defined Benefits Liabilities

The reserve for re-measurement of employees' defined benefits liabilities includes any actuarial gains (losses) from defined benefits liabilities.

The reserve for re-measurement of employees' defined benefits liabilities increased slightly from SAR 6.7 million as of 31 December 2020G to SAR 7.2 million as of 31 December 2021G and then decreased to SAR 5.6 million as of 31 December 2022G based on actuarial assumptions.

### 5.6.3.3 Non-Current Liabilities

**Table 5.33: Non-Current Liabilities as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Long-Term Loan - Non-Current Portion | 191,506 | 491,128 | 471,283 |
| Leases liabilities - Non-Current Portion | 35,697 | 57,067 | 65,747 |
| Employees' defined benefits liabilities | 32,268 | 37,599 | 38,958 |
| **Total Non-Current Liabilities** | **259,471** | **585,794** | **575,987** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

## Long-Term Loans

**Table 5.34: Long-Term Loans as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Commercial Bank Loan - Al-Salam Medical Service Company | 177,884 | 441,210 | 407,405 |
| Commercial Bank Loan - Al-Ahsa Medical Services Company | - | - | 45,062 |
| Loan from the Ministry of Finance - Al-Salam Medical Service Company | 44,744 | 49,918 | 99,624 |
| **Total** | **222,628** | **491,128** | **552,092** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Long-term loans relate to loans granted to Al-Salam Medical Service Company and Al-Ahsa Medical Services Company.

Long-term loans increased from SAR 222.6 million as of 30 December 2020G to SAR 491.1 million as of 31 December 2021G as a result of the new loan from Alinma Bank amounting to SAR 443.0 million, which was used to finance the repayment of the SAB loan amounting to SAR 177.4 million.

Long-term loans increased to SAR 552.1 million as of 31 December 2022G, mainly due to the increase in the loan from the Ministry of Finance from SAR 49.9 million as of 31 December 2021G to SAR 99.6 million as of 31 December 2022G.

## Commercial Bank Loan - Al-Salam Medical Service Company

These loans relate to the subsidiary (Al-Salam Medical Service Company) which signed a Facility Agreement (the "Facility") to partially finance the construction of the hospital, including letters of credit and invoices, deferred payment credits, performance bonds, long-term loan facilities of SAR 163.4 million and medium-term loan facilities of SAR 122.2 million. During 2021G, the Company capitalized interest of SAR 2.7 million related to this loan in capital work in progress. This loan was fully repaid by the Company during the year ended 31 December 2021G.

During 2021G, the Company changed its financing arrangements and obtained new facilities with a new commercial bank. The purpose of the financing was to repay liabilities to a previous commercial bank, finance the remaining cost of completing the hospital construction, and any other entitlements. During 2021G, the Company obtained a loan amount of SAR 443.2 million from this Facility, including SAR 116.0 million as a medium-term flexible Murabaha loan and SAR 327.2 million as a long-term Murabaha loan.

The Facility achieves a mark-to-market profit margin and is secured by the guarantees of the Holding Company (Ayyan Investment Company), joint and personal guarantees from various related parties, assignment of proceeds and guarantees from certain suppliers, mortgaging the title deeds of the Holding Company's lands and the Company's properties, and pledging the Holding Company's shares in Al-Ahsa Medical Services Company (a related party). The Facility Agreement contains certain financial and non-financial covenants.

During 2022G, the Company capitalized interest of SAR 24.58 million related to these loans on capital work in progress.

## Commercial Bank Loan - Al-Ahsa Medical Services Company

During 2022G, Al-Ahsa Medical Services Company obtained a long-term loan amounting to SAR 50.0 million. As per the Agreement, the loan is secured by pledging the revenue from the Company's goods and services. The outstanding balance will be repaid in full during the first half of 2027G. The loan facility agreements are subject to certain financial and non-financial covenants, which the Company fully complies with.

## Loan from the Ministry of Finance - Al-Salam Medical Service Company

During 2018G, Al-Salam Medical Service Company obtained an interest-free loan facility of SAR 56 million from the Ministry of Finance to finance the construction, furnishing, and equipping of the Company's Hospital Project. This loan is repayable in 20 annual installments, with the first installment due five years from the contract date, which is discounted at the average prevailing market interest rates for similar-nature loans, with a present value of SAR 31.7 million. During 2019G, the Company obtained an additional interest-free loan facility of SAR 15.9 million from the Ministry of Finance, under the same terms as the first loan, with a net value of SAR 9.2 million. The difference between the received loan and its present value of SAR 31.1 million was recorded as a government grant as a reduction in property and equipment.

During 2021G, the Company obtained an additional interest-free loan of SAR 3.7 million from the same facility from the Ministry of Finance, under the same terms as the first and second loans, with a net present value of SAR 2.3 million. The difference between the received loan and its present value of SAR 1.41 million was recorded as a government grant as a reduction in property and equipment. The loan is secured by mortgaging the project's land, and construction and maintenance of the buildings in favor of the Ministry of Finance.

During 2022G, the Company obtained an additional interest-free loan of SAR 69.7 million from the same facility from the Ministry of Finance, under the same terms as the first and second loans, with a net value of SAR 46.8 million. The difference between the received loan and its present value of SAR 22.9 million was recorded as a government grant as a reduction in property and equipment. The loan is secured by mortgaging the Project's land, and construction and maintenance of the buildings in favor of the Ministry of Finance.

## Leases Liabilities

### Table 5.35: Leases Liabilities as of 31 December 2020G, 31 December 2021G, and 31 December 2022G

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| As of 1 January, | 5,438 | 39,884 | 68,433 |
| Acquisitions During the Year | 26,487 | - | - |
| Additions During the Year | 7,859 | 20,070 | 18,694 |
| Restructuring Impact | 1,108 | 12,356 | 4,223 |
| Paid During the Year | (3,428) | (6,202) | (12,147) |
| Financing Costs | 2,420 | 2,325 | 2,658 |
| **Total Balance as of the End of the Year** | **39,884** | **68,433** | **81,861** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Leases liabilities relate to leased medical equipment and instruments.

Leases liabilities increased from SAR 39.9 million as of 31 December 2020G to SAR 68.4 million as of 31 December 2021G, as a result of additions during the year by SAR 20.1 million and a restructuring impact of SAR 12.4 million. The restructuring impact is due to a lease concluded between Al-Salam Medical Service Company (a subsidiary) and Pioneer to rent its medical equipment during 2019G, with total assets of SAR 99.2 million and a lease term of 84 months. During 2021G, the lease term increased from 84 months to 96 months with no change in the overall scope of the leased assets. This change in the lease term resulted in a lease remeasurement impact of SAR 12.4 million. The lease liability is secured by a promissory note and joint guarantees from related parties.

Leases liabilities increased from SAR 68.4 million as of 31 December 2021G to SAR 81.9 million as of 31 December 2022G due to additions during the year amounting to SAR 18.7 million, which were offset by payments during the year amounting to SAR 12.1 million.

During 2022G, the lease term was extended from 96 months to 105 months without any change in the overall scope of the leased assets. This change in lease term resulted in a lease remeasurement impact of SAR 4.2 million.

## Employees' Defined Benefits Liabilities

### Table 5.36: Employees' Defined Benefits liabilities as of 31 December 2020G, 31 December 2021G, and 31 December 2022G

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| As of 1 January | 28,473 | 32,268 | 37,599 |
| Acquisition | 306 | - | - |
| Charge for the Year | 5,596 | 8,687 | 7,161 |
| Actuarial Losses on Benefits liabilities | 2,007 | 2,066 | 1,659 |
| Advance Payments to Employees | (1,591) | - | - |
| Paid During the Year | (2,522) | (5,422) | (7,461) |
| **Total Balance as of 31 December** | **32,268** | **37,599** | **38,958** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Employees' defined benefits liabilities increased from SAR 32.3 million as of 31 December 2020G to SAR 37.6 million as of 31 December 2021G, mainly due to the current service cost of SAR 8.7 million which was offset by payments of SAR 5.4 million during the period.

Employees' defined benefits liabilities increased to SAR 39.0 million as of 31 December 2022G, mainly driven by an increase in actuarial loss of SAR 1.7 million during the period.

### 5.6.3.4 Current Liabilities

**Table 5.37: Current Liabilities as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Long-term loans - Current portion | 31,122 | - | 80,809 |
| Due to banks | 5,705 | - | - |
| Short-term loans | 129,675 | 14,876 | 117,293 |
| Trade payables, accrued expenses, and other liabilities | 55,490 | 82,941 | 96,063 |
| Leases liabilities - Current Portion | 4,187 | 11,365 | 16,115 |
| Zakat Provision | 6,567 | 5,525 | 5,882 |
| **Total Current Liabilities** | **232,746** | **114,708** | **316,162** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

#### Due to Banks

**Table 5.38: Due to Banks as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Due to Banks | 5,705 | - | - |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Due to banks represents outstanding cheques that were cashed by the bank in the period subsequent to the end of the financial year 2020G.

The due to banks was SAR 5.7 million as of 31 December 2020G and decreased to nil as of 31 December 2021G and as of 31 December 2022G.

#### Short-Term Loans

**Table 5.39: Short-Term Loans as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Short-term loan - Al-Ahsa Medical Services Company | 5,039 | 10,349 | 50,283 |
| Short-term loan - Al-Ahsa Food Industries Company | 2,506 | 4,527 | 2,010 |
| Short-term loan - Al-Salam Medical Service Company | 122,130 | - | 65,000 |
| **Total** | **129,675** | **14,876** | **117,293** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

Short-term loans consist of loans obtained by Al-Ahsa Medical Services Company, Al-Ahsa Food Industries Company, and Al-Salam Medical Service Company.

Short-term loans decreased significantly from SAR 129.7 million as of 31 December 2020G to SAR 14.9 million as of 31 December 2021G due to the settlement of the loan related to Al-Salam Medical Service Company in the amount of SAR 122.1 million, which was funded through a long-term loan drawdown amounting to SAR 443.2 million.

Short-term loans increased from SAR 14.9 million as of 31 December 2021G to SAR 117.3 million as of 31 December 2022G, as the Company obtained new loans for Al-Salam Medical Service Company worth SAR 65.0 million and Al-Ahsa Medical Services Company worth SAR 50.0 million during the period.

## Short-Term Loan - Al-Ahsa Medical Services Company

During 2021G, the Company obtained a short-term loan from a local bank. As per the Agreement, the loan is secured by pledging the Company's assets and services, with the outstanding balance due for repayment in full during the first half of 2022G. During 2022G, the Company repaid the entire outstanding amount of the short-term loan amounting to SAR 10.3 million.

During 2022G, the Company obtained short-term loans from a commercial bank of SAR 20.0 million, and during the same year the Company entered into a loan agreement of SAR 30.0 million to finance the hospital's operational activities. As per the Agreement, the loan facility agreements are subject to certain financial and non-financial covenants, which the Company fully complies with.

## Short-Term Loan - Al-Ahsa Food Industries Company

The Company has obtained facilities from a local bank (the "Facilities") of SAR 5.0 million with an outstanding balance of SAR 2.0 million as of 31 December 2022G (2021G: SAR 4.5 million) to finance working capital. The facilities consist of forward sale financing. Under the agreements, the facilities are secured by a guarantee from Ayyan Investment and the SME Finance Guarantee Program. The remaining balance is repayable within 6 months. The facility achieves a mark-to-market finance charge. As per the Facility Agreement, the Company shall maintain certain non-financial covenants.

## Short-Term Loan - Al-Salam Medical Service Company

During 2022G, Al-Salam Medical Service Company (a subsidiary) obtained a short-term loan from a local bank amounting to SAR 65.0 million.

## Trade Payables, Accrued Expenses, and Other Liabilities

**Table 5.40: Trade Payables, Accrued Expenses, and Other Liabilities as of 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Trade Payables | 37,926 | 62,107 | 63,106 |
| Due to a Related Party | 332 | 1,476 | 18,676 |
| Accrued Employee Benefits | 8,915 | 9,483 | 3,554 |
| Due VAT | 2,894 | 727 | 2,451 |
| Unearned Revenues | 512 | 573 | 734 |
| Other | 4,910 | 8,576 | 7,543 |
| **Total** | **55,490** | **82,941** | **96,063** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

## Trade Payables

Trade payables predominantly relate to the Company's medical sector.

Trade payables increased from SAR 37.9 million as of 31 December 2020G to SAR 62.1 million as of 31 December 2021G, then increased slightly to SAR 63.1 million as of 31 December 2022G. This increase is primarily attributed to Al Al-Ahsa Medical Services Company, during the period.

## Due to a Related Party

The due to a related party increased from SAR 332 thousand as of 31 December 2020G to SAR 1.5 million as of 31 December 2021G, and then to SAR 18.7 million as of 31 December 2022G. This is mostly due to an interest-free loan from a substantial shareholder to Al-Salam Medical Service Company.

## Accrued Employee Benefits

Accrued employee benefits mainly include end-of-service benefits, leave pay and airline tickets.

Accrued employee benefits increased from SAR 8.9 million as of 31 December 2020G to SAR 9.5 million as of 31 December 2021G, and then decreased to SAR 3.6 million as of 31 December 2022G, due to Management's implementation of policies allowing the carryover of only 10 days of employee leaves.

## Due VAT Payable

The accumulated VAT remained in line with the revenue trend during the period. Except for the financial year ended on 31 December 2021G, which was related to the increase in claimable inputs deducted against the period's outputs.

## Unearned Revenues

As of 31 December 2020G, and as of 31 December 2021G, the average unearned revenues were SAR 543 thousand, then increased to SAR 734 thousand as of 31 December 2022G.

## Other

Relates to advance payments to suppliers and other payables.

Other payables increased from SAR 4.9 million as of 31 December 2020G to SAR 8.6 million as of 31 December 2021G, then decreased to SAR 7.5 million as of 31 December 2022G, mainly due to other payables.

## 5.6.4 Statement of Cash Flows

**Table 5.41: Statement of Cash Flows for the Financial Years Ended 31 December 2020G, 31 December 2021G, and 31 December 2022G**

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| **Operating Activities** | | | |
| Net Profit for the Year before Zakat | 37,577 | 11,008 | (38,714) |
| **Adjustments to:** | | | |
| Depreciation of Property, Plant, and Equipment | 14,672 | 15,787 | 17,512 |
| Depreciation of Real Estate Investments | 184 | 184 | 184 |
| Amortization of Right-of-Use Assets | 1,176 | 1,205 | 3,414 |
| Loss on Disposal of Property, Plant, and Equipment | 319 | 736 | 177 |
| Amortization of Intangible Assets | 105 | 185 | 457 |
| Financing Expenses | 2,571 | 2,935 | 3,387 |
| Share of Results of an Associate | (275) | (2,301) | (5,557) |
| Dividend Income | (2,706) | (3,486) | (4,036) |
| Write-off/ Reversal of Provisions for Impairment of Receivables | (1,728) | (1,434) | - |
| Provision for Damaged and Slow-Moving Goods | - | 300 | - |
| Recognized impairment of trade receivables | 3,646 | 6,545 | - |
| Realized gain on disposal of investments in equity instruments at fair value through profit or loss | (2,128) | (2,209) | (1,616) |
| Unrealized gain on disposal of investments in equity instruments at fair value through profit or loss | (8,512) | (10,424) | - |
| The differential purchase gain from the acquisition of a subsidiary | (14,580) | - | - |
| Profit from discontinued operations | (3,012) | - | - |
| Employees' defined benefits liabilities | 5,660 | 8,687 | 7,161 |
| **Changes in operating assets and liabilities:** | | | |
| Trade receivables, prepayments, and other assets | 28,801 | 646 | (12,644) |
| Inventory | (917) | 2,912 | (8,668) |
| Trade payables, accrued expenses, and other liabilities | 5,454 | 27,452 | 13,122 |

| SAR '000 | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) |
|---|---|---|---|
| Cash from operations | 66,307 | 58,728 | (25,821) |
| Paid employees' defined benefits liabilities | (4,114) | (5,422) | (7,461) |
| Paid Zakat | (4,689) | (5,674) | (5,559) |
| **Net cash (used in) from operating activities** | **57,504** | **47,632** | **(38,841)** |
| Investing activities | | | |
| Purchase of property, plant, and equipment | (91,003) | (175,111) | (146,899) |
| Proceeds from disposal of property, plant, and equipment | - | 621 | 45 |
| Purchase of intangible assets | (163) | (1,637) | - |
| Proceeds from the sale of investments at fair value through other comprehensive income | 42,338 | - | - |
| Dividends from equity method investments in associates | - | - | 800 |
| Received cash dividends | 2,706 | 3,486 | 4,036 |
| Acquisition of additional shares in a subsidiary | - | (3,147) | - |
| Proceeds from investments at fair value through profit or loss | 11,727 | 18,308 | 83,420 |
| Payments for the purchase of investments at fair value through profit or loss | (54,374) | (9,990) | (24,202) |
| **Net cash used in investing activities** | **(88,769)** | **(167,470)** | **(82,800)** |
| Financing Activities | | | |
| Net leases liabilities | 4,431 | 13,871 | 6,547 |
| Due to banks | 5,705 | (5,705) | - |
| Loan collection | 28,354 | 454,907 | 256,572 |
| Loan repayments | (17,649) | (317,197) | (93,920) |
| **Net cash generated from financing activities** | **20,841** | **145,876** | **169,199** |
| **Net change in cash and cash equivalents** | **(10,423)** | **26,038** | **47,558** |
| Cash and cash equivalents from acquisition of subsidiary | 637 | - | - |
| Cash and cash equivalents at the beginning of the year | 13,240 | 3,454 | 29,492 |
| **Cash and cash equivalents at the end of the year** | **3,454** | **29,492** | **77,050** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2020G, 2021G, and 2022G.

## Net Cash (Used in) Generated from Operating Activities

Net cash generated from operating activities decreased from SAR 57.5 million in the financial year ended 31 December 2020G to SAR 47.6 million in the financial year ended 31 December 2021G. The decrease was driven by lower EBITDA as a result of the slowdown in COVID-19-related treatments, which was partially offset by lower non-cash settlements (SAR -16.7 million) during the same period.

Net cash generated from operating activities decreased from SAR 47.6 million in the financial year ended 31 December 2021G to net cash used in operating activities of SAR 38.8 million in the financial year ended 31 December 2022G. This additional decrease was primarily driven by a decrease in EBITDA.

## Net Cash Used in Investing Activities

Net cash used in investing activities increased from SAR 88.8 million in the financial year ended 31 December 2020G to SAR 167.5 million in the financial year ended 31 December 2021G, mainly due to the establishment of Al-Salam Hospital during the period.

Net cash used in investing activities decreased from SAR 167.5 million in the financial year ended 31 December 2021G to SAR 82.8 million in the financial year ended 31 December 2022G, mainly due to the operation of Al-Salam Hospital - Phase I.

## Net Cash Generated from Financing Activities

Net cash generated from financing activities increased from SAR 20.8 million in the financial year ended 31 December 2020G to SAR 145.9 million in the financial year ended 31 December 2021G, and increased to SAR 169.2 million in the financial year ended 31 December 2022G, mainly due to the Company's net borrowing activity during the period.

## 5.7 Results of Operations for the Six-Month Period Ended 30 June 2022G and 30 June 2023G

The Company's selected financial information and key performance indicators set out below shall be read in conjunction with the financial information for the six-month period ended 30 June 2022G and 2023G prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Certified Public Accountants (SOCPA).

### 5.7.1 Summary of Financial Information and Key Performance Indicators

**Table 5.42: Summary of Financial Information of Profit or Loss and Other Comprehensive Income for the Six-Month Period Ended 30 June 2022G and 2023G**

| SAR '000 | Six-Month Period Ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Percentage of Change Period |
| Net Revenue | 141,457 | 145,678 | 3.0% |
| Cost of Revenue | (109,374) | (159,993) | 46.3% |
| Total Profit (Loss) | 32,083 | (14,315) | (144.6%) |
| Loss from Operations | (6,984) | (77,372) | 1007.8% |
| Net Profit (Loss) for the Period before Zakat | 4,176 | (86,489) | (2170.9%) |
| Net Profit (Loss) for the Period | 1,969 | (87,989) | (4568.4%) |
| Other Comprehensive Income (Loss) | - | - | - |
| Total Comprehensive Income (Loss) for the Period | 1,969 | (87,989) | (4568.4%) |

Source: Condensed consolidated interim financial statements for the six-month period ended 30 June 2022G and 2023G.

**Table 5.43: Summary of Financial Information from the Statement of Financial Position for the Six-Month Period Ended 30 June 2022G and 2023G**

| SAR '000 | As of 31 December 2022G (Audited) | As of 31 December 2023G (Audited) |
|---|---|---|
| Total Non-Current Assets | 1,397,931 | 1,416,090 |
| Total Current Assets | 238,312 | 258,793 |
| Total Equity | 744,093 | 656,105 |
| Total Non-Current Liabilities | 575,987 | 644,658 |
| Total Current Liabilities | 316,162 | 374,120 |

Source: Audited consolidated financial statements for the year ended 31 December 2022G, and condensed consolidated interim financial statements for the six-month period ended 30 June 2022G and 2023G.

**Table 5.44: Summary of Financial Information from the Statement of Cash Flows for the Six-Month Period Ended 30 June 2022G and 2023G**

| SAR '000 | Six-Month Period Ended 30 June | |
|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) |
| Net Cash (Used in) Generated from Operating Activities | (6,666) | 20,518 |
| Net Cash Used in Investing Activities | (51,514) | (30,605) |
| Net Cash Generated from Financing Activities | 61,309 | 10,652 |

Source: Condensed consolidated interim financial statements for the six months ended 30 June 2022G and 2023G.

**Table 5.45: Key Performance Indicators for Income Statement Metrics for the Six-Month Period Ended 30 June 2022G and 2023G**

| Income Statement Metrics for the Six-Month Period Ended 30 June | | | |
|---|---|---|---|
| SAR '000 | 2022G (Unaudited) | 2023G (Unaudited) | Percentage of Change Period |
| Gross Profit Margin (1) | 22.7% | (9.8%) | (32.5) |
| Operating Profit Margin (2) | (4.9%) | (53.1%) | (48.2) |
| EBITDA Margin (3) | 10.6% | (33.2%) | (52.7) |
| Net Profit Margin (4) | 1.4% | (60.4%) | (61.8) |

Source: The Management Information

(1) Gross Profit Margin is defined as gross profit divided by revenue, which is expressed as a percentage.
(2) Operating Profit Margin is defined as operating profit divided by revenue, which is expressed as a percentage.
(3) EBITDA Margin is defined as EBITDA divided by revenue, which is expressed as a percentage.
(4) Net Profit Margin is defined as net profit for the year divided by revenue, which is expressed as a percentage.

**Table 5.46: Key Performance Indicators for the Statement of Financial Position Metrics for the financial years ended 31 December 2022G and the Six-Month Period ended 30 June 2023G**

| Metrics of the Statement of Financial Position | | |
|---|---|---|
| SAR '000 | FY 2022G (Audited) | Six-Month Period Ended 30 June 2023G (Unaudited) |
| Return on Assets (1) | (2.8%) | (5.3%) |
| Return on Equity (2) | (5.7%) | (12.6%) |

Source: The Management information

(1) Return on assets is calculated as follows: Net profit for the year/ Average assets during the year.
(2) Return on equity is calculated as follows: Net profit for the year/ Average equity during the year.

## 5.7.2 Statement of Profit or Loss and Other Comprehensive Income

**Table 5.47: Statement of Profit or Loss and Other Comprehensive Income for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Revenue, net | 141,457 | 145,678 | 3.0% |
| Cost of Revenue | (109,374) | (159,993) | 46.3% |
| **Gross Profit (Loss)** | **32,083** | **(14,315)** | **(144.6%)** |
| General and Administrative Expenses | (38,497) | (60,964) | 58.4% |
| Selling and Marketing Expenses | (570) | (2,093) | 267.1% |
| **Operating Loss** | **(6,984)** | **(77,372)** | **1007.8%** |
| Finance Costs | (1,927) | (19,467) | 910.4% |
| Dividends | 1,509 | 2,521 | 67.1% |
| Share in the Results of an Associate Company | 3,063 | 1,422 | (53.6%) |
| Realized Gains on Disposal of Equity Instruments at Fair Value Through Profit or Loss | 1,318 | - | (100.0%) |
| Unrealized Gains on Equity Instruments at Fair Value Through Profit or Loss | 1,172 | - | (100.0%) |
| Other Income | 6,025 | 6,407 | 6.3% |
| **Net profit (loss) for the period before Zakat** | **4,176** | **(86,489)** | **(2170.9%)** |
| Zakat | (2,207) | (1,500) | (32.0%) |
| **Net profit (loss) for the period** | **1,969** | **(87,989)** | **(4568.4%)** |

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| **Other comprehensive income** | | | |
| **Items that are not reclassified later to profit or loss** | | | |
| Net fair value movement on equity instruments at fair value through other comprehensive income | - | - | - |
| Re-measurement of Employee Defined Benefit Obligations | - | - | - |
| **Other comprehensive profit (loss)** | **-** | **-** | **-** |
| **Total comprehensive income (loss) for the period** | **1,969** | **(87,989)** | **(4568.4%)** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Revenue, net

Revenue is comprised of the Medical Services Sector, which contributed around 93% of total revenues, and the Manufacturing Sector, which contributed around 7% of total revenues during the six-month period ended 30 June 2022G – 2023G.

The Company witnessed a 3% growth in revenues from SAR 141.5 million in the six-month period ended 30 June 2022G to SAR 145.7 million in the six-month period ended 30 June 2023G. This is primarily attributable to the 2.3% growth in Medical Services Sector revenues, from SAR 131.8 million in the six-month period ended 30 June 2022G to SAR 134.9 million in the six-month period ended 30 June 2023G. This growth in medical services is due to an approximate 15% increase in revenues from patients insured by insurance companies, resulting from a 9,974 patient increase during the same period.

## Cost of Revenue

The cost of revenues primarily consists of (1) Employee Costs, representing 62%, (2) consumables, representing 23%, (3) depreciation, representing 5%, and other costs.

Cost of revenue increased by 46.3% from SAR 109.4 million in the six-month period ended 30 June 2022G to SAR 160 million in the six-month period ended 30 June 2023G, primarily due to a 57.9% increase in Employee Costs from SAR 59.7 million in the six-month period ended 30 June 2022G to SAR 94.3 million in the six-month period ended 30 June 2023G. The increase in Employee Costs was driven by an increase of 432 employees under the cost of revenues for Al-Salam Medical Services Company, which commenced operations during Q4 of financial year ended 31 December 2022G.

## Gross Profit (Loss)

Gross profit margin decreased by 32.5 basis points from 22.7% in the six-month period ended 30 June 2022G to a gross loss margin of 9.8% in the six-month period ended 30 June 2023G, in line with the SAR 50.6 million increase in costs outpacing the SAR 4.2 million increase in revenues during the six-month period ended 30 June 2023G.

## General and Administrative Expenses

General and Administrative Expenses increased by 58.4% from SAR 38.5 million in the six-month period ended 30 June 2022G to SAR 61.0 million in the six-month period ended 30 June 2022G, primarily due to an increase in Employee Costs from SAR 28.3 million in the six-month period ended 30 June 2022G to SAR 38.4 million in the six-month period ended 30 June 2022G, driven by 365 new employees hired by Al-Salam Medical Services Company.

## Selling and Marketing Expenses

Selling and Marketing Expenses increased by 267.1% from SAR 0.57 million in the six-month period ended 30 June 2022G to SAR 2.1 million in the six-month period ended 30 June 2023G, primarily driven by costs related to Al-Salam Medical Services Company.

## Finance Costs

Finance Costs increased by 910.4% from SAR 1.9 million in the six-month period ended 30 June 2022G to SAR 19.5 million in the six-month period ended 30 June 2023G, due to an increase in loans and Lease Liabilities, in addition to a decrease in capitalized costs by Al-Salam Medical Services Company.

## Dividends

Dividends increased from SAR 1.5 million in the six-month period ended 30 June 2022G to SAR 2.5 million in the six-month period ended 30 June 2023G. The increase is mainly attributable to SAR 2.1 million in Dividends from the Arab Paper Manufacturing Company (WARAQ), partially offset by a SAR 0.6 million decrease in Dividends from investment in equity instruments designated at fair value through profit or loss.

## Share in the Results of an Associate Company

Share in the Results of an Associate Company decreased by 53.6%, or SAR 1.6 million, from SAR 3.1 million in the six-month period ended 30 June 2022G to SAR 1.4 million in the six-month period ended 30 June 2023G. This decrease is due to the associate's decision to open a new medical center, resulting in increased costs and consequent lower profits from the associate.

## Realized Gains on Disposal of Equity Instruments designated at Fair Value Through Profit or Loss

Realized Gains on Disposal of Equity Instruments at Fair Value Through Profit or Loss amounted to SAR 1.3 million in the six-month period ended 30 June 2022G, and nil in the six-month period ended 30 June 2023G, as all investments at fair value through profit or loss were liquidated in the financial year ended 31 December 2022G.

## Unrealized Gains on Equity Instruments designated at Fair Value Through Profit or Loss

Unrealized Gains on Equity Instruments at Fair Value Through Profit or Loss amounted to SAR 1.2 million in the six-month period ended 30 June 2022G, and nil in the six-month period ended 30 June 2023G, as all investments at fair value through profit or loss were liquidated in the financial year ended 31 December 2022G.

## Other Income

Other Income increased by 6.3% from SAR 6.0 million in the six-month period ended 30 June 2022G to SAR 6.4 million in the six-month period ended 30 June 2023G, primarily due to a SAR 1.6 million increase in income from Murabaha deposits.

## Zakat

Zakat decreased by 32.0% from SAR 2.2 million in the six-month period ended 30 June 2022G to SAR 1.5 million in the six-month period ended 30 June 2022G.

### 5.7.2.1 Revenue

**Table 5.48: Revenue by Sector for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Medical Services Sector | 131,842 | 134,913 | 2.3% |
| Manufacturing Sector | 9,615 | 10,765 | 12.0% |
| Total revenue, net | 141,457 | 145,678 | 2.98% |
| **Percentage to total** | | | |
| Medical Services Sector | 93.2% | 92.6% | 93.2 |
| Manufacturing Sector | 6.8% | 7.4% | 6.8 |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Medical Services Sector

Medical Services Sector net revenue increased by 2.3% from SAR 131.8 million in the six-month period ended 30 June 2022G to SAR 134.9 million in the six-month period ended 30 June 2023G. This is attributable to an increase in insurance revenues of SAR 8.3 million, and an increase in (Source B) revenues of SAR 3.4 million. This was partially offset by a decrease of SAR 7.2 million in (Source A) revenues and a decrease of SAR 1.5 million in cash revenues during the period.

## Manufacturing Sector

Manufacturing Sector net revenue increased by 12.0% from SAR 9.6 million in the six-month period ended 30 June 2022G to SAR 10.8 million in the six-month period ended 30 June 2023G. This resulted from increased revenues across all products, particularly (Product 2), (Product 3), and (Product 5) revenues, amounting to SAR 260 thousand, SAR 546 thousand, and SAR 244 thousand, respectively, during the period.

**Table 5.49: Revenue of Medical Services Sector by Source for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Insurance | 55,291 | 63,592 | 15.0% |
| Source B | 40,658 | 44,092 | 8.4% |
| Source A | 21,780 | 14,620 | (32.9%) |
| Cash | 14,112 | 12,609 | (10.7%) |
| **Total revenue** | **131,842** | **134,913** | **2.3%** |
| **Percentage to total** | | | |
| Insurance | 41.9% | 47.1% | 5.2 |
| Source B | 30.8% | 32.7% | 1.8 |
| Source A | 16.5% | 10.8% | (5.7) |
| **Cash** | **10.7%** | **9.3%** | **(1.4)** |
| **Number of patients** | | | |
| Insurance | 112,597 | 122,571 | 8.9% |
| Source B | 40,720 | 40,598 | (0.3%) |
| Source A | 1,397 | 256 | (81.7%) |
| Cash | 13,294 | 8,466 | (36.3%) |
| **Total** | **168,008** | **171,891** | **2.3%** |
| **Average revenue per patient (SAR)** | | | |
| Insurance | 491 | 519 | 5.7% |
| Source B | 998 | 1,086 | 8.8% |
| Source A | 15,591 | 57,109 | 266.3% |
| Cash | 1,062 | 1,489 | 40.3% |
| **Total** | **785** | **785** | **0.0%** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Insurance

Insurance revenues increased from SAR 55.3 million in the six-month period ended 30 June 2022G to SAR 63.6 million in the six-month period ended 30 June 2023G, primarily in line with an increase in the number of patients from 112,597 in the six-month period ended 30 June 2022G to 122,571 in the six-month period ended 30 June 2023G. Additionally, the average revenue per patient increased from SAR 491 in the six-month period ended 30 June 2022G to SAR 519 in the six-month period ended 30 June 2023G. This was consistent with the increased operations at Al-Ahsa Medical Services Company and the opening of Al-Salam Medical Services Company.

## Source B

Revenues from (Source B) increased by 8.4% from SAR 40.7 million in the six-month period ended 30 June 2022G to SAR 44.1 million in the six-month period ended 30 June 2023G, primarily due to an increase in the average revenue per patient from SAR 998 in the six-month period ended 30 June 2022G to SAR 1,086 in the six-month period ended 30 June 2023G. This was offset by a slight decrease in the number of patients from 40,720 in the six-month period ended 30 June 2022G to 40,598 in the six-month period ended 30 June 2023G.

It is worth noting that during the six-month period ended 30 June 2023G, the Company did not record any revenues from vision therapy patients treated by (Supplier 1), as invoices were sent directly to (Source B) for the services provided by (Supplier 1). Accordingly, in the six-month period ended 30 June 2023G, the invoicing process for these services changed, where (Supplier 1) started issuing invoices to the Company for the services (recognized as expenses by the Company), and then the Company invoiced (Source B) for these expenses (recognized as revenues by the Company), resulting in an increase in revenues during the period.

Additionally, during Q4 of FY 2022G, (Source B) began, per the contract with the Company, paying a fixed flat fee per patient, regardless of the specific procedure or service provided by the Company. However, as of Q4 of FY 2022G, the pricing structure in the contract was changed from fixed fees to variable fees, leading to fluctuations in revenues and profitability.

## Source A

Revenues from (Source A) decreased by 32.9%, from SAR 21.8 million in the six-month period ended 30 June 2022G to SAR 14.6 million in the six-month period ended 30 June 2023G. This was primarily driven by the end of COVID-19 pandemic, where the number of patients referred by (Source A) decreased from 1,397 in the six-month period ended 30 June 2022G to 256 in the six-month period ended 30 June 2022G, consistent with the decline in COVID-19 patients during the period.

## Cash

Cash revenues decreased by 10.7% from SAR 14.1 million in the six-month period ended 30 June 2022G to SAR 12.6 million in the six-month period ended 30 June 2023G. This decrease in cash revenues is primarily attributable to a decrease in the number of patients from 13,294 in the six-month period ended 30 June 2022G to 8,466 in the six-month period ended 30 June 2023G, due to the expansion of insurance coverage, leading to a decline in cash payments for certain insured procedures.

**Table 5.50: Revenue by Product of Manufacturing Sector for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Product 1 | 8,165 | 8,258 | 1.1% |
| Product 2 | 804 | 1,064 | 32.3% |
| Product 3 | 411 | 957 | 133.2% |
| Product 4 | 34 | 41 | 19.6% |
| Product 5 | 51 | 295 | 474.4% |
| Others | 150 | 150 | (0.2%) |
| **Total revenue** | **9,615** | **10,765** | **12.0%** |
| **Percentage to total** | | | |
| Product 1 | 84.9% | 76.7% | (8.2) |
| Product 2 | 8.4% | 9.9% | 1.5 |
| Product 3 | 4.3% | 8.9% | 4.6 |
| Product 4 | 0.0% | 0.4% | 0.4 |
| Product 5 | 0.4% | 2.7% | 2.4 |
| Others | 1.6% | 1.4% | (0.2) |
| **Quantity (ton)** | | | |
| Product 1 | 2,681 | 2,705 | 0.9% |
| Product 2 | 58 | 76 | 32.3% |
| Product 3 | 50 | 120 | 138.5% |
| Product 4 | 1 | 4 | 193.3% |
| Product 5 | 2 | 95 | 4169.7% |
| Others | 592 | 527 | (11.1%) |
| **Total** | **3,385** | **3,526** | **4.2%** |
| **Average price per ton (SAR)** | | | |
| Product 1 | 3,045 | 3,053 | 0.3% |
| Product 2 | 13,972 | 13,972 | (0.0%) |
| Product 3 | 8,173 | 7,992 | (2.2%) |
| Product 4 | 26,976 | 10,997 | (59.2%) |
| Product 5 | 22,994 | 3,093 | (86.5%) |
| Others | 254 | 285 | 12.3% |
| **Total** | **2,841** | **3,053** | **7.5%** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Al-Ahsa Food Industries Company (a subsidiary) produces a wide range of premium quality dates and date-derived products for food companies, including:

- **Packaged Dates (Vacuum)** comprising over 10 varieties of packaged dates such as Khalas and Shishi dates.
- Date Dough (Date Molasses).
- Date Syrup.
- Date Vinegar.

The following are the details of revenues from products:

### Product 1

(Product 1) revenues slightly increased by 1.1% from SAR 8.2 million in the six-month period ended 30 June 2022G to SAR 8.3 million in the six-month period ended 30 June 2023G, primarily in line with an increase in sold quantities from 2,681 tons in the six-month period ended 30 June 2022G to 2,705 tons in the six-month period ended 30 June 2023G. The increase in quantity resulted from an increase in orders from large and medium-sized factories, and business expansion through signing with new key customers.

### Product 2

(Product 2) revenues increased by 32.3% from SAR 804 thousand in the six-month period ended 30 June 2022G to SAR 1.1 million in the six-month period ended 30 June 2023G, on the back of growth in sold quantities from 58 tons in the six-month period ended 30 June 2022G to 76 tons in the six-month period ended 30 June 2023G. The increase was primarily driven by increased orders from a key customer (Customer 2).

### Product 3

(Product 3) revenues increased by 133.2% from SAR 411 thousand in the six-month period ended 30 June 2022G to SAR 1.0 million in the six-month period ended 30 June 2023G, driven by an increase in sold quantities from 50 tons in the six-month period ended 30 June 2022G to 120 tons in the six-month period ended 30 June 2022G. The increase is primarily attributable to increased product demand, particularly for use in dairy products.

### Product 4

(Product 4) revenues increased from SAR 34 thousand in the six-month period ended 30 June 2022G to SAR 41 thousand in the six-month period ended 30 June 2023G, in line with an increase in sold quantities from 1 ton in the six-month period ended 30 June 2022G to 4 tons in the six-month period ended 30 June 2023G.

### Product 5

(Product 5) revenues increased by 474.4% from SAR 51 thousand in the six-month period ended 30 June 2022G to SAR 0.3 million in the six-month period ended 30 June 2023G. This increase is due to an increase in quantities from 2 tons in the six-month period ended 30 June 2022G to 95 tons in the six-month period ended 30 June 2023G, resulting from a special order from one of the substantial former customers (Customer 1).

### Others

Other product revenues remained relatively stable at SAR 150 thousand during the six-month periods ended 30 June 2022G and 2023G, as sold quantities decreased by 11.1% from 592 tons to 527 tons during the period, offset by a 12.3% increase in the average price per ton.

## 5.7.2.2 Cost of Revenue

**Table 5.51: Cost of revenue for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Employee Costs | 59,706 | 94,261 | 57.9% |
| Consumables | 29,812 | 35,534 | 19.2% |
| Depreciation | 5,836 | 5,751 | (1.5%) |
| External Medical Services | 2,674 | 4,442 | 66.1% |

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Maintenance | 2,624 | 2,560 | (2.4%) |
| Benefits | 1,512 | 7,196 | 376.0% |
| Others | 7.210 | 10.249 | 42.2% |
| **Total** | **109.374** | **159.993** | **46.3%** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Employee Costs

Employee Costs increased by 57.9% from SAR 59.7 million in the six-month period ended 30 June 2022G to SAR 94.3 million in the six-month period ended 30 June 2023G. This is due to an increase in the number of employees from 1,141 in the six-month period ended 30 June 2022G to 1,528 in the six-month period ended 30 June 2023G. This increase in the number of employees is attributable to the opening of Al-Salam Medical Services Company, in addition to an increase in direct working hours.

## Consumables

The cost of consumables increased by 19.2% from SAR 29.8 million in the six-month period ended 30 June 2022G to SAR 35.5 million in the six-month period ended 30 June 2023G. The increase was a result of the additional operating cost upon the opening of Al-Salam Medical Services Company.

## Depreciation

The depreciation cost slightly decreased by 1.5% from SAR 5.8 million in the six-month period ended 30 June 2022G to SAR 5.7 million in the six-month period ended 30 June 2023G.

## External Medical Services

The costs of external medical services increased by 66.1% from SAR 2.7 million in the six-month period ended 30 June 2022G to SAR 4.4 million in the six-month period ended 30 June 2023G. This is in line with an increase in the number of (Source B) patients requiring treatment from (Supplier 1).

## Maintenance

Maintenance costs remained stable at SAR 2.6 million in the six-month period ended 30 June 2022G and the six-month period ended 30 June 2023G.

## Benefits

Benefits costs increased by 376.0% from SAR 1.5 million in the six-month period ended 30 June 2022G to SAR 7.2 million in the six-month period ended 30 June 2023G. This is primarily attributable to the commencement of operations of Al-Salam Medical Services Company in the six-month period ended 30 June 2023G.

## Others

Other costs increased from SAR 7.2 million in the six-month period ended 30 June 2022G to SAR 10.2 million in the six-month period ended 30 June 2023G.

### 5.7.2.3 General and Administrative Expenses

**Table 5.52: General and Administrative Expenses for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Employee Costs | 28,258 | 38,384 | 35.8% |
| Depreciation | 2,475 | 12,502 | 405.1% |
| Interest Incurred by Al-Salam Medical Services Company on Al-Ahsa Medical Services Company's Debt and Other Expenses | 712 | 4,375 | 514.0% |
| Security | 1,110 | 1,270 | 14.4% |
| Maintenance | 137 | 1,042 | 661.5% |
| Legal and Professional Fees | 958 | 986 | 2.9% |
| Benefits | 307 | 962 | 212.8% |
| Board of Directors' Expenses and Attendance Fees | 1,308 | 236 | (81.9%) |
| Provision for Doubtful Debts | 1,775 | - | (100.0%) |
| Others | 1,457 | 1,208 | (17.1%) |
| **Total** | **38,497** | **60,964** | **58.4%** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

#### Employee Costs

Employee Costs increased by 35.8% from SAR 28.3 million in the six-month period ended 30 June 2022G to SAR 38.4 million in the six-month period ended 30 June 2023G. This increase was in line with an increase of 335 employees, primarily related to new hires at Al-Salam Medical Services Company, which commenced its operations in the fourth quarter of the financial year ended 31 December 2022G. This was partially offset by a decrease of 50 employees at Al-Ahsa Medical Services Company.

#### Depreciation

Depreciation expenses increased by 405.1% from SAR 2.5 million in the six-month period ended 30 June 2022G to SAR 12.5 million in the six-month period ended 30 June 2023G. This is primarily attributable to the transfer of assets from Capital Work in Progress to property, plant, and equipment, and the commencement of depreciation upon the opening of Al-Salam Medical Hospital.

#### Interest Incurred by Al-Salam Medical Services Company on Al-Ahsa Medical Services Company's Debt and Other Expenses

This primarily relates to the finance cost on a loan of SAR 712 thousand in the six-month period ended 30 June 2022G, which is attributable to Al-Salam Medical Services Company, as Al-Ahsa Medical Services Company obtained the loan on behalf of Al-Salam Medical Services Company, and thus, the loan costs are charged to Al-Salam Medical Services Company under this line item.

Interest incurred increased by 514.0% from SAR 712 thousand in the six-month period ended 30 June 2022G to SAR 4.4 million in the six-month period ended 30 June 2023G. Al-Ahsa Medical Services Company provided the proceeds from a bank loan, and the related interest charges were recorded under this line item (which are borne by Al-Salam Medical Services Company).

#### Security

Security costs increased by 14.4% from SAR 1.1 million in the six-month period ended 30 June 2022G to SAR 1.3 million in the six-month period ended 30 June 2023G, in line with an increase in the number of security personnel at Al-Salam Medical Services Company.

#### Maintenance

Maintenance costs increased from SAR 137 thousand in the six-month period ended 30 June 2022G to SAR 1.0 million in the six-month period ended 30 June 2023G.

#### Legal and Professional Fees

Legal and professional fees increased by 2.9% from SAR 958 thousand in the six-month period ended 30 June 2022G to SAR 986 thousand in the six-month period ended 30 June 2023G, in line with an increase in audit and consulting fees primarily.

### Benefits

Benefits costs increased by 212.8% from SAR 307 thousand in the six-month period ended 30 June 2022G to SAR 962 thousand in the six-month period ended 30 June 2023G. This is primarily attributable to Al-Salam Medical Services Company, as the center commenced operations in the fourth quarter of the financial year ended 31 December 2022G.

### Board of Directors' Expenses and Attendance Fees

Board of Directors' Expenses and Attendance Fees decreased by 81.9% from SAR 1.3 million in the six-month period ended 30 June 2022G to SAR 0.2 million in the six-month period ended 30 June 2023G. This was primarily due to the Company incurring higher costs during the previous Board of Directors' term in the six-month period ended 30 June 2022G as compared to the six-month period ended 30 June 2023G.

### Provision for Doubtful Debts

The Provision for Doubtful Debts decreased from SAR 1.8 million in the six-month period ended 30 June 2022G to nil in the six-month period ended 30 June 2023G. This is due to the reclassification of the item into direct deduction from revenues.

### Others

Other General and Administrative Expenses decreased by 17.1% from SAR 1.5 million in the six-month period ended 30 June 2022G to SAR 1.2 million in the six-month period ended 30 June 2023G.

## 5.7.2.4 Selling and Marketing Expenses

**Table 5.53: Selling and Marketing Expenses for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Employee Costs | 168 | 237 | 40.9% |
| Shipping Expenses | 92 | 90 | (2.1%) |
| Marketing Expenses | - | 1,489 | N/A |
| Others | 310 | 277 | (10.6%) |
| **Total** | **570** | **2,093** | **267.11%** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

### Employee Costs

Employee Costs increased by 40.9% from SAR 168 thousand in the six-month period ended 30 June 2022G to SAR 237 thousand in the six-month period ended 30 June 2023G.

### Shipping Expenses

Shipping Expenses remained stable at an average of SAR 91 thousand in both the six-month period ended 30 June 2022G and the six-month period ended 30 June 2023G.

### Marketing Expenses

Marketing Expenses amounted to SAR 1.5 million in the six-month period ended 30 June 2023G, primarily related to the marketing campaign for Al-Salam Medical Services Company.

### Others

Other selling and Marketing Expenses decreased by 10.6% from SAR 310 thousand in the six-month period ended 30 June 2022G to SAR 277 thousand in the six-month period ended 30 June 2023G.

### 5.7.2.5 Finance Costs

**Table 5.54: Finance Costs for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Long-Term Commercial Loan | - | 14,990 | N/A |
| Ministry of Finance's Long-Term Loan | - | 2,470 | N/A |
| Finance Costs – Lease Liabilities | 1,451 | 1,098 | (24.3%) |
| Finance Costs | 384 | 763 | 98.5% |
| Interest on Short-Term Loan | 15 | 95 | 534.7% |
| Lease Interest Expense | 77 | 51 | (33.0%) |
| **Total** | **1,927** | **19,467** | **910.4%** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

#### Long-Term Commercial Loan

Finance Costs on the Long-Term Commercial Loan amounted to SAR 15.0 million in the six-month period ended 30 June 2023G. The Company capitalized interest expenses on the loan when Al-Salam Medical Services Company was under construction during the six-month period ended 30 June 2022G. Accordingly, the Company charged interest expenses on these loans to Finance Costs after the completion of the medical center in the six-month period ended 30 June 2023G.

#### Ministry of Finance's Long-Term Loan

Finance Costs on the Ministry of Finance's long-term loan amounted to SAR 2.5 million in the six-month period ended 30 June 2023G, related to the long-term loan obtained from the Ministry of Finance.

#### Finance Costs - Lease Liabilities

Finance Costs on Lease Liabilities decreased by 24.3% from SAR 1.5 million in the six-month period ended 30 June 2022G to SAR 1.1 million in the six-month period ended 30 June 2023G, resulting from a decrease in Lease Liabilities during the period.

#### Interest on Short-Term Loan

Interest on Short-Term Loan increased from SAR 15 thousand in the six-month period ended 30 June 2022G to SAR 95 thousand in the six-month period ended 30 June 2023G, due to an increase in Short-Term Loans.

#### Lease Interest Expense

Lease Interest Expense decreased from SAR 77 thousand in the six-month period ended 30 June 2022G to SAR 51 thousand in the six-month period ended 30 June 2023G, in line with a decrease in Lease Liabilities.

### 5.7.2.6 Dividends

**Table 5.55: Dividends for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Arab Paper Manufacturing Company (WARAQ) | - | 2,050 | N/A |
| Dividends from Taqa | 951 | 471 | (50.5%) |
| Dividend on Fair Value Portfolio Through Profit and Loss | 558 | - | (100.0%) |
| **Total** | **1,509** | **2,521** | **67.1%** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Dividends increased by 67.1% from SAR 1.5 million in the six-month period ended 30 June 2022G to SAR 2.5 million in the six-month period ended 30 June 2023G, on the back of Dividends recorded from the Arab Paper Manufacturing Co (WARAQ), which amounted to SAR 2.1 million in the six-month period ended 30 June 2023G.

### 5.7.2.7 Investments in Equity Instruments at Fair Value through Profit or Loss

**Table 5.56: Investments in Equity Instruments at Fair Value through Profit or Loss for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Opening balance | 57,602 | - | N/A |
| Additions | 3,972 | - | N/A |
| Disposals | (5,296) | - | N/A |
| Fair value measurement gain, net | 1,172 | - | N/A |
| Closing balance | 57,450 | - | N/A |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Realized and Unrealized Gains on Equity Instruments at Fair Value Through Profit or Loss amounted to nil in the six-month period ended 30 June 2023G, as the Company disposed of all its investments during the financial year ended 31 December 2022G.

### 5.7.2.8 Other Revenue

**Table 5.57: Other Revenue for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | The six-month period ended 30 June | | |
|---|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) | Period Change Ratio |
| Income from Financial Investment in Term Deposits | - | 1,569 | N/A |
| Leasing to Others | 1,335 | 1,517 | 13.6% |
| Conferences and Seminars (Provisions) | 1,722 | 1,000 | (41.9%) |
| Meal Income | 442 | 359 | (18.8%) |
| Others | 2,526 | 1,962 | (22.3%) |
| **Total** | **6.025** | **6.407** | **6.3%** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

#### Income from Financial Investment in money market

This relates to the investment in term Murabaha deposits following the Company's decision to sell the investments held at fair value through profit or loss and transfer the funds to income-generating securities.

The Company recorded income of SAR 1.6 million in the six-month period ended 30 June 2023G.

#### Leasing to Others

Leasing to others increased by 13.6% from SAR 1.3 million in the six-month period ended 30 June 2022G to SAR 1.5 million in the six-month period ended 30 June 2023G, driven by the leasing of Al-Salam Medical Services Company's properties to Starbucks.

The annual rent value of the property leased from Al-Salam Medical Services Company to Starbucks amounted to SAR 288 thousand.

#### Conferences and Seminars (Provisions)

Provisions decreased by 41.9% from SAR 1.7 million in the six-month period ended 30 June 2022G to SAR 1.0 million in the six-month period ended 30 June 2023G, resulting from a decrease in the conferences and seminars held.

## Meal Income

Meal Income decreased by 18.8% from SAR 442 thousand in the six-month period ended 30 June 2022G to SAR 359 thousand in the six-month period ended 30 June 2023G.

## Others

Other Income decreased from SAR 2.5 million in the six-month period ended 30 June 2022G to SAR 2.0 million in the six-month period ended 30 June 2023G.

## 5.7.3 Statement of Financial Position

**Table 5.58: Statement of Financial Position as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| **Assets** | | |
| **Non-Current Assets** | | |
| Property, Plant and Equipment, Net | 1,061,690 | 1,084,735 |
| Intangible Assets, net | 1,157 | 929 |
| Investments in Equity Instruments at Fair Value Through Other Comprehensive Income | 121,942 | 121,942 |
| Investment in an associate | 20,184 | 21,606 |
| Real Estate Investments, net | 126,500 | 126,395 |
| Right-of-Use Assets, Net | 64,364 | 58,388 |
| Goodwill | 2,095 | 2,095 |
| **Total Non-Current Assets** | **1,397,931** | **1,416,090** |
| **Current Assets** | | |
| Inventory, Net | 30,171 | 33,455 |
| Trade Receivables, Prepayments and Other Assets, net | 131,090 | 147,722 |
| Cash and Cash Equivalents | 77,050 | 77,616 |
| Total Current Assets | 238,312 | 258,793 |
| **Total Assets** | **1,636,243** | **1,674,884** |
| **Equity and Liabilities** | | |
| **Equity** | | |
| Capital | 806,363 | 806,363 |
| Share Premium | 65,479 | 65,479 |
| Statutory Reserve | 7,786 | 7,786 |
| Accumulated Losses | (42,979) | (130,917) |
| Reserve for acquisition of an additional share in a subsidiary | (122,454) | (122,454) |
| Fair Value Reserve | 15,932 | 15,932 |
| Reserve for Re-measurement of Employee Defined Benefit Obligations | 5,608 | 5,608 |
| **Total equity to the Company's shareholders** | **735,736** | **647,798** |
| Non-controlling Equity | 8,358 | 8,306 |
| **Total Equity** | **744,093** | **656,105** |

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| **Liabilities** | | |
| Non-Current Liabilities | | |
| Long-Term Loans – Non-current portion | 471,283 | 544,306 |
| Lease Liabilities – Non-current portion | 65,747 | 59,506 |
| Employee Defined Benefit Obligations | 38,958 | 40,846 |
| **Total Non-Current Liabilities** | **575,987** | **644,658** |
| **Current Liabilities** | | |
| Long-Term Loans – Current portion | 80,809 | 30,621 |
| Short-Term Loans | 117,293 | 133,923 |
| Trade Payables, Accrued Expenses and Other Liabilities | 96,063 | 191,128 |
| Lease Liabilities – Current portion | 16,115 | 15,393 |
| Zakat Provision | 5,882 | 3,056 |
| **Total Current Liabilities** | **316,162** | **374,120** |
| **Total Liabilities** | **892,149** | **1,018,779** |
| **Total Equity and Liabilities** | **1,636,243** | **1,674,884** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Non-Current Assets

Non-Current Assets increased from SAR 1,398 million as of 31 December 2022G to SAR 1,416 million as of 30 June 2023G, due to an increase in property, plant, and equipment – net by SAR 23.0 million, partially offset by a decrease in right-of-use assets – net by SAR 6.0 million due to depreciation with no significant additions during the period.

## Current Assets

Current Assets increased from SAR 238.3 million as of 31 December 2022G to SAR 257.8 million as of 30 June 2023G, driven by an increase in Trade Receivables, prepayments, and other assets, net by SAR 16.6 million due to delayed payments from (Source A), and an increase in inventories by SAR 3.3 million due to an increase in the inventory of Al-Salam Medical Services Company related to the first phase of the hospital.

## Equity

Total equity decreased from SAR 744.1 million as of 31 December 2022G to SAR 656.1 million as of 30 June 2023G, primarily due to an increase in accumulated losses by SAR 87.9 million on the back of a net loss for the period of SAR 88.0 million, mainly attributable to losses from Al-Salam Medical Services Company.

## Non-Current Liabilities

Non-Current Liabilities increased from SAR 576.0 million as of 31 December 2022G to SAR 644.7 million as of 30 June 2023G, due to an increase in Long-Term Loans – non-current portion by SAR 73.0 million, primarily resulting from an increase in the loan from the Ministry of Finance by SAR 25.9 million during the period.

## Current Liabilities

Current Liabilities increased from SAR 316.2 million as of 31 December 2022G to SAR 374.1 million as of 30 June 2023G, due to an increase in trade payables, accrued expenses, and other liabilities by SAR 95.1 million, mainly attributable to an increase in amounts due to a related party of SAR 92.8 million on the back of a loan from a related party, one of the Company's substantial shareholders, provided during the period with an outstanding balance of SAR 108.4 million as of 30 June 2023G.

### 5.7.3.1 Non-Current Assets

**Table 5.59: Non-Current Assets as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Property, Plant and Equipment, Net | 1,061,690 | 1,084,735 |
| Intangible Assets, net | 1,157 | 929 |
| Investments in Equity Instruments at Fair Value Through Other Comprehensive Income | 121,942 | 121,942 |
| Investment in an associate | 20,184 | 21,606 |
| Real Estate Investments, net | 126,500 | 126,395 |
| Right-of-Use Assets, Net | 64,364 | 58,388 |
| Goodwill | 2,095 | 2,095 |
| **Total Non-Current Assets** | **1,397,931** | **1,416,090** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Property, Plant and Equipment, Net

**Table 5.60: Net book value of Property, Plant and Equipment as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Lands | 165,897 | 165,897 |
| Buildings and Leasehold Improvements | 294,032 | 392,728 |
| Machinery | 41,867 | 40,916 |
| Vehicles | 554 | 514 |
| Office furniture and equipment | 5,665 | 5,312 |
| Computers | 2,495 | 2,476 |
| Capital Work In Progress | 551,179 | 476,891 |
| **Total** | **1,061,690** | **1,084,735** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

**Table 5.61: Additions to Property, Plant and Equipment as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Lands | - | - |
| Buildings and Leasehold Improvements | 274 | 43 |
| Machinery | 3,634 | 188 |
| Vehicles | 78 | 199 |
| Office furniture and equipment | 547 | 69 |
| Computers | 1,977 | 416 |
| Capital Work In Progress | 144,611 | 265 |
| **Total** | **151,122** | **1,180** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Lands

The net book value of lands amounted to SAR 165.9 million as of 31 December 2022G and as of 30 June 2023G, with this increase relating to the impact of applying fair value for consolidation purposes amounting to SAR 29.2 million.

## Buildings and Leasehold Improvements

The net book value of Buildings and Leasehold Improvements increased from SAR 294.0 million as of 31 December 2022G to SAR 392.7 million as of 30 June 2023G, due to transfers from Capital Work In Progress amounting to SAR 105.7 million related to the construction works at Al-Salam Medical Services Company. The soft opening of the first phase of the medical center took place in October 2022G.

## Machinery

The net book value of Machinery decreased from SAR 41.9 million as of 31 December 2022G to SAR 40.9 million as of 30 June 2023G due to depreciation.

## Vehicles

The net book value of Vehicles decreased from SAR 544 thousand as of 31 December 2022G to SAR 514 thousand as of 30 June 2023G.

## Furniture and Fixtures

The net book value of Furniture and Fixtures decreased from SAR 5.7 million as of 31 December 2022G to SAR 5.3 million as of 30 June 2023G.

## Computers

The net book value of Computers remained stable at around SAR 2.5 million as of 31 December 2022G and as of 30 June 2023G.

## Capital Work in Progress

Capital Work In Progress relates to: (1) The construction of Al-Salam Medical Services Company's premises amounting to SAR 444.1 million, with the remaining cost to complete the construction being SAR 7.0 million as of 30 June 2023G, expected to be completed by FY 2028G; and (2) Al-Ahsa Medical Services Company, mainly representing the cost of expansions carried out in the emergency rooms and intensive care units, with the purpose of increasing the number of beds to reduce the number of waiting patients.

## Intangible Assets, net

**Table 5.62: Intangible Assets, net as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| **Cost** | | |
| Balance at the beginning of the year | 5,834 | 5,834 |
| Additions | - | - |
| Balance at the end of the year | 5,834 | 5,834 |
| Accumulated amortization | | |
| Balance at the beginning of the year | 4,220 | 4,677 |
| Charged during the year | 457 | 227 |
| Balance at the end of the year | 4,677 | 4,904 |
| Net book value | 1,157 | 929 |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Intangible assets, net decreased from SAR 1.2 million as of 31 December 2022G to SAR 929 thousand as of 30 June 2023G, in line with the amortization of SAR 227 thousand during the period.

## Investments in Equity Instruments at Fair Value Through Other Comprehensive Income

**Table 5.63: Investments in Equity Instruments at Fair Value Through Other Comprehensive Income as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Balance at the beginning of the year | 148,460 | 121,942 |
| Change in fair value | (26,518) | - |
| Balance at the end of the year | 121,942 | 121,942 |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Investments in Equity Instruments at Fair Value Through Other Comprehensive Income amounted to SAR 121.9 million as of 30 June 2023G, where equity investments are revalued annually through an independent valuation expert's report issued at the year-end.

## Investment in an Associate Company

**Table 5.64: Investment in an Associate Company as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Balance at the beginning of the year | 15,427 | 20,184 |
| Share in the Results of an Associate Company | 5,557 | 1,422 |
| Dividends | (800) | - |
| **Balance at the end of the year** | **20,184** | **21,606** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Investment in an Associate Company increased from SAR 20.2 million as of 31 December 2022G to SAR 21.6 million as of 30 June 2023G, resulting from a profit of SAR 1.4 million during the period.

## Real Estate Investments, net

**Table 5.65: Real Estate Investments, net as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Lands | 123,098 | 123,098 |
| Leased buildings | 3,402 | 3,296 |
| Net book value | 126,500 | 126,394 |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Real Estate Investments decreased from SAR 126.5 million as of 31 December 2022G to reach SAR 126.4 million as of 30 June 2023G, driven by the depreciation of buildings amounting to SAR 105.8 thousand.

### Right-of-Use Assets, Net

**Table 5.66: Net Book Value of Right-of-Use Assets as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Lands | 1,391 | 1,364 |
| Buildings | 1,002 | 480 |
| Medical equipment and machinery | 47,701 | 42,276 |
| Office furniture and equipment and vehicles | 7,959 | 7,959 |
| Technological equipment | 6,310 | 6,310 |
| **Net book value** | **64,364** | **58,389** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Right-of-Use Assets decreased from SAR 64.4 million as of 31 December 2022G to SAR 58.4 million as of 30 June 2033G due to depreciation with no material additions.

## 5.7.3.2 Current Assets

**Table 5.67: Current Assets as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Inventory, Net | 30,171 | 33,455 |
| Trade Receivables, Prepayments and Other Assets, net | 131,090 | 147,722 |
| Cash and Cash Equivalents | 77,050 | 77,616 |
| **Total Current Assets** | **238,312** | **258,793** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for

the six-month period ended 30 June 2023G.

### Inventory, Net

**Table 5.68: Inventory, Net as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Medical Consumables | 11,922 | 15,599 |
| Medicines | 12,248 | 12,873 |
| Medical Equipment Spare Parts | 604 | 3,014 |
| Dates and Other Inventory | 5,802 | 2,374 |
| Total inventory | 30,576 | 33,860 |
| Provision for slow-moving inventory | (405) | (405) |
| Net inventory | 30,171 | 33,455 |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Medical Consumables

Medical consumables increased from SAR 11.9 million as of 31 December 2022G to SAR 15.6 million as of 30 June 2023G, driven by an increase in operating room medical consumables by SAR 2.0 million and medical consumables by SAR 1.2 million.

## Medicines

Medicines increased from SAR 12.3 million as of 31 December 2022G to SAR 12.9 million as of 30 June 2023G, driven by the opening of Al-Salam Hospital.

## Dates and Other Inventory

Dates and other inventory decreased from SAR 5.8 million as of 31 December 2022G to SAR 2.4 million as of 30 June 2023G, due to a decrease in (Product 3) inventory by SAR 3.9 million.

## Medical Equipment Spare Parts

Medical equipment spare parts increased from SAR 604 thousand as of 31 December 2022G to SAR 3.0 million as of 30 June 2023G, attributable to an increase in general inventory by SAR 816 thousand and SAR 79 thousand with the opening of Al-Salam Medical Hospital.

## Trade Receivables, Prepayments and Other Assets, net

**Table 5.69: Trade Receivables, Prepayments and Other Assets, net as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Trade Receivables | 131,021 | 166,430 |
| Prepaid Expenses and Other Debit Balances | 23,409 | 22,184 |
| Total | 154,430 | 188,613 |
| Less: Provision for impairment of accounts receivable | (23,340) | (40,891) |
| Net | 131,090 | 147,722 |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

**Table 5.70: Ages of Trade Receivables as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Till 3 months | 88,153 | 65,754 |
| From 3 to 6 months | 13,647 | 57,642 |
| More than 6 months | 29,221 | 24,326 |
| **Total** | **131,021** | **147,722** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Trade Receivables

Trade Receivables increased from SAR 131.0 million as of 31 December 2022G to SAR 166.4 million as of 30 June 2023G. The movement in Days Sales Outstanding (DSO) was consistent with Trade Receivables, increasing from 170 days in FY 2022G to 187 days in the six-month period ended 30 June 2023G.

## Prepaid Expenses and Other Debit Balances

Prepaid expenses and other debit balances decreased from SAR 23.4 million as of 31 December 2022G to SAR 22.2 million as of 30 June 2023G.

## Investments in Equity Instruments at Fair Value through Profit or Loss

**Table 5.71: Investments in Equity Instruments at Fair Value through Profit or Loss as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Opening balance | 57,602 | - |
| Additions | 24,202 | - |
| Disposals | (83,420) | - |
| Realized Gains on Disposal of Equity Instruments at Fair Value Through Profit or Loss | 1,616 | - |
| Unrealized Gains on Disposal of Investments in Equity Instruments at Fair Value through Profit or Loss | - | - |
| Closing balance | - | - |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

During the fiscal year ended 31 December 2022G, the Company liquidated its portfolio position, realizing a gain of SAR 1.6 million, and invested the entire proceeds in term Murabaha deposits to take advantage of the high interest rates at that time.

## Cash and Cash Equivalents

**Table 5.72: Cash and Cash Equivalents as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Cash at Bank – Current Accounts | 20,399 | 21,321 |
| Murabaha Investment Deposits | 56,493 | 56,000 |
| Cash on Hand | 157 | 295 |
| **Total** | **77,050** | **77,616** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Cash and Cash Equivalents increased from SAR 77.1 million as of 31 December 2022G to reach SAR 77.6 million as of 30 June 2023G.

### 5.7.3.3 Equity

**Table 5.73: Equity as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Capital | 806,363 | 806,363 |
| Share Premium | 65,479 | 65,479 |
| Statutory Reserve | 7,786 | 7,786 |
| Accumulated Losses | (42,979) | (130,917) |
| Reserve for acquisition of an additional share in a subsidiary | (122,454) | (122,454) |
| Fair Value Reserve | 15,932 | 15,932 |
| Reserve for Re-measurement of Employee Defined Benefit Obligations | 5,608 | 5,608 |
| Total equity to the Company's shareholders | 735,736 | 647,798 |
| Non-controlling Equity | 8,358 | 8,306 |
| Total Equity | 744,093 | 656,105 |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

### Capital

The Company has a paid-up capital of SAR 806.4 million divided into 80,636,328 shares, with a nominal value of SAR 10 per share.

### Share Premium

The share premium amounted to SAR 65.5 million as of 31 December 2022G and as of 30 June 2023G.

### Statutory Reserve

The statutory reserve amounted to SAR 7.8 million as of 30 June 2023G. The reserve remained stable during the period, as the Company reported a loss of SAR 88.0 million in the six-month period ended 30 June 2023G.

### Accumulated Losses

Accumulated losses increased from SAR 43.0 million as of 31 December 2022G to SAR 130.9 million as of 30 June 2023G, primarily driven by the net loss of SAR 88.0 million in the six-month period ended 30 June 2023G, mainly attributable to the loss from Al-Salam Medical Services Company.

### Reserve for acquisition of an additional share in a subsidiary

The Reserve for acquisition of an additional share in a subsidiary remained stable at SAR 122.5 million as of 31 December 2022G and as of 30 June 2023G.

### Fair Value Reserve

The Fair Value Reserve was stable at SAR 15.9 million as of 31 December 2022G and as of 30 June 2023G.

### Reserve for Re-measurement of Employee Defined Benefit Obligations

The Reserve for Re-measurement of Employee Defined Benefit Obligations remained stable at SAR 5.6 million as of 30 June 2023G, as the Company did not perform an actuarial valuation report as of 30 June 2023G.

## 5.7.3.4 Non-Current Liabilities

**Table 5.74: Non-Current Liabilities as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Long-Term Loans – Non-current portion | 471,283 | 544,306 |
| Lease Liabilities – Non-current portion | 65,747 | 59,506 |
| Employee Defined Benefit Obligations | 38,958 | 40,846 |
| **Total Non-Current Liabilities** | **575,987** | **644,658** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

### Long-Term Loans

**Table 5.75: Long-Term Loans as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Loan from Commercial Bank – Al-Salam Medical Services Company | 407,405 | 408,877 |
| Loan from Commercial Bank – Al-Ahsa Medical Services Company | 45,062 | 40,551 |
| Loan from Ministry of Finance – Al-Salam Medical Services Company | 99,624 | 125,499 |
| **Total** | **552,092** | **574,927** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Long-Term Loans increased from SAR 552.1 million as of 31 December 2022G to SAR 574.9 million as of 30 June 2023G, primarily due to an increase in the loan from the Ministry of Finance by SAR 25.9 million as of 30 June 2023G.

During the period ended 30 June 2023G, the Company obtained an additional interest-free loan of SAR 34.4 million from the same facility with the Ministry of Finance, under the same terms, with a net value of SAR 23.4 million. The difference between the loan received and its present value of SAR 11.0 million was recorded as a government grant under decrease of property, plant, and equipment.

## Lease Liabilities

### Table 5.76: Lease Liabilities as of 31 December 2022G and as of 30 June 2023G

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| As of 1 January | 68,433 | 81.861 |
| Additions During the Year | 18,694 | 0 |
| Impact of Restructuring | 4,223 | 0 |
| Paid During the Year | (12,147) | (8.111) |
| Finance Costs | 2,658 | 1,149 |
| **Total balance at the End of the Year** | **81,861** | **74,899** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Lease Liabilities decreased from SAR 81.9 million as of 31 December 2022G to SAR 74.9 million as of 30 June 2023G due to the payments made during the period.

## Employee Defined Benefit Obligations

### Table 5.77: Employee Defined Benefit Obligations as of 31 December 2022G and as of 30 June 2023G

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| As of 1 January | 37,599 | 38,958 |
| Acquisition | - | - |
| Charged to the Year | 7,161 | 6,109 |
| Actuarial Losses on Benefit Obligations | 1,659 | - |
| Advance Payments to Employees | - | - |
| Paid During the Year | (7,461) | (4,221) |
| **Total Balance as of 31 December** | **38,958** | **40,846** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Employee Defined Benefit Obligations increased from SAR 39.0 million as of 31 December 2022G to SAR 40.8 million as of 30 June 2023G due to the current service cost recorded for this period.

### 5.7.3.5 Current Liabilities

**Table 5.78: Current Liabilities as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Long-Term Loans – Current portion | 80,809 | 30,621 |
| Short-Term Loans | 117,293 | 133,923 |
| Trade Payables, Accrued Expenses and Other Liabilities | 96,063 | 191,128 |
| Lease Liabilities – Current portion | 16,115 | 15,393 |
| Zakat Provision | 5,882 | 3,056 |
| **Total Current Liabilities** | **316,162** | **374,120** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

#### Short-Term Loans

**Table 5.79: Short-Term Loans as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Short-term loan – Al-Ahsa Medical Services Company | 50,283 | 40,858 |
| Short-term loan – Al-Ahsa Food Industries Company | 2,010 | 3,065 |
| Short-term loan – Al-Salam Medical Services Company | 65,000 | 89,999 |
| **Total** | **117,293** | **133,923** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

Short-Term Loans increased from SAR 117.3 million as of 31 December 2022G to SAR 133.9 million as of 30 June 2023G, on the back of an increase in the existing facilities for Al-Salam Medical Services Company from SAR 65.0 million to SAR 90.0 million during the period.

#### Short-Term Loan - Al-Ahsa Medical Services Company

During the period ended 30 June 2023G, Al-Ahsa Medical Services Company (a subsidiary) repaid an amount of SAR 41.0 million and also obtained a short-term loan of SAR 30.0 million.

#### Short-Term Loan - Al-Ahsa Food Industries Company

During the period ended 30 June 2023G, Al-Ahsa Food Industries Company (a subsidiary) obtained an amount of SAR 3.0 million from this facility and repaid SAR 2.0 million.

#### Short-Term Loan - Al-Salam Medical Services Company

During the period ended 30 June 2023G, Al-Salam Medical Services Company (a subsidiary) obtained an amount of SAR 80.5 million from this facility and repaid SAR 55.5 million.

## Trade Payables, Accrued Expenses and Other Liabilities

**Table 5.80: Trade Payables, Accrued Expenses and Other Liabilities as of 31 December 2022G and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2022G (Audited) | As of 30 June 2023G (Unaudited) |
|---|---|---|
| Trade payables | 63,106 | 65,029 |
| Due to a Related Party | 18,676 | 111,453 |
| Accrued employee benefits | 3,554 | 8,702 |
| VAT Dues | 2,451 | 2,416 |
| Advance Revenue | 734 | - |
| Others | 7,543 | 3,529 |
| **Total** | **96,063** | **191,128** |

Source: Audited consolidated financial statements for the financial year ended 31 December 2022G, and interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

### Trade Payables

Trade payables increased from SAR 63.1 million as of 31 December 2022G to SAR 65.0 million as of 30 June 2023G. This increase is primarily related to Al-Ahsa Medical Services Company during the period.

### Due to a Related Party

Due to a related party increased from SAR 18.7 million as of 31 December 2022G to SAR 111.5 million as of 30 June 2023G, mainly attributable to an interest-free loan from one of the Company's substantial shareholders provided to Al-Salam Medical Services Company.

### Accrued Employee Benefits

Accrued employee benefits increased from SAR 3.6 million as of 31 December 2022G to SAR 8.7 million as of 30 June 2023G, in line with the increase in the number of employees due to the opening of Al-Salam Medical Hospital.

### VAT Dues

The accumulation of VAT was in line with the revenue trend during the period, except for the financial year ended 31 December 2021G, which related to an increase in recoverable inputs that were netted off against period outputs.

### Advance Revenue

Advance revenue amounted to nil as of 30 June 2023G.

### Others

Other payables decreased from SAR 7.5 million as of 31 December 2022G to SAR 3.5 million as of 30 June 2023G, due to a decrease in other vendor costs by SAR 1.9 million and accrued audit expenses by SAR 1.6 million.

## Statement of Cash Flows

### Table 5.81: Statement of Cash Flows for the six-month periods ended 30 June 2022G and 2023G

| SAR in 000s | The six-month period ended 30 June | |
|---|---|---|
| | 2022G (Unaudited) | 2023G (Unaudited) |
| **Operating Activities** | | |
| Net Profit (Loss) for the Year/ Period Before Zakat | 4,176 | (86,489) |
| **Amendments to:** | | |
| Property, Plant and Equipment Depreciation | 8,221 | 12,493 |
| Right-of-Use Assets Depreciation | 476 | 5,976 |
| Loss on Disposal of Property, Plant and Equipment | 121 | 77 |
| Intangible Assets Amortization | 206 | 227 |
| Finance Costs | 1,927 | 19,467 |
| Share in the Results of an Associate Company | (3,063) | (1,422) |
| Dividends | (1,509) | (2,521) |
| Write-off of Provisions for Impairment of Accounts Receivable | (2,666) | - |
| Recognized Decrease in Trade Receivables | 3,774 | - |
| Realized Gains on Disposal of Equity Instruments at Fair Value Through Profit or Loss | (1,318) | - |
| Unrealized Gains on Equity Instruments at Fair Value Through Profit or Loss | (1,172) | - |
| Employee Defined Benefit Obligations | 4,427 | 6,109 |
| **Changes in Operating Assets and Liabilities:** | | |
| Trade Receivables, Prepayments and Other Assets | (1,509) | (16,632) |
| Inventory | (310) | (3,284) |
| Trade Payables, Accrued Expenses and Other Liabilities | (7,825) | 95,065 |
| **Cash from Operations** | **3,955** | **29,066** |
| Paid Employee Defined Benefit Obligations | (5,058) | (4,221) |
| Zakat Paid | (5,563) | (4,326) |
| Net Cash (Used in) from Operating Activities | (6,666) | 20,518 |
| Investing Activities | | |
| Purchase of Property, Plant and Equipment | (55,665) | (33,125) |
| Dividends | 1,509 | 2,521 |
| Proceeds from Investments at Fair Value Through Profit of Loss | 6,614 | - |
| Purchase of Investments at Fair Value Through Profit of Loss | (3,972) | - |
| **Net Cash Used in Investing Activities** | **(51,514)** | **(30,605)** |
| Financing Activities | | |
| Lease Liabilities, net | 1,251 | (8,092) |
| Loan Repayments | (52,883) | (165,776) |
| Receipt of Loans | 112,941 | 184,520 |
| **Net Cash from Financing Activities** | **61,309** | **10,652** |
| **Net Change in Cash and Cash Equivalents** | **3,129** | **566** |
| Cash and Cash Equivalents at the Beginning of Period | 29,492 | 77,050 |
| **Cash and Cash Equivalents at the End of Period** | **32,620** | **77,616** |

Source: Interim condensed consolidated financial statements for the six-month period ended 30 June 2023G.

## Net Cash (Used in) from Operating Activities

Net cash from the cash used in operating activities increased from SAR 6.7 million in the six-month period ended 30 June 2022G to net cash from operating activities of SAR 20.5 million in the six-month period ended 30 June 2023G. This increase is primarily attributable to changes in working capital of SAR 75.1 million, specifically a significant increase in trade payables, accrued expenses, and other liabilities amounting to SAR 95.1 million, partially offset by an increase in Trade Receivables, prepayments, and other assets of SAR 16.6 million.

## Net Cash Used in Investing Activities

Net cash used in investing activities decreased from SAR 51.5 million in the six-month period ended 30 June 2022G to SAR 30.6 million in the six-month period ended 30 June 2023G, due to the opening of Al-Salam Medical Hospital's first phase, which occurred during the six-month period ended 30 June 2022G, being the main phase compared to the second phase of hospital construction in the six-month period ended 30 June 2023G.

## Net Cash from Financing Activities

Net cash from financing activities decreased from SAR 61.3 million in the six-month period ended 30 June 2022G to SAR 10.7 million in the six-month period ended 30 June 2023G, primarily comprising proceeds from loans of SAR 184.5 million, offset by loan repayments of SAR 165.8 million during the period.

# 5.8 Results of Subsidiaries' Operations

The section below summarizes the results of subsidiaries' operations for the financial years ended 31 December 2020G, 2021G, 2022G, and the six-month periods ended 30 June 2022G and 2023G through the statement of profit or loss and other comprehensive income, Statement of Financial Position, and statement of cash flows for each of Al-Ahsa Food Industries Company, Al-Ahsa Medical Services Company, and Al-Salam Medical Services Company.

## 5.8.1 Al-Ahsa Food Industries Company

### 5.8.1.1 Statement of Profit or Loss and Other Comprehensive Income

**Table 5.82: Statement of Profit or Loss and Other Comprehensive Income for financial years ended 31 December 2020G, 2021G and 2022G, and for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G - 2022G | CAGR 2020G - 2022G | 30 June 2022G | 30 June 2023G | Period Change Ratio |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 16,784 | 16,922 | 19,256 | 0.8% | 13.8% | 7.1% | 9,615 | 10,765 | 12.0% |
| Cost of Revenue | (12,517) | (11,771) | (14,177) | (6.0%) | 20.4% | 6.4% | (6,856) | (7,976) | 16.3% |
| **Gross Profit** | **4,267** | **5,151** | **5,079** | **20.7%** | **(1.4%)** | **9.1%** | **2,759** | **2,789** | **1.1%** |
| General and Administrative Expenses | (1,651) | (2,261) | (1,348) | 37.0% | (40.4%) | (9.6%) | (656) | (673) | 2.6% |
| Selling and Marketing Expenses | (930) | (952) | (1,145) | 2.4% | 20.3% | 11.0% | (570) | (604) | 6.0% |
| **Profit from Operations** | **1,686** | **1,938** | **2,586** | **15.0%** | **33.4%** | **23.9%** | **1,533** | **1,511** | **(1.4%)** |
| Finance Costs | (70) | (101) | (152) | 44.7% | 50.8% | 47.7% | (15) | (127) | 747.8% |
| Other Income | 110 | 142 | (12) | 29.2% | (108.3%) | N/A | (19) | 7 | 139.2% |
| **Net Profit for the Year/ Period** | **1,726** | **1,979** | **2,422** | **14.7%** | **22.4%** | **18.5%** | **1,499** | **1,392** | **(7.2%)** |
| **Other comprehensive income:** | | | | | | | | | |
| Items that cannot be classified to profit or loss in later periods: | - | (22) | 58 | N/A | (364.9%) | N/A | - | - | N/A |
| Profit (Loss) on Remeasurement of Employee Defined Benefit Obligations | 112 | - | - | (100.0%) | N/A | (100.0%) | - | - | N/A |
| **Total Comprehensive Income for the Year/ Period** | **1,838** | **1,957** | **2,480** | **6.5%** | **26.7%** | **16.1%** | **1,499** | **1,392** | **(7.2%)** |

Source: Al-Ahsa Food Industries Company's audited financial statements for the years ended 31 December 2020G, 2021G and 2022G, and management information at Al-Ahsa Food Industries Company for the six-month periods ended 30 June 2022G and 2023G.

## Revenue

Revenues are generated from the manufacture of dates and date derivatives.

Revenues increased by 0.8% from SAR 16.8 million in the financial year ended 31 December 2020G to SAR 16.9 million in the financial year ended 31 December 2021G, with an increase of SAR 138 thousand. This was primarily driven by an increase in (Product 1) of SAR 457 thousand, in line with an increase in sold quantities from 4,126 tons in the financial year ended 31 December 2020G to 4,387 tons in the financial year ended 31 December 2021G, resulting from an increase in orders from large and medium factories and contracting with new key customers.

The increase in revenues amounted to SAR 2.3 million, from SAR 16.9 million in the financial year ended 31 December 2021G to SAR 19.3 million in the financial year ended 31 December 2022G, primarily driven by an increase of 17.8% in (Product 1) amounting to SAR 2.4 million, from SAR 13.6 million in the financial year ended 31 December 2021G to SAR 16.0 million in the financial year ended 31 December 2022G. This was associated with an increase in sold quantities of (Product 1) by 866 tons, in line with higher orders from factories. However, this was partially offset by a decrease of SAR 115 thousand in (Product 3), due to a decrease in sold quantities by 7 tons, in line with the impact of lower sales to one of the previous substantial customers (Customer 1) and market trends shifting towards cheaper products.

Revenues increased by 12.0% from SAR 9.6 million in the six-month period ended 30 June 2022G to SAR 10.8 million in the six-month period ended 30 June 2023G, primarily driven by an increase in (Product 3) of SAR 547 thousand due to an increase in the sold quantity by 70 tons during the period.

## Cost of Revenue

Cost of revenue decreased by 6.0% from SAR 12.5 million in the financial year ended 31 December 2020G to SAR 11.8 million in the financial year ended 31 December 2021G. This was primarily attributable to a decrease in the cost of (Product 3) by SAR 305 thousand, as quantities decreased by 80 tons, and a decrease in other costs by SAR 465 thousand, with a decrease in quantity of 12 tons.

Cost of revenue increased by 20.4% from SAR 11.8 million in the financial year ended 31 December 2021G to SAR 14.2 million as of 31 December 2022G. The primary reason for this was an increase in the cost of revenue of (Product 1) by SAR 2.2 million, with an increase in quantities of 866 tons.

Cost of revenue increased by 16.3% from SAR 6.9 million in the six-month period ended 30 June 2022G to SAR 8.0 million in the six-month period ended 30 June 2023G, primarily driven by an increase in the cost of (Product 1) of SAR 654 thousand and (Product 3) of SAR 243 thousand during the period.

## Gross Profit

Gross profit margin increased from 25.4% in the financial year ended 31 December 2020G to 30.4% in the financial year ended 2021G, in line with the increase in revenues of SAR 138 thousand and a decrease in the cost of revenue of SAR 746 thousand during the period.

The gross profit margin declined to 26.4% in the financial year ended 31 December 2022G, primarily driven by an increase in the cost of revenue of SAR 2.4 million, in line with an increase in the weighted average cost of raw dates, for example. The cost of (Product 1) increased by SAR 2.2 million. Other products also faced higher costs relative to their sales.

The gross profit margin decreased from 28.7% in the six-month period ended 30 June 2022G to 25.9% in the six-month period ended 30 June 2023G, driven by an increase in costs of 16.3%, amounting to SAR 1.1 million, whereas revenues increased by 12.0%, amounting to SAR 29 million.

## General and Administrative Expenses

General and Administrative Expenses increased by 37.0% from SAR 1.7 million in the financial year ended 31 December 2020G to SAR 2.3 million in the financial year ended 31 December 2021G, primarily due to an increase in the provision for slow-moving inventory of SAR 300 thousand and a provision for Trade Receivables of SAR 220.5 thousand.

General and Administrative Expenses decreased by 40.4% from SAR 2.3 million in the year ended 31 December 2021G to SAR 1.3 million in the financial year ended 31 December 2022G, primarily due to a decrease in legal and professional fees of SAR 274.7 thousand and a reversal of the provision for slow-moving items of SAR 300 thousand.

General and Administrative Expenses increased by 2.6% from SAR 656 thousand in the six-month period ended 30 June 2022G to SAR 673 thousand in the six-month period ended 30 June 2023G, primarily due to an increase in registration expenses of SAR 34.9 thousand. However, this was largely offset by a decrease in store expenses of SAR 20.8 thousand during the period.

## Selling and Marketing Expenses

Selling and Marketing Expenses increased by 2.4% from SAR 930 thousand in the financial year ended 31 December 2020G to SAR 952 thousand in the financial year ended 31 December 2021G, primarily due to an increase in Employee Costs of SAR 54.9 thousand.

Selling and Marketing Expenses increased by 20.3% from SAR 952 thousand in the year ended 31 December 2021G to SAR 1.1 million in the financial year ended 31 December 2022G. This increase is in line with an increase in Employee Costs of SAR 114.8 thousand and an increase in Shipping Expenses of SAR 81.4 thousand.

Selling and Marketing Expenses increased by 6.0% from SAR 570 thousand in the six-month period ended 30 June 2022G to SAR 604 thousand in the six-month period ended 30 June 2023G, primarily due to an increase in Shipping Expenses of SAR 68.8 thousand.

### Finance Costs

Finance Costs increased by 44.7% from SAR 70 thousand in the financial year ended 31 December 2020G to SAR 101 thousand in the financial year ended 31 December 2021G, primarily due to a SAR 5 million loan from Alinma Bank obtained in the financial year ended 31 December 2020G.

Finance Costs increased by 50.8% from SAR 101 thousand in the year ended 31 December 2021G to SAR 152 thousand in the financial year ended 31 December 2022G, due to an increase in interest expense on Short-Term Loans of SAR 51.3 thousand.

Finance Costs increased by 747.8% from SAR 15 thousand in the six-month period ended 30 June 2022G to SAR 127 thousand in the six-month period ended 30 June 2023G, primarily due to an increase in Interest on Short-Term Loans of SAR 80 thousand during the period.

### Other Income

Other Income increased by 29.2% from SAR 110 thousand in the financial year ended 31 December 2020G to SAR 142 thousand in the financial year ended 31 December 2021G, primarily related to the sale of fixed assets.

Other Income decreased by 108.3% from SAR 142 thousand in the year ended 31 December 2021G to other expenses of SAR 12 thousand in the financial year ended 31 December 2022G, as a result of a loss from the sale of fixed assets.

Other Income increased by 139.2% from other expenses of SAR 19 thousand in the six-month period ended 30 June 2022G to income of SAR 7.0 thousand in the six-month period ended 30 June 2023G, due to the sale of assets.

## 5.8.1.2 Statement of Financial Position

**Table 5.83: Statement of Financial Position as of 31 December 2020G, 2021G, 2022G, and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) | As of 30 June 2023G |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-Current Assets** | | | | |
| Property, Plant and Equipment, Net | 5,131 | 4,738 | 5,072 | 4,800 |
| Right-of-Use Assets, Net | 1,527 | 1,451 | 1,391 | 1,370 |
| Total Non-Current Assets | 6,658 | 6,189 | 6,463 | 6,170 |
| **Current Assets** | | | | |
| Inventory, Net | 7,373 | 4,822 | 5,398 | 1,969 |
| Trade Receivables, Prepayments and Other Assets, net | 3,994 | 3,946 | 3,934 | 4,381 |
| Cash and Cash Equivalents | 1,372 | 4,075 | 1,701 | 5,353 |
| **Total Current Assets** | **12,739** | **12,843** | **11,033** | **11,703** |
| **Total Assets** | **19,397** | **19,032** | **17,496** | **17,873** |
| **Equity and Liabilities** | | | | |
| **Equity** | | | | |
| Capital | 20,000 | 20,000 | 20,000 | 20,000 |
| Accumulated Losses | (25,737) | (23,759) | (21,337) | (19,945) |
| Additional contribution from partner | 16,510 | 13,327 | 11,664 | - |
| Reserve for Re-measurement of Employee Defined Benefit Obligations | 639 | 618 | 675 | 675 |

| SAR in 000s | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) | As of 30 June 2023G |
|---|---|---|---|---|
| **Total Equity** | **11,412** | **10,186** | **11,002** | **730** |
| **Non-Current Liabilities** | | | | |
| Lease Liabilities – Non-current portion | 1,525 | 1,486 | 1,445 | 1,425 |
| Employee Defined Benefit Obligations | 749 | 840 | 747 | 831 |
| Payables to a related party | - | - | - | 10,880 |
| **Total Non-Current Liabilities** | **2,273** | **2,326** | **2,192** | **13,137** |
| **Current Liabilities** | | | | |
| Short-Term Loans | 2,506 | 4,527 | 2,010 | 3,065 |
| Trade Payables, Accrued Expenses and Other Liabilities | 3,168 | 1,954 | 2,251 | 898 |
| Lease Liabilities – Current portion | 38 | 39 | 41 | 42 |
| **Total Current Liabilities** | **5,711** | **6,520** | **4,302** | **4,006** |
| **Total Liabilities** | **7,985** | **8,846** | **6,494** | **17,143** |
| **Total Equity and Liabilities** | **19,397** | **19,032** | **17,496** | **17,873** |

Source: Al-Ahsa Food Industries Company's audited financial statements for the years ended 31 December 2020G, 2021G and 2022G, and management information at Al-Ahsa Food Industries Company for the six-month periods ended 30 June 2022G and 2023G.

## Property, Plant and Equipment, Net

Property, Plant and Equipment, net decreased from SAR 5.1 million as of 31 December 2020G to SAR 4.7 million as of 31 December 2021G, due to the disposal of machinery amounting to SAR 1.6 million, offset by additions of SAR 557 thousand.

Property, Plant and Equipment, net increased from SAR 4.7 million as of 31 December 2021G to SAR 5.1 million as of 31 December 2022G, primarily due to additions of SAR 844 thousand.

Property, Plant and Equipment, net decreased from SAR 5.1 million as of 31 December 2022G to SAR 4.8 million as of 30 June 2023G, in line with depreciation.

## Right-of-Use Assets, Net

Right-of-use assets, net remained stable at SAR 1.5 million as of 31 December 2020G and 2021G, then decreased to SAR 1.4 million as of 31 December 2022G, and remained at SAR 1.4 million as of 30 June 2023G.

## Inventory, Net

Inventory, net decreased from SAR 7.4 million as of 31 December 2020G to SAR 4.8 million as of 31 December 2021G, primarily due to a decrease in raw materials.

Inventory, net increased from SAR 4.8 million as of 31 December 2021G to SAR 5.4 million as of 31 December 2022G, as a result of an increase in raw materials of SAR 747.8 thousand.

Inventory, net decreased from SAR 5.4 million as of 31 December 2022G to SAR 2.0 million as of 30 June 2023G, due to the cessation of operations with one of its previous substantial customers (Customer 1) and the market shift towards a lower-cost product.

## Trade Receivables, Prepayments and Other Assets, Net

Trade Receivables, Prepayments and Other Assets, net decreased from SAR 4.0 million as of 31 December 2020G to SAR 3.9 million as of 31 December 2021G and as of 31 December 2022G, due to a decrease in (Customer 8) of SAR 113 thousand.

Trade Receivables, Prepayments and Other Assets, net increased from SAR 3.9 million as of 31 December 2022G to SAR 4.4 million as of 30 June 2023G, in line with an increase in the account of (Customer 9) by SAR 313 thousand.

## Cash and Cash Equivalents

Cash and cash equivalents increased from SAR 1.4 million as of 31 December 2020G to SAR 4.1 million as of 31 December 2021G, resulting from an increase in cash at banks of SAR 2.7 million.

Cash and cash equivalents decreased from SAR 4.1 million as of 31 December 2021G to SAR 1.7 million as of 31 December 2022G, a decrease of SAR 2.4 million.

Cash and cash equivalents increased from SAR 1.7 million as of 31 December 2022G to SAR 5.4 million as of 30 June 2023G, due to an increase in cash at banks of SAR 3.6 million.

## Trade Payables, Accrued Expenses and Other Liabilities

Trade Payables, Accrued Expenses and Other Liabilities decreased from SAR 3.2 million as of 31 December 2020G to SAR 2.0 million as of 31 December 2021G. This was due to a decrease in the account of substantial customers by SAR 871 thousand. Trade Payables, Accrued Expenses and Other Liabilities then increased from SAR 2.0 million as of 31 December 2021G to SAR 2.3 million as of 31 December 2022G.

Trade Payables, Accrued Expenses and Other Liabilities decreased from SAR 2.3 million as of 31 December 2022G to SAR 898 thousand as of 30 June 2023G, in line with a decrease in trade payables from Al Ahsa suppliers by SAR 677.8 thousand. In addition to a decrease in other payables related to VAT by SAR 273 thousand.

## Short-Term Loans

Short-Term Loans increased from SAR 2.5 million as of 31 December 2020G to SAR 4.5 million as of 31 December 2021G. This was due to the short-term facility provided by Alinma Bank, as per the agreement dated August 2020G.

Short-Term Loans decreased from SAR 4.5 million as of 31 December 2021G to SAR 2.0 million as of 31 December 2022G. This was in line with the outstanding balance in Alinma Bank's facilities.

Short-Term Loans increased from SAR 2.0 million as of 31 December 2022G to SAR 3.1 million as of 30 June 2023G. This was due to short-term facilities from Alinma Bank.

## Lease Liabilities

Lease Liabilities slightly decreased from SAR 1.6 million as of 31 December 2020G to SAR 1.5 million as of 31 December 2021G and 2022G, and as of 30 June 2023G in line with the movement of right-of-use assets.

## Employee Defined Benefit Obligations

Employee Defined Benefit Obligations increased from SAR 749 thousand as of 31 December 2020G to SAR 840 thousand as of 31 December 2021G. This was due to an increase in actual remeasurement of SAR 134 thousand, offset by payments of SAR 48 thousand.

Employee Defined Benefit Obligations decreased from SAR 840 thousand as of 31 December 2021G to SAR 747 thousand as of 31 December 2022G. This was due to an actuarial remeasurement of SAR 36 thousand, and payments of SAR 116 thousand during the year.

Employee Defined Benefit Obligations increased from SAR 747 thousand as of 31 December 2022G to SAR 831 thousand as of 30 June 2023G due to current service cost.

## Payables to a related party

Payables to a related party amounted to SAR 10.9 million as of 30 June 2023G, which was payable to Ayyan Investment Company – formerly Al Ahsa Development Company - where the balance was classified in equity under "Additional contribution from partner".

## Capital

The capital amounted to SAR 20.0 million as of 30 June 2023G, consistent with the remaining historical period, capital is divided into 20,000 shares with a nominal value of SAR 1,000 per share.

## Accumulated Losses

Accumulated losses decreased from SAR 25.7 million as of 31 December 2020G to SAR 23.8 million as of 31 December 2021G, then to SAR 21.3 million as of 31 December 2022G, and continued to decrease to SAR 20.0 million as of 30 June 2023G. This decrease in total accumulated losses of SAR 5.8 million was due to the net income recognized over the historical period of SAR 1.7 million in the financial year ended 31 December 2020G, SAR 2.0 million in the financial year ended 31 December 2021G, SAR 2.4 million in the financial year ended 31 December 2022G, and SAR 1.4 million in the six-month period ended 30 June 2023G.

## Additional contribution from partner

Additional contribution from partner amounted to nil as of 30 June 2023G. The balance gradually decreased over the historical period from SAR 16.5 million as of 31 December 2020G to SAR 13.3 million as of 31 December 2021G, and to SAR 11.7 million as of 31 December 2022G. The balance was reclassified to non-Current Liabilities under "Payables to a related party" in management accounts.

## Reserve for Re-measurement of Employee Defined Benefit Obligations

Reserve for remeasurement of Employee Defined Benefit Obligations decreased from SAR 639 thousand as of 31 December 2020G to SAR 618 thousand as of 31 December 2021G. It then increased to SAR 675 thousand as of 31 December 2022G based on actuarial assumptions.

Reserve for remeasurement of Employee Defined Benefit Obligations remained stable at SAR 675 thousand as of 30 June 2023G, as the actuarial valuation report is provided at year-end.

## 5.8.1.3 Statement of Cash Flows

**Table 5.84: Statement of Cash Flows for financial years ended 31 December 2020G, 2021G and 2022G, and for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G - 2022G | CAGR 2020G - 2022G | 30 June 2023G |
|---|---|---|---|---|---|---|---|
| **Operating Activities** | | | | | | | |
| Net Profit (Loss) for the Year/ Period Before Zakat | 1,726 | 1,979 | 2,422 | 14.7% | 22.4% | 18.5% | 1,392 |
| **Amendments to:** | | | | | | | |
| Property, Plant and Equipment Depreciation | 906 | 853 | 783 | (5.8%) | (8.3%) | (7.1%) | 576 |
| Right-of-Use Assets Depreciation | 46 | 75 | 60 | 21 | 63.6% | (19.4%) | (19.4%) |
| Profit on Disposal of Property, Plant and Equipment | - | (36) | 12 | N/A | (133.4%) | N/A | - |
| Written off / Reversal of Provision for impairment of accounts receivable | (67) | (1,434) | - | 2048.0% | (100.0%) | (100.0%) | - |
| Provision for impairment of accounts receivable | - | 220 | - | N/A | (100.0%) | N/A | - |
| Finance Costs | - | - | - | N/A | N/A | N/A | 32 |
| Financing Costs | 70 | 164 | - | 134.2% | (100.0%) | (100.0%) | 95 |
| Employee Defined Benefit Obligations | - | - | - | N/A | N/A | N/A | 86 |
| Provision for Employee End of Service Obligation | 105 | 93 | 105 | (11.2%) | 13.1% | 0.2% | - |
| Provision for slow-moving inventory | - | 300 | - | N/A | (100.0%) | N/A | - |
| **Changes in Operating Assets and Liabilities:** | | | | | | | |
| Accounts receivable, Advance Payments, and Assets | 400 | 1,262 | 11 | 215.4% | (99.1%) | N/A | (559) |
| Inventory | (1,101) | 2,251 | (576) | (304.6%) | (125.6%) | (125.6%) | 3,429 |
| Trade Payables, Accrued Expenses and Other Liabilities | 1,323 | (1,214) | 297 | (191.7%) | (124.5%) | (52.6%) | (1,245) |
| Employee Defined Benefit Obligations Paid | (72) | (24) | (140) | (67.1%) | 495.2% | 40.0% | (2) |
| **Net Cash from Operating Activities** | **3,336** | **4,491** | **2,974** | **34.6%** | **(33.8%)** | **(5.6%)** | **3,825** |
| **Cash Flows from Investing Activities** | | | | | | | |
| Purchase of Property, Plant and Equipment | (229) | (557) | (1,135) | 143.5% | 103.8% | 122.8% | (300) |
| Gains from Disposal of Property, Plant and Equipment | - | 133 | 7 | N/A | (95.0%) | N/A | - |
| Net Cash Used in Investing Activities | (229) | (424) | (1,129) | 85.5% | 166.0% | 122.1% | (300) |
| **Cash Flows from Financing Activities** | | | | | | | |
| Short-Term Loans | 2,500 | 1,920 | (2,517) | (23.2%) | (231.1%) | N/A | - |
| Lease Liabilities, net | (100) | (100) | (39) | (0.0%) | (61.0%) | (37.5%) | - |
| Movement on Additional Contributions from Partner | (4,792) | (3,183) | (1,663) | (33.6%) | (47.7%) | (41.1%) | - |
| Lease Liabilities Paid | - | - | - | N/A | N/A | N/A | (50) |
| Loan Repayment | - | - | - | N/A | N/A | N/A | (2,040) |

| SAR in 000s | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G - 2022G | CAGR 2020G - 2022G | 30 June 2023G |
|---|---|---|---|---|---|---|---|
| Receipt of Loans | - | - | - | N/A | N/A | N/A | 3,000 |
| Dividend paid to Ayyan Investment Company | - | - | - | N/A | N/A | N/A | (783) |
| Net Cash Used in Financing Activities | (2,392) | (1,363) | (4,219) | (43.0%) | 209.6% | 32.8% | 127 |
| Net Change in Cash and Cash Equivalents | 715 | 2,704 | (2,374) | 278.2% | (187.8%) | N/A | 3,652 |
| Cash and Cash Equivalents, at the Beginning of Year/ Period | 657 | 1,372 | 4,075 | 108.8% | 197.1% | 149.1% | 1,701 |
| Cash and Cash Equivalents, at the End of Year/ Period | 1,372 | 4,075 | 1,701 | 197.1% | (58.3%) | 11.4% | 5,353 |

Source: Al-Ahsa Food Industries Company's audited financial statements for the years ended 31 December 2020G, 2021G and 2022G, and management information at Al-Ahsa Food Industries Company for the six-month periods ended 30 June 2022G and 2023G.

## Net Cash from Operating Activities

Net cash from operating activities increased from SAR 3.3 million in the financial year ended 31 December 2020G to SAR 4.5 million in the financial year ended 31 December 2021G due to an increase in accounts receivable, prepayments and other assets of SAR 1.3 million.

Net cash from operating activities decreased from SAR 4.5 million in the financial year ended 31 December 2021G to SAR 3.0 million in the financial year ended 31 December 2022G due to a decrease in accounts receivable, prepayments and other assets.

Net cash from operating activities amounted to SAR 3.8 million in the six-month period ended 30 June 2023G due to an increase in the change in inventory of SAR 3.2 million during the period.

## Net Cash Used in Investing Activities

Net cash used in investing activities increased from SAR 229 thousand in the financial year ended 31 December 2020G to SAR 424 thousand in the financial year ended 31 December 2021G due to an increase in purchase of Property, Plant and Equipment of SAR 328 thousand, offset by proceeds from disposal of Property, Plant and Equipment of SAR 133 thousand.

Net cash used in investing activities increased from SAR 424 thousand in the financial year ended 31 December 2021G to SAR 1.1 million in the financial year ended 31 December 2022G due to an increase in purchase of Property, Plant and Equipment of SAR 1.1 million.

Net cash used in investing activities amounted to SAR 300 thousand in the six-month period ended 30 June 2023G due to a decrease in purchase of Property, Plant and Equipment of SAR 300 thousand during the period.

## Net Cash from Financing Activities

Net cash used in financing activities decreased from SAR 2.4 million in the financial year ended 31 December 2020G to SAR 1.4 million in the financial year ended 31 December 2021G due to a decrease in movement on additional contributions from partner of SAR 1.6 million, and a decrease in Short-Term Loans of SAR 580 thousand.

Net cash used in financing activities increased from SAR 1.4 million in the financial year ended 31 December 2021G to SAR 4.2 million in the financial year ended 31 December 2022G due to a 231.1% decrease in Short-Term Loans, and a decrease in movement on additional contributions from partner of SAR 1.5 million.

Net cash used in financing activities amounted to SAR 127 thousand in the six-month period ended 30 June 2023G due to proceeds from loans of SAR 3.0 million, offset by loan repayments of SAR 2.0 million and profit distributions paid to the Company of SAR 783 thousand.

## 5.8.2 Al-Ahsa Medical Services Company

### 5.8.2.1 Statement of Profit or Loss and Other Comprehensive Income

**Table 5.85: Statement of Profit or Loss and Other Comprehensive Income for financial years ended 31 December 2020G, 2021G and 2022G, and for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G - 2022G | CAGR 2020G - 2022G | 30 June 2022G | 30 June 2023G | Period Change Ratio |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 238,533 | 252,640 | 246,296 | 5.9% | (2.5%) | 1.6% | 130,067 | 122,409 | (5.9%) |
| Cost of Revenue | (174,577) | (193,239) | (199,959) | 10.7% | 3.5% | 7.0% | (102,519) | (102,757) | 0.2% |
| **Gross Profit** | **63,956** | **59,401** | **46,337** | **(7.1%)** | **(22.0%)** | **(14.9%)** | **27,548** | **19,653** | **(28.7%)** |
| General and Administrative Expenses | (53,658) | (58,363) | (47,662) | 8.8% | (18.3%) | (5.8%) | (23,934) | (23.321) | (2.6%) |
| **Profit (Loss)from Operations** | **10,298** | **1,038** | **(1,325)** | **(89.9%)** | **(227.7%)** | **N/A** | **3,614** | **(3.668)** | **(201.5%)** |
| Finance Costs | (413) | (630) | (662) | 52.7% | 5.1% | 26.7% | (429) | (782) | 82.4% |
| Other Income | 5,180 | 5,443 | 9,974 | 5.1% | 83.2% | 38.8% | 6,043 | 4,695 | (22.3%) |
| **Profit of the Year/ Period Before zakat** | **15,066** | **5,851** | **7,986** | **(61.2%)** | **36.5%** | **(27.2%)** | **9,229** | **245** | **(97.3%)** |
| Zakat | (2,860) | (2,910) | (3,917) | 1.7% | 34.6% | 17.0% | (1,457) | (1,500) | 2.9% |
| **Net Profit for the Year/ Period** | **12,205** | **2,941** | **4,069** | **(75.9%)** | **38.4%** | **(42.3%)** | **7,771** | **(1,255)** | **(116.1%)** |
| **Other comprehensive income:** | | | | | | | | | |
| Profit (Loss) on Remeasurement of Employee Defined Benefit Obligations | (1,972) | (1,850) | (627) | (6.2%) | (66.1%) | (43.6%) | - | - | N/A |
| **Total Comprehensive Income for the Year/ Period** | **10,234** | **1,092** | **3,443** | **(89.3%)** | **215.4%** | **(42.0%)** | **7,771** | **(1,255)** | **N/A** |

Source: Al-Ahsa Medical Services Company's audited financial statements for the years ended 31 December 2020G, 2021G and 2022G, and management information at Al-Ahsa Medical Services Company for the six-month periods ended 30 June 2022G and 2023G.

### Revenue

Revenue increased by 5.9% from SAR 238.5 million in the financial year ended 31 December 2020G to SAR 252.6 million in the financial year ended 31 December 2021G by SAR 14.1 million. This was primarily due to an increase in insurance Company revenues of SAR 24.1 million and 34.2%, where the number of patients increased by approximately 21% and the average revenue per patient increased by approximately 10.9%. However, this was offset by a decrease in revenue from (Source A) of SAR 18.5 million as Al-Ahsa Medical Services Company focused more on insurance companies instead of (Source A).

Revenue decreased by SAR 6.3 million from SAR 252.6 million in the financial year ended 31 December 2021G to SAR 246.3 million in the financial year ended 31 December 2022G. This resulted from a decrease in (Source A) revenue by approximately 34.7% which amounted to SAR 21.7 million, where the number of patients decreased by approximately 85.9% due to a decrease in revenue from COVID-19 patients.

Revenue decreased by 5.9% from SAR 130.1 million in the six-month period ended 30 June 2022G to SAR 122.4 million in the six-month period ended 30 June 2023G, primarily due to a decrease in the Extended Care Unit "ECU" for elderly patients from SAR 18.3 million in the six-month period ended 30 June 2022G to SAR 14.7 million in the six-month period ended 30 June 2023G.

### Cost of Revenue

Cost of revenue decreased by 10.7% from SAR 174.6 million in the financial year ended 31 December 2020G to SAR 193.2 million in the financial year ended 31 December 2021G. This was primarily due to an increase in Employee Costs of SAR 16.5 million.

Cost of revenue increased by 3.5% from SAR 193.2 million in the financial year ended 31 December 2021G to SAR 200.0 million as of 31 December 2022G. This was due to an increase in Employee Costs of SAR 9.8 million, with 12 employees hired during the period. However, this was offset by a decrease in consumables of SAR 2.2 million as consumables directly relate to revenue and revenue decreased from 2021G – 2022G, as it is not a fixed cost.

Cost of revenue increased by 0.2% from SAR 102.5 million in the six-month period ended 30 June 2022G to SAR 102.8 million in the six-month period ended 30 June 2023G, primarily due to an increase in external medical services of SAR 1.8 million. However, this was offset by a decrease in end-of-service allowance of SAR 798.2 thousand by approximately 27%.

## Gross Profit

Gross profit margin decreased from 26.8% in the financial year ended 31 December 2020G to 23.5% in the financial year ended 2021G. This decrease in gross profit margin was due to the significant increase in cost of revenue of approximately 10.7%, which was offset by an increase in revenues of approximately 5.9%.

Gross profit margin further decreased to 18.8% in the financial year ended 31 December 2022G. This was due to the impact of a decrease in revenue in the financial year ended 31 December 2022G of approximately 2.5%, and an increase in cost of revenue of approximately 3.5%, resulting in a further decrease in gross profit margin.

Gross profit margin decreased from 21.2% in the six-month period ended 30 June 2022G to 16.1% in the six-month period ended 30 June 2023G due to the decrease in revenue earned during the six-month period ended 30 June 2022G and the six-month period ended 30 June 2023G.

## General and Administrative Expenses

General and Administrative Expenses increased by 8.8% from SAR 53.7 million in the financial year ended 31 December 2020G to SAR 58.4 million in the financial year ended 31 December 2021G, driven primarily by an increase in Employee Costs of SAR 1.9 million.

General and Administrative Expenses decreased by 18.3% from SAR 58.4 million in the financial year ended 31 December 2021G to SAR 47.7 million in the financial year ended 31 December 2022G, due to a decrease in Employee Costs of SAR 8.7 million.

General and Administrative Expenses decreased by 1.9% from SAR 23.9 million in the six-month period ended 30 June 2022G to SAR 23.3 million in the six-month period ended 30 June 2023G due to a decrease in end-of-service allowance of SAR 414 thousand.

## Finance Costs

Finance Costs increased by 52.7% from SAR 413 thousand in the financial year ended 31 December 2020G to SAR 630 thousand in the financial year ended 31 December 2021G, this increase in Finance Costs was due to an increase in Finance Costs across all line items and mainly from Tawarruq financing amounting to SAR 207 thousand.

Finance Costs increased by 5.1% from SAR 630 thousand in the financial year ended 31 December 2021G to SAR 662 thousand in the financial year ended 31 December 2022G, driven by term loan Finance Costs of SAR 66.6 thousand, offset by a decrease in Lease Liabilities Finance Costs of SAR 34.4 thousand.

Finance Costs increased by 82.4% from SAR 429 thousand in the six-month period ended 30 June 2022G to SAR 782 thousand in the six-month period ended 30 June 2023G due to an increase in Tawarruq financing costs of SAR 379 thousand.

## Other Income

Other Income increased by 5.1% from SAR 5.2 million in the financial year ended 31 December 2020G to SAR 5.4 million in the financial year ended 31 December 2021G due to an increase in kitchen income of SAR 174 thousand, and income from sale of fixed assets of SAR 105 thousand.

Other Income increased by 83.2% from SAR 5.4 million in the financial year ended 31 December 2021G to Other Income of SAR 10.0 million in the financial year ended 31 December 2022G and this increase was primarily driven by an increase in provision of SAR 1.8 million as provision from medical companies and vendors. In addition to an increase of SAR 2.1 million from the Human Resources Development Fund.

Other Income decreased by 22.3% from SAR 6.0 million in the six-month period ended 30 June 2022G to SAR 4.7 million in the six-month period ended 30 June 2023G, the decrease following a decrease in Other Revenue of SAR 602 thousand, and a decrease in provision of SAR 721 thousand.

## Zakat

Zakat remained stable at SAR 2.9 million in the financial year ended 31 December 2020G and in the financial year ended 31 December 2021G, then Zakat increased by 34.6% to SAR 3.9 million in the financial year ended 31 December 2022G.

Zakat remained stable at SAR 1.5 million in the six-month period ended 30 June 2022G and in the six-month period ended 30 June 2023G.

### 5.8.2.2 Statement of Financial Position

**Table 5.86: Statement of Financial Position as of 31 December 2020G, 2021G, 2022G, and as of 30 June 2023G**

| SAR in 000s | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) | As of 30 June 2023G |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-Current Assets** | | | | |
| Property, Plant and Equipment, Net | 157,618 | 153,300 | 146,696 | 140,037 |
| Intangible assets, net | 184 | 1,635 | 1,177 | 929 |
| Right-of-Use Assets, Net | 2,642 | 1,737 | 1,002 | 480 |
| Real Estate Investments | 2,833 | 2,649 | 2,465 | 2,374 |
| **Total Non-Current Assets** | **163,276** | **159,320** | **151,342** | **143,820** |
| **Current Assets** | | | | |
| Inventory, Net | 17,343 | 16,682 | 22,410 | 23,625 |
| Trade Receivables, Prepayments and Other Assets, net | 117,195 | 109,894 | 195,456 | 202,010 |
| Cash and Cash Equivalents | 1,838 | 20,016 | 16,518 | 437 |
| **Total Current Assets** | **136,376** | **146,592** | **234,384** | **226,072** |
| **Total Assets** | **299,651** | **305,912** | **385,725** | **369,892** |
| **Equity and Liabilities** | | | | |
| **Equity** | | | | |
| Capital | 150,000 | 150,000 | 150,000 | 150,000 |
| Statutory Reserve | 7,840 | 8,134 | 8,541 | 8,541 |
| Retained Earnings | 41,381 | 44,028 | 47,690 | 46,435 |
| Reserve for Re-measurement of Employee Defined Benefit Obligations | 9,552 | 7,702 | 7,075 | 7,075 |
| **Total Equity** | **208,773** | **209,864** | **213,307** | **212,052** |
| **Non-Current Liabilities** | | | | |
| Long-Term Loan – Non-current portion | 6,667 | - | 35,759 | 33,858 |
| Lease Liabilities – Non-current portion | 1,739 | 877 | - | - |
| Employee Defined Benefit Obligations | 30,020 | 34,838 | 34,800 | 34,204 |
| **Total Non-Current Liabilities** | **38,426** | **35,715** | **70,559** | **68,063** |
| **Current Liabilities** | | | | |
| Long-Term Loan – Current portion | 8,725 | - | 9,303 | 6,692 |
| Short-Term Loans | 5,039 | 10,349 | 50,283 | 40,858 |
| Trade Payables, Accrued Expenses and Other Liabilities | 37,880 | 49,167 | 41,432 | 40,345 |
| Lease Liabilities – Current portion | 819 | 816 | 841 | 383 |
| Zakat Provision | - | - | - | 1,500 |
| Total Current Liabilities | 52,463 | 60,332 | 101,859 | 89,778 |
| **Total Liabilities** | **90,889** | **96,048** | **172,419** | **157,840** |
| **Total Equity and Liabilities** | **299,651** | **305,912** | **385,725** | **369,892** |

Source: Al-Ahsa Medical Services Company's audited financial statements for the years ended 31 December 2020G, 2021G and 2022G, and management information at Al-Ahsa Medical Services Company for the six-month periods ended 30 June 2022G and 2023G.

### Property, Plant and Equipment, Net

Property, Plant and Equipment, net decreased from SAR 157.6 million as of 31 December 2020G to SAR 153.3 million as of 31 December 2021G. This was due to a disposal of medical machinery and tools of SAR 1.4 million, depreciation for the year of SAR 7.7 million, and additions of SAR 2.5 million.

Property, Plant and Equipment, net decreased from SAR 153.3 million as of 31 December 2021G to SAR 146.7 million as of 31 December 2022G. This was due to depreciation of buildings and improvements of SAR 5.5 million, and a disposal of medical machinery and tools of SAR 1.4 million.

Property, Plant and Equipment, net decreased from SAR 146.7 million as of 31 December 2022G to SAR 140.0 million as of 30 June 2023G, driven by disposals during the period.

### Intangible Assets, Net

Intangible assets, net increased from SAR 184 thousand as of 31 December 2020G to SAR 1.6 million as of 31 December 2021G. This was due to software additions amounting to SAR 1.6 million.

Intangible assets, net decreased from SAR 1.6 million as of 31 December 2021G to SAR 1.2 million as of 31 December 2022G. This was due to amortization during the period of SAR 457 thousand.

Intangible assets, net decreased from SAR 1.2 million as of 31 December 2022G to SAR 929 thousand as of 30 June 2023G due to amortization during the period of SAR 227 thousand.

### Right-of-Use Assets, Net

Right-of-use assets, net decreased from SAR 2.6 million as of 31 December 2020G to SAR 1.7 million as of 31 December 2021G. This was due to amortization during the period of SAR 905 thousand.

Right-of-use assets, net decreased from SAR 1.7 million as of 31 December 2021G to SAR 1.0 million as of 31 December 2022G. This was due to amortization during the period of SAR 734 thousand.

Right-of-use assets, net decreased from SAR 1.0 million as of 31 December 2022G to SAR 480 thousand as of 30 June 2023G due to amortization charged during the period.

### Real Estate Investments

Real Estate Investments decreased from SAR 2.8 million as of 31 December 2020G to SAR 2.6 million as of 31 December 2021G, then to SAR 2.5 million as of 31 December 2022G. It continued decreasing to reach SAR 2.4 million as of 30 June 2023G. This was due to the recognition of depreciation expense of SAR 459 thousand over the historical period.

### Inventory, Net

Inventory, net decreased from SAR 17.3 million as of 31 December 2020G to SAR 16.7 million as of 31 December 2021G. This was due to a decrease in medical consumables of SAR 577 thousand.

Inventory, net increased from SAR 16.7 million as of 31 December 2021G to SAR 22.4 million as of 31 December 2022G resulting from an increase in medicines of SAR 4.4 million.

Inventory, net increased from SAR 22.4 million as of 31 December 2022G to SAR 23.6 million as of 30 June 2023G. Driven by an increase in operating room inventory of SAR 749 thousand and others.

### Trade Receivables, Prepayments and Other Assets, net

Trade Receivables, Prepayments and Other Assets, net decreased from SAR 117.2 million as of 31 December 2020G to SAR 109.9 million as of 31 December 2021G. This was primarily attributed to an increase in the provision of SAR 5.1 million during the period.

Trade Receivables, Prepayments and Other Assets, net increased from SAR 109.9 million as of 31 December 2021G to SAR 195.5 million as of 31 December 2022G. This was primarily due to an increase in the loan from related parties to Al-Salam Medical Services Company allocated for working capital and capital expenditure requirements of the new facility of SAR 76.8 million during the period.

Trade Receivables, Prepayments and Other Assets, net increased from SAR 195.5 million as of 31 December 2022G to SAR 202.0 million as of 30 June 2023G driven by receivables related to Al-Salam Hospital pertaining to Al-Salam Medical Services Company (a subsidiary).

## Cash and Cash Equivalents

Cash and cash equivalents increased from SAR 1.8 million as of 31 December 2020G to SAR 20.0 million as of 31 December 2021G, and this was due to an increase in cash at banks of SAR 2.7 million. It then decreased to SAR 16.5 million as of 31 December 2022G following a decrease in Riyad Bank account's balance of SAR 13.9 million.

Cash and cash equivalents decreased from SAR 16.5 million as of 31 December 2022G to SAR 437 thousand as of 30 June 2023G. This was primarily due to a decrease in Al Rajhi Bank balance of SAR 14.4 million.

## Trade Payables, Accrued Expenses and Other Liabilities

Trade Payables, Accrued Expenses and Other Liabilities increased from SAR 37.9 million as of 31 December 2020G to SAR 49.2 million as of 31 December 2021G. This was due to an increase in trade payables of SAR 5.7 million, and an increase in VAT Dues of SAR 1.5 million.

Trade Payables, Accrued Expenses and Other Liabilities decreased from SAR 49.2 million as of 31 December 2021G to SAR 41.4 million as of 31 December 2022G, driven by a decrease in trade payables of SAR 2.5 million, following a decrease in medical suppliers of SAR 4.5 million.

Trade Payables, Accrued Expenses and Other Liabilities decreased from SAR 41.4 million as of 31 December 2022G to SAR 40.3 million as of 30 June 2023G, driven by a decrease in medical suppliers of SAR 1.8 million. In addition, the decrease was due to the reclassification of Zakat provision of SAR 1.5 million as of 30 June 2023G, to a separate zakat provision line item.

## Short-Term Loans

Short-Term Loans increased from SAR 5.0 million as of 31 December 2020G to SAR 10.3 million as of 31 December 2021G, then further increased to SAR 50.3 million as of 31 December 2022G. This was due to short-term facilities obtained in the financial year ended 31 December 2022G from Al Rajhi Bank, and the loan from Bank Albilad in February 2022G.

Short-Term Loans decreased from SAR 50.3 million as of 31 December 2022G to SAR 40.9 million as of 30 June 2023G, relating to payments made during the period.

## Lease Liabilities

Lease Liabilities decreased from SAR 2.6 million as of 31 December 2020G to SAR 1.7 million as of 31 December 2021G, and further decreased to SAR 841 thousand as of 31 December 2022G, Lease Liabilities continued to decrease to SAR 383 thousand as of 30 June 2023G and this continuing decrease was due to payments of SAR 2.2 million made over the period.

## Employee Defined Benefit Obligations

Employee Defined Benefit Obligations increased from SAR 30.0 million as of 31 December 2020G to SAR 34.8 million as of 31 December 2021G. This was due to current service cost in the financial year ended 31 December 2021G of SAR 4.8 million.

Employee Defined Benefit Obligations remained stable at SAR 34.8 million as of 31 December 2021G and as of 31 December 2022G. This was due to benefits paid during the period of SAR 7.1 million, offset by current service cost of SAR 5.6 million.

Employee Defined Benefit Obligations decreased from SAR 34.8 million as of 31 December 2022G to SAR 34.2 million as of 30 June 2023G by SAR 596 thousand.

## Zakat Provision

Zakat provision amounted to SAR 1.5 million as of 30 June 2023G.

## Capital

The capital amounted to SAR 150 million as of 30 June 2023G, divided into 15 million shares with a nominal value of SAR 10 per share.

## Retained Earnings

Retained earnings increased from SAR 41.4 million as of 31 December 2020G to SAR 44.0 million as of 31 December 2021G in line with the net income recognized for the financial year ended 31 December 2021G of SAR 2.9 million.

Retained earnings increased from SAR 44.0 million as of 31 December 2021G to SAR 47.7 million as of 31 December 2022G. This was in line with the net income recognized for the financial year ended 31 December 2022G of SAR 4.1 million. Retained earnings then decreased from SAR 47.7 million as of 31 December 2022G to SAR 46.4 million as of 30 June 2023G.

### 5.8.2.3 Statement of Cash Flows

**Table 5.87: Statement of Cash Flows for financial years ended 31 December 2020G, 2021G and 2022G, and for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G - 2022G | CAGR 2020G - 2022G | 30 June 2023G |
|---|---|---|---|---|---|---|---|
| **Operating Activities** | | | | | | | |
| Net Profit (Loss) for the Year/ Period Before Zakat | 15,066 | 5,851 | 7,986 | (61.2%) | 36.5% | (27.2%) | (1,408) |
| **Amendments to:** | | | | | | | |
| Depreciation and Amortization | 13,370 | 14,628 | 15,298 | 9.4% | 4.6% | 7.0% | 7,506 |
| Depreciation on Investment Properties | - | - | - | N/A | N/A | N/A | 92 |
| Right-of-Use Assets Amortization | 905 | 905 | 734 | - | (18.9%) | (9.9%) | 522 |
| Intangible Assets Amortization | - | - | - | N/A | N/A | N/A | 227 |
| Finance Costs on Lease Liabilities | 413 | 630 | 662 | 52.7% | 5.1% | 26.7% | - |
| Finance Costs | - | - | - | N/A | N/A | N/A | 782 |
| Lease Finance Expenses | - | - | - | N/A | N/A | N/A | 19 |
| Loss on disposal of and writing off Property, Plant and Equipment | 319 | 538 | 160 | 68.9% | (70.2%) | (29.0%) | 77 |
| Trade Receivables Depreciation | 3,646 | 6,325 | - | 73.5% | (100.0%) | (100.0%) | - |
| Employee Defined Benefit Obligations | 5,201 | 8,220 | 6,403 | 58.0% | (22.1%) | 11.0% | 3,035 |
| Zakat Expenses | - | - | - | N/A | N/A | N/A | 1,500 |
| **Changes in Operating Assets and Liabilities:** | | | | | | | |
| Accounts receivable, Advance Payments, and Assets | (34,455) | 976 | (85,562) | (102.8%) | (8864.2%) | 57.6% | (6,554) |
| Inventory | 184 | 661 | (5,728) | 259.6% | (967.0%) | N/A | (1,214) |
| Trade Payables, Accrued Expenses and Other Liabilities | 6,717 | 11,271 | (8,744) | 67.8% | (177.6%) | N/A | 2,830 |
| Finance Costs Paid | (234) | (511) | (571) | 118.1% | 11.7% | 56.1% | - |
| Employee Defined Benefit Obligations Paid | (3,920) | (5,252) | (7,068) | 34.0% | 34.6% | 34.3% | (3,631) |
| Zakat Paid | (2,544) | (2,883) | (2,910) | 13.3% | 0.9% | 6.9% | (3,917) |
| **Net Cash from Operating Activities** | **4,665** | **41,359** | **(79,338)** | **786.6%** | **(291.8%)** | **N/A** | **(132)** |
| **Cash Flows from Investing Activities** | | | | | | | |
| Purchase of Property, Plant and Equipment | (16,966) | (10,586) | (8,257) | (37.6%) | (22.0%) | (30.2%) | (751) |
| Purchase of Intangible Assets | (196) | (1,637) | - | 735.8% | (100.0%) | (100.0%) | - |
| Gains from Disposal of Property, Plant and Equipment | - | 107 | 42 | N/A | (60.4%) | N/A | - |
| **Net Cash Used in Investing Activities** | **(17,162)** | **(12,116)** | **(8,214)** | **(29.4%)** | **(32.2%)** | **(30.8%)** | **(751)** |
| **Cash Flows from Financing Activities** | | | | | | | |
| Lease Liabilities Paid | (984) | (984) | (937) | - | (4.8%) | (2.4%) | (478) |
| Receipt of Loans | 7,961 | 10,349 | 100,000 | 30.0% | 866.3% | 254.4% | 30,000 |
| Loan Repayment | (4,197) | (20,430) | (15,009) | 386.8% | (26.5%) | 89.1% | (44,719) |
| Net Cash Used in Financing Activities | 2,780 | (11,065) | 84,055 | (498.1%) | (859.6%) | 449.9% | (15,197) |

| SAR in 000s | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G - 2022G | CAGR 2020G - 2022G | 30 June 2023G |
|---|---|---|---|---|---|---|---|
| Net Change in Cash and Cash Equivalents | (9,717) | 18,178 | (3,498) | (287.1%) | (119.2%) | (40.0%) | (16,080) |
| Cash and Cash Equivalents, at the Beginning of Year/ Period | 11,554 | 1,838 | 20,016 | (84.1%) | 989.2% | 31.6% | 16,518 |
| Cash and Cash Equivalents, at the End of Year/ Period | 1,838 | 20,016 | 16,518 | 989.2% | (17.5%) | 199.8% | 437 |

Source: Al-Ahsa Medical Services Company's audited financial statements for the years ended 31 December 2020G, 2021G and 2022G, and management information at Al-Ahsa Medical Services Company for the six-month periods ended 30 June 2022G and 2023G.

### Net Cash From (Used in) Operating Activities

Net cash from operating activities increased from SAR 4.7 million in the financial year ended 31 December 2020G to SAR 41.4 million in the financial year ended 31 December 2021G due to the change in accounts receivable, prepayments and other assets during the period.

Net cash from operating activities of SAR 41.4 million in the financial year ended 31 December 2021G decreased to net cash used in operating activities of SAR 79.3 million in the financial year ended 31 December 2022G. This was due to an increase in accounts receivable, prepayments and assets of SAR 85.6 million resulting from a delay in settlement of receivables from both (Source A) and insurance companies.

Net cash used in operating activities amounted to SAR 132 thousand in the six-month period ended 30 June 2023G due to a decrease in the change in accounts receivable, prepayments and assets, in addition to a decrease in the change in inventory.

### Net Cash Used in Investing Activities

Net cash used in investing activities decreased from SAR 17.2 million in the financial year ended 31 December 2020G to SAR 12.1 million in the financial year ended 31 December 2021G due to a decrease in purchase of Property, Plant and Equipment of SAR 6.4 million.

Net cash used in investing activities decreased from SAR 12.1 million in the financial year ended 31 December 2021G to SAR 8.2 million in the financial year ended 31 December 2022G resulting from a decrease in purchase of Property, Plant and Equipment, in addition to a decrease in purchase of intangible assets during the period.

Net cash used in investing activities amounted to SAR 751 thousand in the six-month period ended 30 June 2023G due to a decrease in purchase of Property, Plant and Equipment.

### Net Cash From (Used in) Financing Activities

Net cash from financing activities of SAR 2.8 million in the financial year ended 31 December 2020G decreased to net cash used in financing activities of SAR 11.1 million in the financial year ended 31 December 2021G due to an increase in loan repayments of SAR 16.2 million. This was offset by an increase in proceeds from loans of SAR 2.4 million.

Net cash used in financing activities of SAR 11.1 million in the financial year ended 31 December 2021G increased to net cash from financing activities of SAR 84.1 million in the financial year ended 31 December 2022G due to an increase in proceeds from loans of SAR 100.0 million during the period, consisting of a long-term loan of SAR 50.0 million and a short-term loan of SAR 50.0 million.

Net cash used in financing activities amounted to SAR 15.2 million in the six-month period ended 30 June 2023G due to loan repayments of SAR 44.7 million, offset by proceeds from loans of SAR 30.0 million during the period.

## 5.8.3 Al-Salam Medical Services Company

### 5.8.3.1 Statement of Profit or Loss and Other Comprehensive Income

**Table 5.88: Statement of Profit or Loss and Other Comprehensive Income for financial years ended 31 December 2020G, 2021G and 2022G, and for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G - 2022G | CAGR 2020G - 2022G | 30 June 2022G | 30 June 2023G | Period Change Ratio |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | - | - | 675 | N/A | N/A | N/A | - | 12,504 | N/A |
| Cost of Revenue | - | - | (35,257) | N/A | N/A | N/A | - | (49,260) | N/A |
| **Total Loss** | **-** | **-** | **(34,582)** | **N/A** | **N/A** | **N/A** | **-** | **(36,757)** | **N/A** |
| General and Administrative Expenses | (1,711) | (5,133) | (16,107) | 200.0% | 213.8% | 206.8% | (8,266) | (33,301) | 302.9% |
| Selling and Marketing Expenses | - | - | - | N/A | N/A | N/A | - | (1,489) | N/A |
| Finance Costs on Leases | (2,709) | (2,146) | (2,537) | (20.8%) | 18.2% | (3.2%) | (1,451) | (18,557) | 1179.1% |
| Other Expenses, Net | - | (381) | - | N/A | (100.0%) | N/A | - | 135 | N/A |
| **Loss for the Year/ Period Before Zakat** | **(4,420)** | **(7,660)** | **(53,226)** | **73.3%** | **594.8%** | **247.0%** | **(9,717)** | **(89,969)** | **825.9%** |
| Zakat | (470) | (222) | - | (52.7%) | (100.0%) | (100.0%) | - | - | N/A |
| **Net Loss for the Year/ Period** | **(4,890)** | **(7,883)** | **(53,226)** | **61.2%** | **575.2%** | **229.9%** | **(9,717)** | **(89,969)** | **825.9%** |
| **Other Comprehensive Loss:** | | | | | | | | | |
| **Items that cannot be classified to profit or loss in later periods:** | | | | | | | | | |
| Profit (Loss) on Remeasurement of Employee Defined Benefit Obligations | (185) | (91) | (990) | (51.0%) | 989.0% | 131.1% | - | - | N/A |
| **Total Comprehensive Loss for the Year/ Period** | **(5,075)** | **(7,973)** | **(54,217)** | **57.1%** | **580.0%** | **226.8%** | **(9,717)** | **(89,969)** | **825.9%** |

Source: Al-Salam Medical Services Company's audited financial statements for the years ended 31 December 2020G, 2021G and 2022G, and management information at Al-Salam Medical Services Company for the six-month periods ended 30 June 2022G and 2023G.

#### Revenue

Revenue amounted to nil in the financial year ended 31 December 2020G and the financial year ended 31 December 2021G, as Al-Salam Medical Services Company commenced operations in the fourth quarter of the financial year ended 31 December 2022G.

In the financial year ended 31 December 2022G, Al-Salam Medical Services Company recorded revenue of SAR 675 thousand, primarily attributable to package deals of SAR 128 thousand and physical therapy of SAR 221 thousand.

Revenue amounted to SAR 12.5 million in the six-month period ended 30 June 2023G, compared to the same period in 2022G, during which no revenues were recognized as the medical center was under construction, and operations commenced from the fourth quarter of the financial year ended 31 December 2022G, leading to the recognition of revenue in the six-month period ended 30 June 2023G.

The highest revenue-generating department was Obstetrics and Gynecology, which generated SAR 1.9 million in the six-month period ended 30 June 2023G, with 1,838 outpatients and 128 inpatients in the six-month period ended 30 June 2023G.

#### Cost of Revenue

Cost of revenue amounted to SAR 35.3 million in the financial year ended 31 December 2022G, primarily attributable to employee-related costs of SAR 30.3 million, which constituted approximately 85.8% of the total costs.

Cost of revenue amounted to SAR 49.3 million in the six-month period ended 30 June 2023G, mainly related to employee salaries and benefits of SAR 40.8 million.

## Gross Profit

Gross profit margin was approximately -5123.2% in the financial year ended 31 December 2022G, in line with the gross loss of SAR 34.6 million recorded in the financial year ended 31 December 2022G, driven by the cost of revenue of SAR 35.3 million, which exceeded the revenue achieved of SAR 675 thousand.

Gross profit margin stood at -294% in the six-month period ended 30 June 2023G due to the high cost of revenue of SAR 49.3 million, which exceeded the revenue achieved of SAR 12.5 million during the same period.

## General and Administrative Expenses

General and Administrative Expenses increased by 200.0% from SAR 1.7 million in the financial year ended 31 December 2020G to SAR 5.1 million in the financial year ended 31 December 2021G, primarily due to early loan settlement expenses of SAR 3.0 million related to Saudi First Bank in the financial year ended 31 December 2021G.

General and Administrative Expenses increased by 213.8% from SAR 5.1 million in the financial year ended 31 December 2021G to SAR 16.1 million in the financial year ended 31 December 2022G, primarily due to an increase in employee-related costs of SAR 11.1 million.

General and Administrative Expenses increased by 302.9% from SAR 8.3 million in the six-month period ended 30 June 2022G to SAR 33.3 million in the six-month period ended 30 June 2023G, driven by an increase in employee benefits of SAR 10.4 million and an increase in interest incurred by Al-Salam Medical Services Company against Al-Ahsa Medical Services Company's debts of SAR 3.7 million.

## Selling and Marketing Expenses

Selling and Marketing Expenses amounted to SAR 1.5 million in the six-month period ended 30 June 2023G, primarily related to marketing for the commencement of the medical center's operations.

## Finance Costs on Leases

Finance Costs on leases decreased by 20.8% from SAR 2.7 million in the financial year ended 31 December 2020G to SAR 2.1 million in the financial year ended 31 December 2021G, primarily due to payments made during the period.

Finance Costs on leases increased by 18.2% from SAR 2.1 million in the financial year ended 31 December 2021G to SAR 2.5 million in the financial year ended 31 December 2022G, attributable to an increase in finance charges from the Pioneer Medical Equipment lease agreement.

Finance Costs on leases increased by 1179.1% from SAR 1.5 million in the six-month period ended 30 June 2022G to SAR 18.6 million in the six-month period ended 30 June 2023G, as a result of expensing interest on loans previously capitalized during the construction phase.

## Other Expenses, Net

Other expenses, net amounted to SAR 381 thousand in the financial year ended 31 December 2021G, primarily related to the Company's operating costs.

## Zakat

Zakat decreased from SAR 470 thousand in the financial year ended 31 December 2020G to SAR 222 thousand in the financial year ended 31 December 2021G, and then to nil in the financial year ended 31 December 2022G and the six-month period ended 30 June 2023G.

### 5.8.3.2 Statement of Financial Position

**Table 5.89: Statement of Financial Position As of 31 December 2020G, 2021G, 2022G, and as of 30 June 2022G and 2023G**

| SAR in 000s | As of 31 December 2020G (Audited) | As of 31 December 2021G (Audited) | As of 31 December 2022G (Audited) | As of 30 June 2023G |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-Current Assets** | | | | |
| Property, Plant and Equipment, Net | 571,827 | 760,036 | 832,690 | 862,674 |
| Right-of-Use Assets, Net | - | - | 61,970 | 56,539 |
| Real Estate Investments | - | - | 2,696 | 2,682 |
| Total Non-Current Assets | 571,827 | 760,036 | 897,357 | 921,894 |
| Current Assets | | | | |
| Cash and Cash Equivalents | 112 | 3,600 | 781 | 13,438 |
| Trade Receivables, Advance Payments and Other Assets, net | 2,808 | 5,752 | 9,033 | 19,605 |
| Payables to a related party | 3 | - | - | - |
| Inventory, Net | - | - | 2,363 | 7,861 |
| **Total Current Assets** | **2,923** | **9,352** | **12,177** | **40,905** |
| **Total Assets** | **574,749** | **769,388** | **909,534** | **962,799** |
| **Equity and Liabilities** | | | | |
| **Equity** | | | | |
| Capital | 200,000 | 200,000 | 200,000 | 200,000 |
| Statutory Reserve | (185) | (276) | (1,267) | - |
| Accumulated Losses | (12,200) | (20,082) | (73,308) | (163,277) |
| Reserve for Re-measurement of Employee Defined Benefit Obligations | - | - | - | (1,267) |
| **Total Equity** | **187,615** | **179,642** | **125,425** | **35,456** |
| **Non-Current Liabilities** | | | | |
| Loans – Non-current portion | 186,263 | 490,176 | 434,382 | - |
| Lease Liabilities – Non-current portion | 32,531 | 54,704 | 64,301 | 58,081 |
| Employee Defined Benefit Obligations | 508 | 740 | 2,107 | 4,341 |
| Long-Term Loan – Non-current portion | - | - | - | 509,189 |
| **Total Non-Current Liabilities** | **219,302** | **545,620** | **500,791** | **571,611** |
| **Current Liabilities** | | | | |
| Loans – Current portion | 144,528 | - | 136,506 | - |
| Payable to Bank | 5,705 | - | - | - |
| Lease Liabilities – Current portion | 2,991 | 10,488 | 15,233 | 14,968 |
| Trade Payables, Accrued Expenses and Other Liabilities | 13,478 | 33,639 | 131,580 | 226,614 |
| Long-Term Loan – Current portion | - | - | - | 23,929 |
| Short-Term Loans | - | - | - | 89,999 |
| Zakat Provision | - | - | - | 222 |
| Total Current Liabilities | 167,832 | 44,127 | 283,319 | 355,732 |
| **Total Liabilities** | **387,134** | **589,746** | **784,109** | **927,343** |
| **Total Equity and Liabilities** | **574,749** | **769,388** | **909,534** | **962,799** |

Source: Al-Salam Medical Services Company's audited financial statements for the years ended 31 December 2020G, 2021G and 2022G, and management information at Al-Salam Medical Services Company for the six-month periods ended 30 June 2022G and 2023G.

## Properties, Plant and Equipment, Net

Properties, plant and equipment, net increased from SAR 571.8 million as of 31 December 2020G to SAR 760.0 million as of 31 December 2021G, and then to SAR 832.7 million as of 31 December 2022G. It further increased to SAR 862.7 million as of 30 June 2023G, driven by additions amounting to SAR 330.4 million during the period, relating to the construction of Al-Salam Medical Services Company, which were capitalized.

## Right-of-Use Assets, Net

Right-of-use assets, net amounted to SAR 62.0 million as of 31 December 2022G, relating to a sale and leaseback agreement with Pioneer Assets Company worth SAR 64.6 million.

Right-of-use assets, net decreased from SAR 62.0 million as of 31 December 2022G to SAR 56.5 million as of 30 June 2023G, in line with the amortization of the assets.

## Real Estate Investments

Real Estate Investments relate to transferring Capital Work In Progress to Real Estate Investments, amounting to SAR 2.7 million as of 31 December 2022G and as of 30 June 2023G.

## Inventory, Net

Inventory, net amounted to SAR 2.4 million as of 31 December 2022G, resulting from the opening of the first phase of Al-Salam Medical Services Company.

Inventory, net increased from SAR 2.4 million as of 31 December 2022G to SAR 7.9 million as of 30 June 2023G due to the purchase of medical supplies and consumables in line with the increase in operations during the period.

## Trade Receivables, Prepayments and Other Assets, Net

Trade Receivables, Prepayments and Other Assets, net increased from SAR 2.8 million as of 31 December 2020G to SAR 5.8 million as of 31 December 2021G, primarily due to an increase in VAT dues of SAR 2.5 million.

Trade Receivables, Prepayments and Other Assets, net increased from SAR 5.8 million as of 31 December 2021G to SAR 9.0 million as of 31 December 2022G, primarily due to an increase in prepaid medical insurance of SAR 1.8 million.

Trade Receivables, Prepayments and Other Assets, net increased from SAR 9.0 million as of 31 December 2022G to SAR 19.6 million as of 30 June 2023G, primarily driven by an increase in Trade Receivables from key customers of SAR 4.8 million upon commencement of operations, among others.

## Cash and Cash Equivalents

Cash and cash equivalents increased from SAR 112 thousand as of 31 December 2020G to SAR 3.6 million as of 31 December 2021G, resulting from an increase in cash at banks of SAR 3.5 million, and then decreased to SAR 781 thousand as of 31 December 2022G, primarily due to a decrease in cash at banks of SAR 2.9 million.

Cash and cash equivalents increased from SAR 781 thousand as of 31 December 2022G to SAR 13.4 million as of 30 June 2023G, driven by an increase in bank accounts with Saudi First Bank and Alinma Bank of SAR 12.6 million and an increase in cash on hand of SAR 49 thousand.

## Trade Payables, Accrued Expenses and Other Liabilities

Trade Payables, Accrued Expenses and Other Liabilities increased from SAR 13.5 million as of 31 December 2020G to SAR 33.6 million as of 31 December 2021G due to an increase in contractor payables of SAR 19.7 million on account of ongoing construction works for the development of the new medical facility.

Trade Payables, Accrued Expenses and Other Liabilities increased from SAR 33.6 million as of 31 December 2021G to SAR 131.6 million as of 31 December 2022G, primarily due to an increase in payables to related parties of SAR 91.2 million, relating to Al-Ahsa Medical Services Company of SAR 77.8 million, including a loan of SAR 73.7 million, and Al Othman Group of SAR 14.4 million, including a loan of SAR 5.9 million.

Trade Payables, Accrued Expenses and Other Liabilities increased from SAR 131.6 million as of 31 December 2022G to SAR 226.6 million as of 30 June 2023G, attributable to an interest-free loan from Al Othman Holding Company (a substantial shareholder of the Company) secured in the financial year 2023G, amounting to SAR 108.5 million as of 30 June 2023G. It also includes loans received on a commercial basis from Al-Ahsa Hospital, amounting to SAR 79.5 million.

## Short-Term Loans

Short-Term Loans amounted to SAR 90.0 million as of 30 June 2023G, with no prior balances recorded during the historical period, due to Short-Term Loans previously recognized within the loans account.

As of 30 June 2023G, the Short-Term Loans pertain to Alinma Bank's facility agreed upon in April 2021G but amended in March 2023G to reach SAR 90 million.

## Lease Liabilities

Lease Liabilities increased from SAR 35.5 million as of 31 December 2020G to SAR 65.2 million as of 31 December 2021G, and then to SAR 79.5 million as of 31 December 2022G, attributable to the sale and leaseback agreement with Pioneer Company in 2019G to lease their medical equipment with a lease term of 105 months as of 31 December 2022G.

Lease Liabilities decreased to SAR 73.0 million as of 30 June 2023G due to payments made during the period.

## Employee Defined Benefit Obligations

Employee Defined Benefit Obligations increased from SAR 508 thousand as of 31 December 2020G to SAR 740 thousand as of 31 December 2021G, driven by a current service cost of SAR 184 thousand and an actuarial loss on the obligation of SAR 91 thousand.

Employee Defined Benefit Obligations increased from SAR 740 thousand as of 31 December 2021G to SAR 2.1 million as of 31 December 2022G due to an actuarial loss on the obligation of SAR 990 thousand and a current service cost of SAR 443 thousand.

Employee Defined Benefit Obligations increased from SAR 2.1 million as of 31 December 2022G to SAR 4.3 million as of 30 June 2023G, resulting from the current service cost charged for this period.

## Loans

Loans increased by SAR 159.0 million from SAR 330.8 million as of 31 December 2020G to SAR 490.2 million as of 31 December 2021G, due to a new loan from Alinma Bank amounting to SAR 443.0 million, which was utilized to finance the settlement of a Saudi First Bank's loan of SAR 177.4 million.

Loans increased by SAR 80.7 million from SAR 490.2 million as of 31 December 2021G to SAR 570.9 million as of 31 December 2022G, as Al-Salam Medical Services Company obtained an interest-free loan from the Ministry of Health amounting to SAR 69.7 million.

Loans decreased from SAR 570.9 million as of 31 December 2022G to SAR 533.1 million as of 30 June 2023G, following the reclassification of Short-Term Loans to a separate account as of 30 June 2023G.

## Capital

The capital amounted to SAR 200.0 million as of 30 June 2023G, divided into 20 million shares with a nominal value of SAR 10 per share.

## Accumulated Losses

Accumulated losses increased from SAR 12.2 million as of 31 December 2020G to SAR 20.1 million as of 31 December 2021G, and then to SAR 73.3 million as of 31 December 2022G, further increasing to SAR 163.3 million as of 30 June 2023G.

These relate to net losses of SAR 4.9 million in the financial year ended 31 December 2020G, SAR 7.9 million in the financial year ended 31 December 2021G, SAR 9.7 million in the financial year ended 31 December 2022G, and SAR 90.0 million in the six-month period ended 30 June 2023G. These losses were incurred during the opening of Al-Salam Medical Services Company, as Al-Salam Medical Services Company did not have any recognized revenues until the financial year ended 31 December 2022G amounting to SAR 75 thousand, as construction was previously ongoing. High costs of revenue were incurred amounting to SAR 35.4 million in the financial year ended 31 December 2022G and SAR 49.3 million in the six-month period ended 30 June 2023G, primarily attributable to hiring new employees to support the operations of the opened facility.

### 5.8.3.3 Statement of Cash Flows

**Table 5.90: Statement of Cash Flows for financial years ended 31 December 2020G, 2021G and 2022G, and for the six-month periods ended 30 June 2022G and 2023G**

| SAR in 000s | FY 2020G (Audited) | FY 2021G (Audited) | FY 2022G (Audited) | Annual Change 2020G-2021G | Annual Change 2021G - 2022G | CAGR 2020G - 2022G | 30 June 2023G |
|---|---|---|---|---|---|---|---|
| **Operating Activities** | | | | | | | |
| Net Loss for the Year/ Period Before Zakat | (4,420) | (7,660) | (53,226) | 73.3% | 594.8% | 247.0% | (89,969) |
| **Amendments to:** | | | | | | | |
| Depreciation | 255 | 249 | 4,220 | (2.3%) | 1593.7% | 306.8% | 4,228 |
| Depreciation Expense on Investment Properties | - | - | - | N/A | N/A | N/A | 14 |
| Right-of-Use Assets Amortization | - | - | - | N/A | N/A | N/A | 5,432 |
| Loss on Disposal of Property, Plant and Equipment | - | 383 | - | N/A | (100.0%) | N/A | |
| Employee End of Service Benefit | 156 | 194 | 443 | 24.5% | 128.8% | 68.8% | - |
| Employee Defined Benefit Obligations | - | - | - | N/A | N/A | N/A | 2,651 |
| Finance Cost on Lease Liability | 2,709 | 2,135 | 2,537 | (21.2%) | 18.8% | (3.2%) | - |
| Finance Costs | - | - | - | N/A | N/A | N/A | 18,557 |
| **Changes in Operating Assets and Liabilities:** | | | | | | | |
| Advance payments and other receivable balances | 60,241 | (2,944) | (3,281) | (104.9%) | 11.4% | N/A | - |
| Accrued obligations and other credit balances | 3,622 | 18,901 | - | 421.8% | (100.0%) | (100.0%) | - |
| Dues to and from related parties | (2,614) | (89) | - | (96.6%) | (100.0%) | (100.0%) | - |
| Zakat Paid | (470) | - | - | (100.0%) | N/A | (100.0%) | - |
| Employee End of Service Benefit Paid | (74) | (53) | (92) | (28.7%) | 74.1% | 11.4% | - |
| Employee Defined Benefit Obligations Paid | - | - | - | N/A | N/A | N/A | (416) |
| Inventory | - | - | (2,363) | N/A | N/A | N/A | (5,498) |
| Accounts Payable Receivables and Other Credit Balances | - | - | 97,942 | N/A | N/A | N/A | - |
| Accounts receivable, Advance Payments, and Assets | - | - | - | N/A | N/A | N/A | (10,573) |
| Trade Payables, Accrued Expenses and Other Liabilities | - | - | - | N/A | N/A | N/A | 95,256 |
| **Net Cash from Operating Activities** | **59,403** | **11,116** | **46,179** | **(81.3%)** | **315.4%** | **(11.8%)** | **19,682** |
| **Cash Flows from Investing Activities** | | | | | | | |
| Purchase of Property, Plant and Equipment | (92,236) | (163,711) | (137,507) | 77.5% | (16.0%) | 22.1% | (34,211) |
| Gains from Disposal of Property, Plant and Equipment | - | 227 | - | N/A | (100.0%) | N/A | - |
| **Net Cash Used in Investing Activities** | **(92,236)** | **(163,484)** | **(137,507)** | **77.2%** | **(15.9%)** | **22.1%** | **(34,211)** |
| Cash Flows from Financing Activities | | | | | | | |
| Loans | 21,798 | 146,383 | 80,712 | 571.5% | (44.9%) | 92.4% | - |
| Payable to Bank | 5,705 | (5,705) | - | (200.0%) | (100.0%) | (100.0%) | - |
| Gained Lease Liabilities, net | 5,061 | 15,179 | 7,796 | 199.9% | (48.6%) | 24.1% | - |
| Lease Liabilities Paid | - | - | - | N/A | N/A | N/A | (7,583) |
| Loan Repayment | - | - | - | N/A | N/A | N/A | (119,017) |
| Receipt of Loans | - | - | - | N/A | N/A | N/A | 153,786 |
| Net Cash from Financing Activities | 32,564 | 155,857 | 88,508 | 378.6% | (43.2%) | 64.9% | 27,186 |
| Net Change in Cash and Cash Equivalents | (268) | 3,488 | (2,819) | (1401.1%) | (180.8%) | 224.3% | 12,657 |
| Cash and Cash Equivalents, at the Beginning of Year/ Period | 380 | 112 | 3,600 | (70.5%) | 3104.0% | 207.6% | 781 |
| Cash and Cash Equivalents, at the End of Year/ Period | 112 | 3,600 | 781 | 3104.0% | (78.3%) | 163.7% | 13,438 |

Source: Al-Salam Medical Services Company's audited financial statements for the years ended 31 December 2020G, 2021G and 2022G, and management information at Al-Salam Medical Services Company for the six-month periods ended 30 June 2022G and 2023G.

## 5.8.3.4 Net Cash from Operating Activities

Net cash from Operating Activities decreased from SAR 59.4 million in the financial year ended 31 December 2020G to SAR 11.1 million in the financial year ended 31 December 2021G, resulting from a decrease in advances and other receivables.

Net cash from operating activities decreased from SAR 11.1 million in the financial year ended 31 December 2021G to SAR 46.2 million in the financial year ended 31 December 2022G, due to an increase in accounts payable and other credit balances, offset by a decrease in advances and other receivables.

Net cash from operating activities amounted to SAR 19.7 million in the six-month period ended 30 June 2023G, primarily driven by an increase in accounts payable, accrued expenses and other liabilities.

### Net Cash Used in Investing Activities

Net cash used in investing activities increased from SAR 92.2 million in the financial year ended 31 December 2020G to SAR 163.5 million in the financial year ended 31 December 2021G, resulting from an increase in the purchase of properties, plant and equipment of SAR 71.5 million.

Net cash used in investing activities decreased from SAR 163.5 million in the financial year ended 31 December 2021G to SAR 137.5 million in the financial year ended 31 December 2022G, due to a decrease in the purchase of properties, plant and equipment of SAR 26.2 million.

Net cash used in investing activities amounted to SAR 34.2 million in the six-month period ended 30 June 2023G, attributable to the purchase of properties, plant and equipment, which amounted to SAR 34.2 million during the period.

### Net Cash from Financing Activities

Net cash from financing activities increased from SAR 32.6 million in the financial year ended 31 December 2020G to SAR 155.9 million in the financial year ended 31 December 2021G, resulting from an increase in loans of SAR 124.6 million, coupled with an increase in Lease Liabilities obtained, net of SAR 10.1 million, offset by a decrease in amounts due to banks of SAR 5.7 million.

Net cash from financing activities decreased from SAR 155.9 million in the financial year ended 31 December 2021G to SAR 88.5 million in the financial year ended 31 December 2022G, due to a decrease in loans of SAR 65.7 million and a decrease in Lease Liabilities obtained, net of SAR 7.4 million.

Net cash from financing activities amounted to SAR 27.2 million in the six-month period ended 30 June 2023G, primarily attributable to proceeds from loans of SAR 153.8 million, offset by loan repayments of SAR 119.0 million.

# 6. Using the Proceeds of the Offering

## 6.1 Net Offering Proceeds

The total proceeds of the rights of the shares of priority rights offering are estimated at two hundred million (200,000,000) Saudi riyals, of which six million (6,000,000) SAR shall be paid to cover the offering expenses, which include the fees of the financial advisor, subscription manager, legal advisor, chartered accountant, media and public relations advisor, in addition to the underwriting expenses and marketing and printing and distribution expenses, and other expenses related to the subscription. The net proceeds of the offering shall amount to one hundred and ninety-four million (194,000,000) SAR, which shall be used in the following:

1. **Purchasing medical devices and equipment for Al Salam Hospital, affiliated with Al Salam Medical Services Company (a subsidiary) at a value of (20,000,000) SAR**: A portion of the net proceeds of the offering, amounting to twenty million (20,000,000) SAR, shall be used to purchase medical devices and equipment for Al Salam Hospital, affiliated with Al Salam Services Company. Medical (subsidiary Company) related to the operation of Al Salam Hospital.
2. **Payment to the suppliers of the affiliated companies (Al-Ahsa Medical Services Company and Al-Salam Medical Services Company) in the amount of (61,084,725) SAR**: The Company intends to direct a portion of the net proceeds of the offering in the amount of one sixty million and eighty-four thousand seven hundred and twenty-five (61,084,725) SAR in order to pay the full amounts due to the suppliers of the affiliated companies (Al-Ahsa Medical Services Company and Al-Salam Medical Services Company). The Company shall pay the amount of thirty million four hundred and thirty-eight thousand five hundred and forty-two (30,438,542) SAR to the suppliers of Al-Ahsa Medical Services Company, while the Company shall pay the amount of thirty million six hundred and forty-six thousand and one hundred and eighty-three (30,646,183) SAR to the suppliers of Al Salam Medical Services Company
3. **Payment of liabilities owed by Al-Salam Medical Services Company (a subsidiary) to financing entities in the amount of (45,000,000) SAR**: A portion of the net proceeds of the offering in the amount of forty-five million (45,000,000) SAR shall also be used to pay part of the principal of the credit facilities and financing costs due from Al Salam Medical Services Company, which are financing costs related to the outstanding balance of the credit facilities obtained by Alinma Bank in the amount of 541,000,000 SAR, which was amended through an amendment addendum dated 03/14/2023G so that the total amount of the facilities became 531,935,000 SAR. The following table shows details of the financing entities' obligations to be paid using the offering proceeds:

| Entity | Amount (SAR) |
|---|---|
| Alinma Bank (repayment of part of the financing principal) | 14,000,000 |
| Alinma Bank (payment of financing costs) | 31,000,000 |
| **Total** | **45,000,000** |

Source: Company

4. **Payment of the operating expenses of Al Salam Medical Services Company (a subsidiary) in the amount of (67,915,275) SAR**: A portion of the net proceeds of the offering in the amount of sixty-seven million nine hundred and fifteen thousand two hundred and seventy-five (67,915,275) SAR shall be used to pay the operational expenses of Al Salam Medical Services Company.

As soon as it becomes aware of this, the Company shall disclose to the public on the Saudi Tadawul website before the opening of the trading session. In the event there is a difference of (5%) or more between the actual uses of the proceeds of the offering comparing to what was disclosed in this prospectus as soon as it becomes aware of that in accordance with paragraph (f) of Article Seventy-Two (72) of the Rules on the Offer of Securities and Continuing Obligations provides that "the issuer shall disclose to the public, when there is a difference of (5%) or more between the actual use of the proceeds from the issuance of Rights Issue Shares comparing to what was disclosed in the relevant prospectus." as soon as he became aware of the same."

## 6.2 Use of Offering Proceeds

The following table demonstrate the expected use of the offering proceeds:

**Table 6.1: Expected use of the offering proceeds**

| Item (SAR) | Q3 2024G | Q4 2024G | Q1 2025G | Q2 2025G | Total |
|---|---|---|---|---|---|
| Purchasing medical devices and equipment for Al Salam Hospital, affiliated with Al Salam Medical Services Company (subsidiary Company). | - | - | 20,000,000 | - | 20,000,000 |
| Payment of suppliers of subsidiaries (Al-Ahsa Medical Services Company and Al-Salam Medical Services Company). | 61,084,725 | - | - | - | 61,084,725 |
| Payment of obligations owed by Al Salam Medical Services Company (a subsidiary) to financing entities. | 10,750,000 | 10,750,000 | 10,750,000 | 10,750,000 | 45,000,000 |
| Payment of operational expenses for Al Salam Medical Services Company (subsidiary Company). | 36,000,000 | 31,915,275 | - | - | 67,915,275 |
| Offering expenses | 6,000,000 | - | - | - | 6,000,000 |
| **Total** | **113,834,725** | **42,665,275** | **31,750,000** | **11,750,000** | **20,000,000** |

It is worth noting that the above-mentioned projects shall be financed exclusively from the proceeds of the offering.

## 6.3 Implications of the Potential Sale Transaction

In the event that the potential sale transaction is concluded (for more information, please refer to Subsection No. (3.9) "**Potential Sale transaction with Dallah Healthcare Company**" of this prospectus) before the use of all amounts of the offering proceeds are finalized in accordance with the timetable shown above, it shall result in not using some amounts according to the above detailed uses, as a result of the transfer of ownership of Al-Ahsa Medical Services Company and Al-Salam Medical Services Company to Dallah Health Services Company upon the completion of the potential sale transaction. The Company shall disclose any material differences in the use of proceeds comparing to what is specified in the above schedule in accordance with the requirements of the Rules on the Offer of Securities and Continuing Obligations, The company also undertakes to obtain the approval of the General Assembly of Shareholders in the event of any alternative use of proceeds from what was disclosed in this prospectus.

# 7. Expert Statement

Written consent has been obtained for each of the advisors and auditors named on page ("v") of this prospectus to include their names, logos and statements in the format contained in this prospectus, and such consents were not withdrawn until the date of this prospectus. All advisors and auditors whose names are mentioned on page ("v") of this prospectus and their relatives do not own any shares or interest of any kind in the Company.

# 8. Acknowledgements

The members of the Board of Directors acknowledge the following, as of the date of this prospectus:

- There was no interruption in the business of the Company or any of its affiliates that could affect or have significantly affected the financial position during the last twelve (12) months.
- No commissions, rebates, brokerage fees or any non-monetary compensation were granted by the issuer or any of its subsidiaries during the three years immediately preceding the date of submitting the application for registration and offering of securities in connection with the issuance or offering of any securities.
- Save as what was disclosed in Risk No. (2.1.27) "**Risks Related to Accumulated Losses of the Company and its Subsidiaries**" and Subsection No. 5.6.3.2 ("**Equity**") and Subsection No. 5.7.3.3 ("**Equity**") and Subsection No. 5.8.1.2 ("**Statement of Financial Position**") and Subsection No. 5.8.3.2 ("**Statement of Financial Position**") of this Prospectus, there has been no material adverse change the financial and commercial position of the issuer or any of its affiliates during the three years immediately preceding the date of submitting the application for registration and offering the securities subject to this prospectus. In addition to the period covered by the certified chartered accountant's report until the approval of the prospectus.
- Other than what was stated on page (iii) of this prospectus, neither the members of the Board nor any of their relatives have any shares or interest of any kind in the issuer or any of its subsidiaries.
- The Company did not hold treasury shares. The Company's extraordinary general assembly did not approve the purchase of the Company's shares.

# 9. Legal Information

## 9.1 Establishment of the Company and the Licenses and Permits under which it operates in accordance with:

Ayyan Investment Company (hereinafter referred to as "**the Company**", "**Ayyan**" or "**the Issuer**") was established as a Saudi joint stock Company pursuant to the Articles of Association dated 11/11/1413H (corresponding to 02/05/1993 AH) and pursuant to Ministerial Resolution No. 573 issued on 26 /04/1414H (corresponding to 13/10/1993 G) providing the announcing the establishment of the Company and registered in the commercial register No. 2051064048 issued by the city of Khobar on 19/07/1438H (corresponding to 16/04/2017G). The Company's head office is located in Al-Khobar, Tariq Bin Ziyad Road, Al-Rakah District, P.O. Box 77411, Al Khobar 31952, Kingdom of Saudi Arabia.

The Company's current capital is eight hundred and six million, three hundred and sixty-three thousand, two hundred and eighty (806,363,280) SAR, divided into eighty million, six hundred and thirty-six thousand, three hundred and twenty-eight (80,636,328) ordinary shares with a fully paid nominal value of ten (10) SAR per share.

The Company has obtained all necessary licenses and approvals to carry out its activity in accordance with the applicable regulations, which are as follows:

**Table 9.1: The necessary licenses obtained by the Company and its branch to practice its activity in accordance with the applicable regulations:**

| No. | License Type | Purpose | License Number | Issue Date | Expiry Date | Issuing Entity |
|---|---|---|---|---|---|---|
| 1 | The Company's commercial registration certificate | Establishment and registration of the Company | 205164048 | 19/07/1438H (corresponding to 16/04/2017G) | 19/07/1446H (corresponding to 19/01/2025G) | Ministry of Commerce |
| 2 | Commercial registration certificate for Mubarraz branch | Establishment and registration of the Company | 2252021816 | 01/06/1414 H (corresponding to 14/11/1993G) | 29/05/1446H (corresponding to 13/12/2024G) | Ministry of Commerce |
| 3 | Certificate of the General Organization for Social Insurance for the Company | Certificate of fulfillment of the requirements of the General Organization for Social Insurance | 64239710 | 08/10/1445H (corresponding to 17/04/2024G) | 08/11/1445H (corresponding to 16/05/2024G) | General Organization for Social Insurance |
| 4 | Saudization certificate for the Company | Certificate of compliance with | 695223-16864877 | 28/05/1445H (corresponding to 13/12/2023G) | 17/12/1445H (corresponding to 03/07/2024G) | Ministry of Human Resources and Social |
| 5 | Chamber of Commerce Certificate in the Company's Eastern Chamber | Saudization requirements<br>Subscription certificate | 223022 | 20/07/1443H (corresponding to 21/02/2022G) | 19/07/1446H (corresponding to 19/01/2025G) | Development<br>Eastern Chamber of Commerce and Industry |
| 6 | Zakat certificate for the Company | Certificate of compliance with the requirements of the Department of Zakat and Income Tax | 1112207143 | 16/10/1445H (corresponding to 25/04/2024G) | 02/11/1446H (corresponding to 30/04/2025G) | Zakat, Tax and Customs Authority |
| 7 | Municipal license for the Company | legally required license in accordance with the municipal licensing procedures law | 40041998019 | 23/03/1439H (corresponding to 11/12/2017G) | 23/03/1446H (corresponding to 26/09/2024G) | Eastern Province Secretariat |

Source: Company

**Table 9.2: The necessary licenses obtained by Al-Ahsa Medical Services Company to practice its activity in accordance with the applicable regulations*:**

| No. | License Type | Purpose | License Number | Issue Date | Expiry Date | Issuing Entity |
|---|---|---|---|---|---|---|
| 1 | The commercial registration certificate of Al-Ahsa Company for Medical services | Establishment and registration of the Company | 2252025213 | 07/08/1418H (corresponding to 07/12/1997 G) | 19/08/1446H (corresponding to 18/02/2025G) | Ministry of Commerce |
| 2 | Chamber of Commerce Certificate in Al-Ahsa Chamber of Al-Ahsa Medical Services Company. | Subscription certificate | 302000119965 | 03/09/1445H (corresponding to 13/03/2024G) | 19/08/1446H (corresponding to 18/02/2025G) | Ministry of Commerce |
| 3 | Certificate of the General Organization for Social Insurance for Al-Ahsa Medical Services Company. | Certificate of fulfillment of the requirements of the General Organization for Social Insurance | 64397916 | 12/10/1445H (corresponding to 21/04/2024G) | 12/11/1445H (corresponding to 23/05/2024G) | General Organization for Social Insurance |
| 4 | Zakat certificate for Al-Ahsa Medical Services Company | Certificate of compliance with the requirements of the Department of Zakat and Income Tax | 1112262492 | 29/10/1445H (corresponding to 08/05/2024G) | 02/11/1446H (corresponding to 30/04/2025G) | Zakat, Tax and Customs Authority |
| 5 | Municipal license for Al-Ahsa Medical Services Company | legally required license in accordance with the municipal licensing procedures law | 3909469944 | 22/08/1432H (corresponding to 20/07/2011G) | 12/08/1446H (corresponding to 11/02/2025G) | Al-Ahsa Municipality |
| 6 | Civil Defence License for Al-Ahsa Medical Services Company | A license is legally required in accordance with the Civil Defense law | 44-001177180-1 | 22/01/1445H (corresponding to 09/08/2023G) | 22/01/1446H (corresponding to 28/07/2024G) | General Directorate of Civil Defence |
| 7 | Final license to open a private medical institution for Al-Ahsa Medical Services Company | License to open and operate a private health institution | 3500101001210004 | 30/11/1418H (corresponding to 29/03/1998G) | 05/06/1450H (corresponding to 23/10/2028G) | Ministry of Health |
| 8 | The certificate of the Saudi Center for Accreditation of medical Institutions (CBAHI) for Al-Ahsa Medical Services Company | A license is legally required in accordance with the Saudi Center for Accreditation of Health Institutions | - | 19/02/1445H (corresponding to 04/09/2023G) | 21/03/1448H (corresponding to 03/09/2026G) | Saudi Center for Accreditation of Health Institutions (CBAHI) |
| 9 | Saudi Health Council license certificate for Al-Ahsa Medical Services Company | Certificate for use of the Australian International Classification of Diseases Modification | 00391-URH | 02/11/1444H (corresponding to 22/05/2023G) | 11/14/1445H (corresponding to 22/05/2024G) | Saudi Health Council |
| 10 | Health Insurance Council Certificate for Al-Ahsa Medical Services Company Health | Service Providers Certificate | 1135 | 08/12/1444H (corresponding to 26/06/2023G) | 13/12/1445H (corresponding to 19/06/2024G) | Health Insurance Council |

Source: Company

* Al-Ahsa Medical Services Company is currently working on obtaining a license to practice obesity surgery.

**Table 9.3: The necessary licenses obtained by Al Salam Medical Services Company to practice its activity in accordance with the applicable regulations:**

| No. | License Type | Purpose | License Number | Issue Date | Expiry Date | Issuing Entity |
|---|---|---|---|---|---|---|
| 1 | Commercial Registration Certificate for Al Salam Medical Services Company. | Establishment and registration of Al Salam Medical Services Company | 2051059611 | 16/02/1436H (corresponding to 09/12/2014 G) | 15/02/1446H (corresponding to 17/11/2024G) | Ministry of Commerce |
| 2 | Saudization certificate for the Company | Certificate of commitment to Saudization requirements | 579675-43170513 | 30/02/1445H (corresponding to 15/09/2023G) | 13/12/1445H (corresponding to 19/07/2024G) | Ministry of Human Resources and Social Development |
| 3 | Chamber of Commerce Certificate in the Eastern Chamber of Al Salam Medical Services Company. | Subscription certificate | 165777 | 22/01/1445H (corresponding to 09/08/2023G) | 15/02/1446H (corresponding to 19/08/2024G) | Eastern Chamber of Commerce and Industry |
| 4 | Certificate of the General Organization for Social Insurance for Al Salam Medical Services Company | Certificate of fulfillment of the requirements of the General Organization for Social Insurance | 59252436 | 12/10/1445H (corresponding to 21/04/2024G) | 12/11/1445H (corresponding to 20/05/2024G) | General Organization for Social Insurance |
| 5 | Zakat certificate for Al Salam Medical Services Company | Certificate of compliance with the requirements of the Zakat and Income Tax Authority | 1042188023 | 18/06/1445H (corresponding to 27/04/2024G) | 02/11/1446H (corresponding to 30/04/2025G) | Zakat, Tax and Customs Authority |
| 6 | Municipal license for Al Salam Medical Services Company | A license is legally required in accordance with the Municipal Licensing Procedures Law | 40112511117 | 27/06/1439H (corresponding to 15/03/2018G) | 27/08/1446H (corresponding to 25/02/2025G) | Eastern Region Secretariat |
| 7 | Civil Defense License for Al Salam Medical Services Company | A legally required license according to the Civil Defense LAW | 2-000965790-44 | 20/01/1445H (corresponding to 07/08/2023G) | 20/01/1446H (corresponding to 26/07/2024G) | General Directorate of Civil Defence |
| 8 | Final license to open a private health institution for Al Salam Medical Services Company | License to open and operate a private health institution | 3800020721 | 09/03/1444H (corresponding to 05/10/2022G) | 05/05/1449H (corresponding to 05/19/2027G) | Ministry of Health |
| 9 | Certificate from the Saudi Centre for Accreditation of Health Facilities (CBAHI) for Al Salam Medical Services Company. | A legally required license in accordance with the law of the Saudi Centre for Accreditation of Health Facilities (CBAHI). | - | 01/12/1444H (corresponding to 19/06/2023G) | 03/01/1448H (corresponding to 18/06/2026G) | Saudi Centre for Accreditation of Health Institutions (CBAHI) |
| 10 | A license certificate for Al Salam Medical Services Company. | A legally required license in accordance with the Saudi Health Council system | URH-06759 | 19/03/1445H (corresponding to 04/10/2023G) | 01/04/1446H (corresponding to 04/10/2024G) | Health Insurance Council |
| 11 | Health Insurance Council Certificate for Al Salam Medical Services Company | Certificate for Health Service Providers | 1413 | 27/03/1445H (corresponding to 12/10/2023G) | 08/04/1446H) (corresponding to 11/10/2024G) | Health Insurance Council |

Source: Company

**Table 9.4: The necessary licenses obtained by Al-Ahsa Food Industries Company to practice its activity in accordance with the applicable regulations:**

| No. | License Type | Purpose | License Number | Issue Date | Expiry Date | Issuing Entity |
|---|---|---|---|---|---|---|
| 1. | Commercial Registration Certificate for Al Ahsas Food Industries Company. | Establishment and registration of Al Ahsaa Food Industries Company | 2252023850 | 07/01/1416H (corresponding to 06/06/1995G) | 06/01/1446H (corresponding to 12/07/2024G) | Ministry of Commerce |
| 2. | Membership certificate in Al-Ahsa Chamber of Al-Ahsa Food Industries Company. | Subscription certificate | 302000119234 | 09/05/1445H (corresponding to 23/11/2023G) | 06/01/1446H (corresponding to 12/07/2024G) | Ahsa Chamber of Commerce and Industry |
| 3. | Certificate of the General Organization for Social Insurance for Al-Ahsa Food Industries Company. | A certificate of fulfilment of the requirements of the General Organization for Social Insurance | 64251171 | 08/10/1445H (corresponding to 17/04/2024G) | 08/11/1445H (corresponding to 16/05/2024G) | General Organization for Social Insurance |
| 4. | Zakat certificate for Al-Ahsa Food Industries Company. | Certificate of compliance with the requirements of the Zakat and Income Tax Department | 2092187840 | 18/06/1445H (corresponding to 27/04/2024G) | 02/11/1446H (corresponding to 30/04/2025G) | Zakat, Tax and Customs Authority |
| 5. | Municipal license for Al-Ahsa Food Industries Company* | A legally required license in accordance with the municipal licensing procedures law | 3909476361 | 12/06/1445H (corresponding to 35/12/2023G) | 16/04/1446H (corresponding to 19/10/2024G) | Al-Ahsa Municipality |
| 6. | Civil Defense License for Al-Ahsa Food Industries Company* | A legally required license in accordance with the Civil Defense Law | 3-0005659910-45 | 07/09/1445H (corresponding to 17/03/2024G) | 07/09/1446H (corresponding to 07/03/2025G) | General Directorate of Civil Defence |
| 7. | An industrial facility license for Al-Ahsa Food Industries Company. | A license to manufacture food products | 431102118842 | 19/03/1413H (corresponding to 17/09/1992 G) | 28/10/1446H (corresponding to 26/04/2025G) | Ministry of Industry and Mineral Resources |
| 8. | An environmental permit for operation of Al-Ahsa Food Industries Company. | A legally required license in accordance with the environmental system and its executive regulations | 12775 | 24/05/1443H (corresponding to 28/12/2021G) | 14/05/1446H (corresponding to 16/11/2024G) | National Centre for Oversight of Environmental Compliance |
| 9. | Industrial facility license for Al-Ahsa Food Industries Company is | A legally required license in accordance with the law of the Saudi Food and Drug Authority | E-01523 | 21/05/1443H (corresponding to 25/12/2021G) | 21/05/1446H (corresponding to 23/11/2024G) | Saudi Food and Drug Authority |
| 10 | The export validity certificate for Al-Ahsa Food Industries Company is | a legally required certificate according to the Saudi Food and Drug Authority's Law | FEC-009547-23 | 28/12/1444H (corresponding to 16/07/2023G) | 10/01/1446H (corresponding to 16/07/2024G) | Saudi Food and Drug Authority |

## 9.2 Company's Purposes

According to its Commercial Registration No (2051064048) dated 19/07/1438H (corresponding to 16/04/2017G), The Company's activities are to practice and implement general construction of non-residential buildings such as schools, hospitals and hotels.

The activities of the Company, according to the Articles of Association, are to carry out and implement the following purposes:

a. To establish, manage, operate and maintain various industrial projects solely or in conjunction with other companies, bodies or individuals.
b. Maintenance, management and operation of industrial, residential and commercial cities, public and private facilities and establishments.
c. Ownership and reclamation of lands and using them in the establishment of agricultural and livestock production projects.
d. To own, manage, operate and maintain real estate and land, establish commercial and residential establishments on them and invest them by selling, buying and renting in cash or installments.
e. To own, invest, manage, operate and maintain hotels, hospitals, health, educational, recreational and tourism facilities.
f. To establish, manage, operate and maintain cold stores, transport fleets, maintenance and repair workshops and fuel stations.
g. Wholesale and retail trade of what falls within the scope of the agricultural, tourism and health industrial Company and the export of the Kingdom's various products to other countries.
h. Commercial Agencies

The Company exercises its activities under the applicable laws and after being granted the necessary licenses from the competent authorities, if any.

## 9.3 Company branches

Article (5) of the Company's bylaws stipulates that the Company may establish branches, offices or agencies inside or outside the Kingdom. Companies that wish to open branches are required to adhere to the regulatory procedures related to opening branches of joint-stock companies issued by the Ministry of Commerce. As of the date of this prospectus, the Company has one branch, as follows:

**Table 9.5: Details of commercial registration certificates issued to the Company branch**

| No. | location | Commercial Registration Number | Registration Date | Expiry Date |
|---|---|---|---|---|
| 1. | Mubarraz, Kingdom of Saudi Arabia | 2252021816 | 01/06/1414H (corresponding to 14/11/1993G) | 05/29/1446H (corresponding to 13/13/2024G) |

Source: Company

## 9.4 The Company's Subsidiaries

The table below provides an overview of the Company's subsidiaries as of this prospectus.

**Table 9.6: An overview of the Company's subsidiaries**

| Subsidiary Company) | Capital | Company Ownership (Percentage) |
|---|---|---|
| Al Salam Medical Services Company (closed joint stock Company) | 200,000,000 | 100% |
| Al-Ahsa Medical Services Company (closed joint stock Company) | 150,000,000 | 97.41%* |
| Al-Ahsa Food Industries Company (Limited Liability Company) | 200,000,000 | 100% |

Source: Company

On February 16, 2024, the company raised its stake in Al-Ahsa Medical Services Company from 96.3% to 97.41% through a cash fee paid by the company.

## 9.5 Summary of Substantial Contracts

### 9.5.1 Contracts and Transactions with Related Parties

The members of the Company's board of directors acknowledge that there are no contracts concluded between the Company and related parties in which they have a direct or indirect interest.

### 9.5.2 Agreements Related to Major Clients

#### 9.5.2.1 Agreements related to the main clients of Al-Ahsa Medical Services Company

- The Agreement Concluded between Al-Ahsa Medical Services Company and the Client 1

On 22/12/2021G, Al-Ahsa Medical Services Company concluded an agreement with Client 1 to provide medical services. Al-Ahsa Medical Services Company is committed, under this agreement, to provide health care services to those affiliated with Client 1. Client 1 is committed to paying the value of the completed and accepted service within thirty (30) days. This agreement shall be valid for a period of one (1) year starting as of the date of 22/12/2021G. It shall be renewed automatically unless one of the parties notifies the other party of his desire not to renew the contract in advance for a period of no less than sixty (60) days. Either party has the right to terminate this agreement in the event of default or breach of the terms of the contract, provided that the other party is notified in advance within sixty (60) days.

- The Agreement Concluded between Al-Ahsa Medical Services Company and the Client 2

On 01/06/2022G, Al-Ahsa Medical Services Company concluded an agreement with Client 2 to provide medical services. Under this agreement, Al-Ahsa Medical Services Company is committed to providing health care services to those affiliated with Client 2. Client 2 shall set the value of the completed and accepted service within thirty (30) days. This agreement shall be valid for a period of two (2) years starting as of the date of 01/06/2022G and shall be automatically renewed for a similar period or periods unless one of the parties notifies the other party of his desire not to renew the contract in advance for a period of no less than sixty (60) days. Either party has the right to terminate this agreement in the event of default or breach of the terms of the contract, provided that the other party is notified of this in advance within sixty (60) days.

- The Agreement Concluded between Al-Ahsa Medical Services Company and the Client 3

On 01/10/2022G, Al-Ahsa Medical Services Company concluded an agreement with Client 3 to provide medical services. Under this agreement, Al-Ahsa Medical Services Company shall be committed to providing health care services to those affiliated with Client 3. Client 3 shall be committed to paying the value of the service within a period not exceeding sixty (60) days. This agreement shall be valid for a period of two (2) years as of the date of 01/10/2022G. It shall be automatically renewed for a period of one year unless one of the parties notifies the other party of his desire not to renew the contract in advance for a period of no less than sixty (60) days. Either party has the right to terminate this agreement provided that the other party is notified in advance within ninety (90) days.

- The Agreement Concluded between Al-Ahsa Medical Services Company and the Client 4

On 15/11/2021G, Al-Ahsa Medical Services Company concluded an agreement with Client 4 to provide medical services. Customer 4 shall be committed under this agreement to provide health management and delivery services, review applications and coverage decisions, health and hospital service provider network services, and health insurance policy management to Al-Ahsa Medical Services Company. This agreement shall be valid for one year as of 15/11/2021G. It shall be automatically renewed for a similar period or periods unless one of the parties notifies the other party of his desire not to renew the contract no less than sixty (60) days in advance.

#### 9.5.2.2 Agreements Related to the Main Clients of Al Salam Medical Services Company

- The agreement Concluded between Al Salam Medical Services Company and the Client 1

On 01/01/2023G, Al Salam Medical Services Company concluded an agreement with Client 1 to provide health care services. Under this agreement, Al Salam Medical Services Company is committed to providing health care services to Client 1's affiliates. Client 1 shall be committed to pay the value of the completed and accepted service within thirty (30) days. This agreement shall be valid for a period of three (3) years as of the date of 01/01/2023G. It shall be automatically renewed for a similar period unless one of the parties notifies the other party of his desire not to renew the contract in advance for a period of no less than sixty (60) days. Either party shall have the right to terminate this agreement in the event of default or breach of the terms of the contract, provided that the other party is notified in advance within sixty (60) days.

- The agreement Concluded between Al Salam Medical Services Company and the Client 2

On 31/1/2023G, Al Salam Medical Services Company concluded an agreement with Client 2 to provide medical services. Al Salam Medical Services Company shall be committed under this agreement to provide health care services. Client 2 shall be committed to pay the value of the completed and accepted service within thirty (30) days. This agreement shall be valid for a period of three (3) years starting as of the date of 16/02/2023G. It shall be automatically renewed for a similar period unless one of the parties notifies the other party of his desire not to renew the contract in advance for a period of no less than sixty (60) days. Either party shall have the right to terminate this agreement in the event of default or breach of the terms of the contract, provided that the other party is notified of this in advance within sixty (60) days.

- The agreement Concluded between Al Salam Medical Services Company and the Client 3

On 15/11/2022G, Al Salam Medical Services Company concluded an agreement with Client 3 to provide medical services. Under this agreement, Al Salam Medical Services Company shall be committed to providing health care services to Client 3's affiliates. Client 3 shall be committed to paying the value of the completed and accepted service within thirty (30) days. This agreement shall be valid for a period of one (1) year starting as of the date of 15/11/2022G. It shall be automatically renewed unless one of the parties notifies the other party of his desire not to renew the contract no less than sixty (60) days in advance. Either party shall have the right to terminate this agreement in In the event of default or breach of the terms of the contract, provided that the other party is notified in advance within sixty (60) days.

### 9.5.3 Main Supply Agreements

#### 9.5.3.1 Main Supply Agreements for Al-Ahsa Medical Services Company

Al-Ahsa Medical Services Company deals with our main suppliers according to the purchase orders. Noting that these transactions are not subject to official contracts. According to the purchase orders, suppliers are committed to supply medical products to Al-Ahsa Medical Services Company. Al-Ahsa Medical Services Company shall be pay the value of the products within a period ranging from sixty (60) to ninety (90) days.

#### 9.5.3.2 Main Supply Agreements for Al Salam Medical Services Company

- The Supply Agreement Concluded between Al Salam Medical Services Company and the Supplier 1

On 09/10/2022G, Al-Ahsa Medical Services Company concluded into an agreement with Client 1 to supply medical products. Under this agreement, the client shall supply medical solutions to Al Salam Medical Services Company, Al Salam Medical Services Company shall pay the value of the service on an annual basis. This agreement shall be effective after three (3) months as of the date of signing the contract, starting on 09/10/2022G, for a period of five (5) years. The contract shall expire at the expiry date of the contract term.

- Supply Agreements Concluded between Al Salam Medical Services Company and other Major Suppliers

Al Salam Medical Services Company deals with major suppliers according to the purchase orders. Noting that these transactions are not subject to formal contracts. According to the purchase orders, suppliers shall supply medical products to Al-Ahsa Medical Services Company. Al-Ahsa Medical Services Company shall pay the value of the products within a period ranging from sixty (60) to one hundred and twenty (120) days.

### 9.5.4 Potential Sale deal with Dallah Health Services Company

On 15/08/1445 H (corresponding to 25/02/2024GG), the Company signed a non-binding memorandum of understanding with Dallah Health Services, according to which the Company agreed to sell all of its shares in Al-Ahsa Medical Services Company and all of its shares in Al-Salam Medical Services Company in exchange for issuing new shares in the Company. Dallah Health Services through increasing the capital of Dallah Health Services Company, or according to the payment mechanism that shall be agreed upon by the Company and Dallah Health Services Company, as agreed upon between the Company and Dallah Health Services. The duration of the memorandum of understanding shall expire within 180 days as of the date of its signing on 15/08/1445 H (corresponding to 25/02/2024G), unless the Company and Dallah Health agree in writing to extend the same, provided that the potential sale deal shall stop in the event the memorandum of understanding expires and the two parties do not reach a binding agreement.

## 9.6 Disputes and Lawsuits

There are no actual or potential judicial disputes, lawsuits, complaints, or ongoing investigative procedures that could, severally or collectively, have a material impact on the Company, nor has the Company been aware of the existence of any currently pending or potential material legal disputes or facts that could severally or collectively, have a material impact on the Company.

## 9.7 Approvals Required to Increase Capital

The Company has obtained the following approvals required to increase capital:

- Approval of the Company's Board of Directors on 11/02/1445 H (corresponding to 27/08/2023G).
- Conditional approval by the Saudi Stock Exchange ("Tadawul") dated 10/07/1445 H (corresponding to 22/01/2024G).
- Approval of the Capital Market Authority dated 14/11/1445H (corresponding to 22/05/2024G).
- The extraordinary general assembly of the Company's shareholders approved the capital increase process on 02/01/1446H (corresponding to 08/07/2024G).

## 9.8 Acknowledgment of Members of the Board of Directors

The members of the Board of Directors acknowledge as of the date of this Prospectus, with regard to legal information, that:

- That the offering does not violate the relevant laws and regulations in the Kingdom of Saudi Arabia.
- The offering does not prejudice any contracts or agreements to which the issuer is a party.
- All material legal information relating to the issuer has been disclosed in the prospectus.
- The issuer and its subsidiaries are not subject to any legal lawsuits or procedures that may, individually or in their entirety, materially affect the business of the issuer or its subsidiaries or their financial condition.
- The members of the issuer's board of directors are not subject to any legal lawsuits or procedures that may, individually or in their entirety, materially affect the business of the issuer or its subsidiaries or its financial condition.

# 10. Underwriting

## 10.1 Underwriter

The Company and the underwriter (Alinma Investment Company) have concluded an underwriting agreement for the subscription of twenty million (20,000,000) ordinary shares at an offering price of ten (10) SAR per share, representing 100% of the Rights Issue Shares offered for subscription ("Underwriting Agreement").

## 10.2 The underwriter and his address

**Alinma Investment Company**
Al Anoud Tower 2 - King Fahd Road - Riyadh
P.O. Box 55560
Riyadh 11544
Kingdom of Saudi Arabia
Tel: +966 (11) 2185999
Fax: +966 (11) 2185970
Website: www.alinmainvestment.com.sa
Email: info@alinmainvest.com.sa

## 10.3 Main Terms of the Underwriting Agreement

The terms and conditions of the underwriting agreement stipulate the following:

1. The Company undertakes to the underwriter that, on the allocation date, it shall issue and allocate to the underwriter all Rights Issue Shares promised to be covered in this subscription, which the eligible shareholders have not subscribed to, as additional shares, at the subscription price.
2. The underwriter undertakes to the Company that, on the date of allocation, he shall purchase the shares underwritten to be covered in this subscription, which have not been subscribed by eligible persons as additional shares, at the subscription price.
3. The underwriter receives a specific financial consideration; In exchange for his underwriting to cover, which shall be paid from the proceeds of the offering.

# 11. Waivers

Neither the Company nor the Financial Advisor have applied to the CMA or Tadawul to be exempt from any of the requirements contained in the Listing Rules and the Rules on the Offer of Securities and Continuing Obligations.

# 12. Details on Shares and Offering Terms and Conditions

A request has been submitted to the Authority to register and offer new securities and to request listing on the Saudi Stock Exchange ("Tadawul") for listing, and all requirements were met under the rules of offering securities, continuing obligations and listing rules.

All eligible persons, holders of acquired rights and bidders shall read the information related to the shares and the terms and conditions of the offering carefully before subscribing electronically, submitting a subscription application through the broker, or filling out the rump offering form. Submitting the subscription application or signing and submitting the rump offering form shall be deemed an approval and acceptance of the aforementioned terms and conditions.

## 12.1 Offering

The offering shall be deemed an increase in the Company's capital through the issuance of Rights Issue Shares worth two hundred million (200,000,000) Saudi riyals, divided into twenty million (20,000,000) ordinary shares with a nominal value of ten (10) SAR per share and an offering price of ten (10) SAR per share.

## 12.2 How to apply for Subscription to Rights Issue Shares (New Shares)

Registered shareholders and new investors wishing to subscribe to Rights Issue Shares shall submit a subscription application during the subscription period through the investment portfolio on the trading platforms through which buy and sell orders are entered. In addition to the possibility of subscribing through any other means provided by the broker and the custodian of the shares in Kingdom during the subscription period. In the event there is a rump offering period, during which subscription applications for any rump shares may be submitted by investment institutions only.

The number of shares to which the eligible person is entitled to subscribe shall be calculated according to the number of priority rights he owns. The subscription amount that the subscriber shall pay is calculated by multiplying the number of existing priority rights that he owns prior to the end of the subscription period by ten (10) Saudi riyals.

By participating in the subscription, the subscriber shall acknowledge the following:

- Approval to subscribe to the Company with the number of shares indicated in the subscription application.
- He has read the prospectus and all its contents, studied it and understood its content.
- Approve the Company's articles of association and the terms contained in this prospectus.
- He has not previously applied to subscribe for the same shares for this offering with the broker. The Company has the right to reject all applications in the event of a repeated subscription request.
- His acceptance of the shares allocated pursuant to the subscription application, and his acceptance of all subscription conditions and instructions contained in the application and in the prospectus.
- Warrants not to cancel or amend the subscription application form after submitting it to the Broker.

## 12.3 Subscription Application Form

The eligible person who wishes to exercise his full right and subscribe to all Rights Issue Shares to which he is entitled to subscribe shall subscribe through the investment portfolio on the trading platforms through which buy and sell orders are entered or through any other means provided by the broker and the stock custodian.

The number of shares to which the eligible person is entitled to subscribe is calculated according to the number of priority rights he owns. The subscription amount that the subscriber shall pay is calculated through multiplying the number of existing priority rights that he owns before the end of the subscription period by (10) ten Saudi riyals.

## 12.4 Trading Period, the Subscription Period, and the Rump Offering Period

Eligible shareholders wishing to subscribe to Rights Issue Shares shall submit a subscription application during the subscription period, which begins three (3) business days after the approval of the extraordinary general assembly regarding the capital increase on the day 08/01/1446H (corresponding to 14/07/2024G) and for a period 9 working days, ending on the day 18/01/1446H (corresponding to 24/07/2024G), during the period from ten o'clock (10:00) AM until two o'clock (2:00) PM.

Eligible shareholders wishing to trade in the Rights shall also submit a trading application during the Trading Period, which begins three (3) business days after the approval of the extraordinary general assembly regarding the capital increase on the day 08/01/1446H (corresponding to 14/07/2024G) and for a period 6 working days, ending on 15/01/1446H (corresponding to 21/07/2024G), during the period from ten o'clock (10:00) AM until three o'clock (3:00) PM.

The Extraordinary General Assembly for the capital increase held on 02/01/1446H (corresponding to 08/07/2024G) approved the Board of Directors' recommendation to increase the Company's capital by issuing Rights Issue Shares. Pursuant to this prospectus, twenty million (20,000,000) ordinary shares shall be offered for subscription to Rights Issue Shares, which represent 24.80% of the Company's capital before the offering, at an offering price of ten (10) Saudi riyals per share, with a nominal value of ten (10) SAR, and a nominal value of ten (10) SAR. A total offering of two hundred million (200,000,000) SAR. The priority rights shall be issued to shareholders registered in the Company's registry at the Edaa Center at the end of the second trading day following the day of the extraordinary general assembly, where the priority rights for each shareholder shall be calculated as (0.2480) rights for every (1) share owned at the end of trading on the day of the extraordinary general assembly for the capital increase and those registered in the Company's shareholder registry at the end of trading on the second trading day following the extraordinary general assembly for the capital increase. Including registered shareholders who have purchased additional rights priority in addition to the rights they already have.

In the event that the priority rights of eligible persons are not exercised by the end of the subscription period, the rump shares resulting from non-exercise of such rights or their sale by eligible persons shall be offered to investment institutions through offering them during the rump offering period.

Registered shareholders shall be able to trade priority rights during the trading period that have been deposited in the portfolios through the Saudi Stock Exchange ("Tadawul"). These rights shall be considered an acquired right for all shareholders registered in the Company's shareholder register at the Depository Center at the end of the second trading day following the day of the extraordinary general assembly ("the eligibility date") in addition to new investors. Each right gives its holder the right to subscribe for one new share, at the offering price. The priority rights shall be deposited after the assembly meeting. The rights shall appear in the registered shareholders' wallets under a new symbol for priority rights, and the registered shareholders shall then be notified of the deposit of the rights in their wallets.

The timetable for the sequence and detail of the rights issue offering shall be as follows:

**Eligibility Date**: End of trading on the day of the Extraordinary General Assembly on 02/01/1446H (corresponding to 08/07/2024G).

**Trading Period and Subscription Period**: The trading period and subscription period shall begin three (3) working days after the approval of the extraordinary general assembly regarding the capital increase on the day 08/01/1446H (corresponding to 14/07/2024G), provided that the trading period is 6 working days as It ends on the day 15/01/1446H (corresponding to 21/07/2024G), while the subscription period shall be 9 working days, as the subscription period continues until the end of the day 18/01/1446H (corresponding to 24/07/2024G). It should be noted that trading hours for priority rights shall start at ten o'clock. (10:00) in the morning until three (3:00) PM, while subscription hours for priority rights begin from ten (10:00) AM until two (2:00) PM.

**Rump Offering Period**: starts on the day 23/01/1446H (corresponding to 29/07/2024G) from ten (10) AM until five (5) PM on the next day on 24/01/1446H (corresponding to 30/07/2024G), and shall take place within During this period, the rump shares shall be offered to a number of institutional investors ("investment institutions"), provided that these investment institutions submit purchase offers for the rump shares. The rump shares shall be allocated to the investment institutions with the highest offer, then the lowest and then the lowest (provided that it is not less than the offering price), provided that the shares are allocated proportionately to the investment institutions that provide the same offer. As for fractional shares, they shall be added to the rump shares and treated similarly. The subscription price shall be in the new shares that have not been subscribed for during this period at a minimum at the offering price. In the event the price of the unsubscribed shares is higher than the offering price, the difference (if any) shall be distributed as compensation to priority rights holders who did not subscribe for their rights in proportion to the rights they own.

**Final Allocation of Shares**: Shares shall be allocated to each investor based on the number of rights he exercised completely and correctly. As for those entitled to fractional shares, the fractional shares shall be collected and offered to the investment institutions during the rump offering period. The total offering price of the rump shares shall be paid to the Company, and the remaining proceeds from the sale of the rump shares and fractional shares (in excess of the offering price) shall be distributed to those entitled to it, each according to what they deserve, no later than on 18/02/1446H (corresponding to 22/08/2024G).

**Trading new Shares in the Market**: Trading of shares offered for subscription shall begin in the Tadawul system upon completion of all procedures related to registering and allocating the offered shares.

## 12.5 Allocation and Refund of Surplus

The Company and the subscription manager shall open a trust account in which the proceeds of the offering shall be deposited.

Rights Issue Shares shall be allocated to eligible persons based on the number of rights they have fully and correctly exercised. As for those eligible to fractional shares. The fractional shares shall be collected and offered to investment institutions during the rump offering period. The total offering price of the rump shares shall be paid to the Company. The rump proceeds from the sale of the rump shares and fractional shares (if any) (exceeding the offering price) shall be distributed to those entitled to them, each according to what they are entitled to, no later than the day 18/02/1446H (corresponding to 22/08/2024G) In the event shares remain unsubscribed after that, the underwriter shall purchase those remaining new shares at the offering price and they shall be allocated to him. There shall be no compensation for investors who did not subscribe or did not sell their rights and the holders of fractional shares during the rump offering period.

The final number of shares allocated to each eligible person is expected to be announced without any commissions or deductions from the subscription manager, by recording thereof in the subscribers' account. Eligible persons shall contact the broker through which the subscription application was submitted to obtain any additional information. The allocation results shall be announced no later than 29/01/1446H (corresponding to 04/08/2024G).

The surplus (remaining proceeds from the offering process in excess of the offering price) shall be returned by the Company to eligible persons who did not participate in whole or in part in the subscription to Rights Issue Shares (if any) without any deductions or commissions no later than 18/02/1446H (corresponding to 22/08/2024G).

## 12.6 Miscellaneous

The subscription application and all related terms, conditions and undertakings will be binding for the benefit of the parties thereto, their successors and assigns, executors, administrators and heirs. Except as specifically provided in this Prospectus, the application or any rights, interests or obligations arising therefrom shall not be assigned or delegated to any of the aforementioned parties without the prior written consent of the other party.

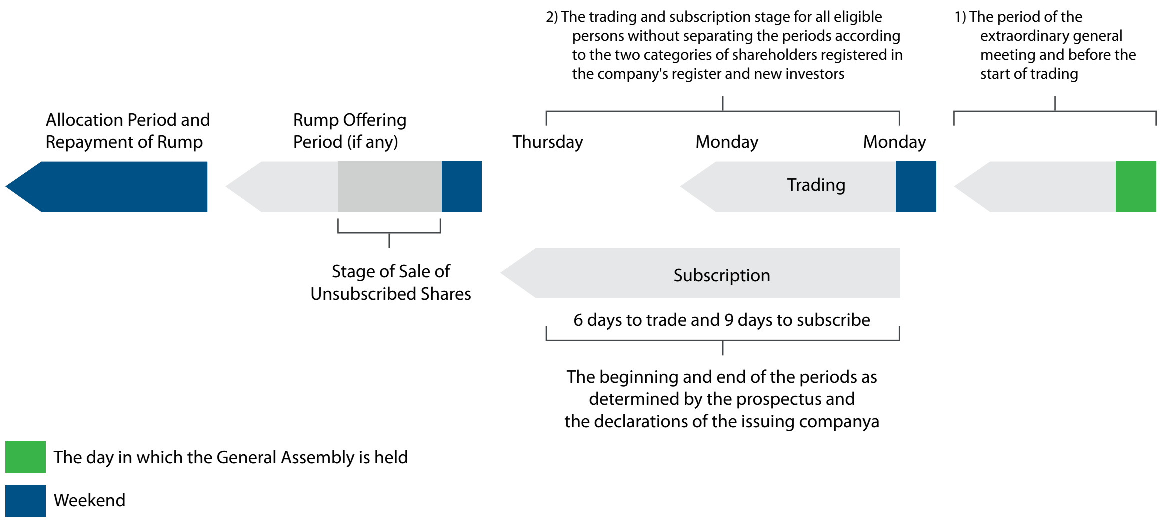
These instructions, clauses and any receipt of subscription application forms or contracts resulting therefrom shall be governed by, interpreted and implemented in accordance with the laws of the Kingdom of Saudi Arabia.

This Prospectus may be distributed in Arabic and English, and in the event of conflict between the Arabic text and the English text, the Arabic text of the Prospectus shall prevail.

- The Capital Market Authority "CMA" may, at any time, issue a decision to suspend the offering if it considers that the offering could result in a violation of the Capital Market Law, its executive regulations, or the rules of the market. It is also possible that the offering may be canceled in the event that the Extraordinary General Assembly does not approve any of the details of the offering.

### Diagram of the Mechanism of Trading and Subscription of Traded Rights

**Figure 1: Diagram representing the Mechanism of Trading and Subscription of Traded Rights**



## Q&A on the Mechanism of Offering New Rights

### What are the rights?

They are negotiable securities that give the holder the right to subscribe to the new shares offered upon the approval of the increase in the capital, which is an acquired right for all shareholders who own the shares on the day of the extraordinary general meeting on the increase of the capital and who are registered in the Company's shareholders' register at the Depository Center at the end of the second trading day following the day of the extraordinary general meeting to increase the capital. Each right is granted to its holder the right to subscribe to one new share at the offering price.

### To whom do you grant rights?

They are granted to all shareholders registered in the Company's shareholders' register at the Depository Center at the end of the trading of the second trading day following the day of the extraordinary general meeting on capital increase.

### When are the rights deposited?

After the extraordinary general meeting of the Company and its approval to increase the capital through the offering of Rights Issue Shares, the rights shall be deposited as securities in the shareholders' portfolios in the Company's shareholders' register at the Depository Center at the end of the second trading day after the extraordinary general meeting, and the shares will appear in their portfolios under a new symbol for rights. Noting that trading or subscribing to these rights will not be allowed except at the beginning of the trading period and the subscription period.

### How is the Registered Shareholder notified of the deposit of rights in the portfolio?

The registered shareholder shall be notified by advertising on Tadawul website as well as through the (Tadawulaty) service provided by the Securities Depository Center Company and SMS messages sent by brokerage companies.

### How many rights will the Registered Shareholder receive?

The number depends on the percentage of what each shareholder owns in the capital according to the Company's shareholders' register at the Depository Center at the end of the second trading day after the extraordinary general meeting.

### What is the subscription eligibility ratio?

It is the ratio that enables the Registered Shareholder to know the number of rights due to him in exchange for the shares he owns by the end of the second trading day after the extraordinary general meeting. This ratio is calculated by dividing the number of new shares by the number of current shares of the Company. Therefore, the eligibility ratio is approximately (0.2480) rights for each (1) share owned by the registered shareholder at the date of eligibility. Accordingly, if a Registered Shareholder holds one thousand (1,000) Shares at the Eligibility Date, he shall be allotted two hundred and forty-eight (248) Rights.

### Will these rights be traded and added to investors' portfolios with the same name/ symbol as the Company's shares or is there another name for them?

The acquired right will be added to the investors' portfolios under the name of the original share, and by adding the word rights, in addition to a new code for these rights.

### What is the value of the right at the beginning of its trading?

The opening price will be the difference between the closing price of the Company's stock on the day before the listing of the right and the offering price. For example (using default prices) if the closing price of the stock on the previous day was twenty-five (25) Saudi riyals and the offering price was ten (10) Saudi riyals, then the opening price of the rights at the beginning of trading is fifteen (15) Saudi riyals (which is the difference between the two mentioned prices).

### Who is the Registered Shareholder?

Any shareholder who appears in the Company's shareholders' register at the end of the second trading day after the extraordinary general meeting.

### Can the Registered Shareholders subscribe for additional shares?

Registered shareholders can subscribe for additional shares by purchasing new rights during the trading period and then subscribing for them at any time after the completion of the purchase and settlement of rights.

Is it possible for a shareholder to lose his right to subscribe even if he has the right to attend an extraordinary general meeting and vote on a capital increase by offering Rights Issue Shares?

Yes, the shareholder loses his right to subscribe if he sells his shares on the day of the extraordinary general meeting or the day before.

How does the subscription process work?

The subscription process is carried out as it is currently done by submitting subscription applications during the subscription period through the investment portfolio in the trading platforms through which the purchase and sale orders are entered, in addition to the possibility of subscription through any other means provided by the broker and the custodian of shares in the Kingdom during the subscription period.

Can the entitled person subscribe for more shares than the rights owned by him?

The entitled person cannot subscribe for more shares than the rights owned by him.

If the Company's shares are held through more than one investment portfolio, in which portfolio are the rights deposited?

Rights will be deposited in the same portfolio in which the Company's shares linked to the rights are deposited. For example, if a shareholder owns one thousand (1,000) shares in the Company distributed as follows, eight hundred (800) shares in portfolio (A), and two hundred (200) shares in portfolio (B), the total rights to be deposited will be two hundred and forty-seven (247) rights, considering that each share has approximately (0.2480) rights, one hundred and ninety-eight (198) rights in portfolio (A) and forty-nine (49) rights in portfolio (B) will be deposited.

In the case of subscription through more than one portfolio, where are the new shares deposited after the allocation?

The shares shall be deposited in the investment portfolio mentioned in the first subscription application.

Do holders of share certificates have the right to subscribe and trade?

Yes, holders of share certificates are entitled to subscribe to the Rights Issue Shares, but they will not be able to subscribe until the certificates are deposited in investment portfolios through brokers or the Securities Depository Center Company ("Depository"), and the necessary documents are brought, before the rights are deposited by the Securities Depository Center in the stock portfolios of the registered shareholders.

How can shareholders obtain rights?

Holders of share certificates will receive rights according to their ownership, but they will not be deposited because the share certificates are not registered in investment portfolios with brokers and the Securities Depository Center Company ("Deposit") before the trading and subscription period. Additionally, in the event that the procedures for depositing certificates in the investment portfolio are not completed before the beginning of the trading and subscription period, the Lead Manager will sell the shares resulting from those rights during the Rump Offering Period and transfer more than the offering price (if any) to the Company and the Company will keep those amounts until they are claimed by the holders of the share certificates, provided that the Company includes a statement of the existence of those amounts due to the holders of the share certificates and the method of claiming them in announcing the distribution of compensation amounts (if any) to the entitled persons.

Are those who have bought additional rights entitled to trade them again?

Yes, he is entitled to sell them and buy other rights during the trading period only.

Is it possible to sell part of these rights?

Yes, the investor can sell part of these rights and subscribe to the remaining part.

When can a shareholder subscribe to the rights that they purchased during the trading period?

Any time during the subscription period, i.e. up to the ninth (9th) day, after the settlement of the purchase of rights (2 working days).

Can the holder of the rights sell or waive the right after the expiry of the trading period?

It is not possible, after the expiry of the trading period, for the entitled person only to exercise the right to subscribe to the increase in the capital or not, and in the event that the right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

### What happens to rights that are not sold or exercised during the subscription period?

In the event that all the new shares are not subscribed during the subscription period, the Rump New Shares shall be offered for subscription organized by the Lead Manager, and the value of the compensation (if any) shall be calculated for the rights holder after deducting the subscription price. Note that the investor may not receive any consideration if the sale is made in the Rump Offering Period at the offering price.

### Who has the right to attend the Extraordinary General Assembly and vote to increase the capital of the Company by offering Rights Issue Shares?

The shareholder registered in the register of shareholders of the Company at the Depository Center after the end of the trading day of the Extraordinary General Assembly shall have the right to attend the Extraordinary General Assembly and vote on increasing the capital of the Company by offering Rights Issue Shares.

### When is the share price adjusted as a result of an increase in the Company's capital by offering Rights Issue Shares?

The share price shall be adjusted by the market before the start of trading on the day following the day of the extraordinary general meeting.

### If an investor buys securities on the day of the meeting, is he entitled to the rights resulting from the increase in the capital of the issuer?

Yes, as the investor will be registered in the register of shareholders of the Company after two working days from the date of purchase of shares (meaning that, at the end of the second trading day following the day of the extraordinary general meeting), knowing that rights will be granted to all shareholders registered in the register of shareholders of the Company by the end of the second trading day following the date of the extraordinary general meeting. However, he shall not be entitled to attend or vote at the Extraordinary General Meeting of the Capital Increase.

### If the investor has more than one portfolio with more than one brokerage Company, how will the rights be calculated for him?

The investor's share will be distributed to the portfolios owned by the investor, according to the percentage of ownership in each portfolio. In the event of fractions, those fractions will be collected, and if you complete one or more correct numbers, the correct number will be added to the portfolio in which the investor owns the largest number of rights.

### What are the trading and subscription periods?

Trading and subscription of rights begin at the same time until the end of trading on the sixth day, while the subscription continues until the ninth day, according to what is mentioned in this prospectus and the Company's announcements.

### Can I subscribe over the weekend?

No, it can't be.

### Can the general public of registered non-shareholder investors subscribe to the Rights Issue Shares?

Yes, after completing the purchase of the rights of the brigades during the trading period.

### Will any other fees be added for rights trades?

The same commissions will be applied to buy and sell transactions as in stocks but without a minimum commission amount.

### Resolutions and approvals by which the shares will be offered

The Board of Directors of the Company recommended on 11/02/1445H (corresponding to 27/08/2023G) to increase the capital of the Company by issuing Rights Issue Shares in a total amount of two hundred million (200,000,000) Saudi riyals after obtaining the necessary legal approvals.

The Saudi Stock Exchange ("Tadawul") approved the request to list the new shares on 10/07/1445H (corresponding to 22/01/2024G).

This Prospectus and all supporting documents requested by the Authority have also been approved on the date of its announcement on the Authority's website on 14/11/1445H (corresponding to 22/05/2024G).

The Extraordinary General Assembly on 02/01/1446H (corresponding to 08/07/2024G) approved the recommendation of the Board of Directors to increase the capital as mentioned and the increase will be limited to the eligible shareholders registered at the end of the trading day of the Extraordinary General Assembly for the capital increase.

### A report on any arrangements in place to prevent the disposition of certain shares

There are no arrangements in place to prevent the disposition of any shares.

# 13. Change in Share Price as a result of Capital Increase

## Change in share price as a result of capital increase

The closing price of the Company's share on the day of the Extraordinary General Meeting for the capital increase is (17.84) and is expected to reach (16.28) at the opening of the following day and the change represents a decrease of (8.73%). In the event that any of the shareholders registered in the register of shareholders of the Company at the Depository Center does not subscribe at the end of the second trading day following the date of the Extraordinary General Meeting, this will result in a decrease in their percentage of ownership in the Company.

## The method of calculating the share price to increase the capital is as follows:

- **First:** Calculation of the market value of the Company at closing on the day of the Extraordinary General Assembly for the capital increase:

  Number of shares at the end of the Extraordinary General Assembly X the closing price of the Company's share on the day of the Extraordinary General Assembly for capital increase = the market value of the Company at closing on the day of the Extraordinary General Assembly for capital increase.

- **Second:** Calculation of the share price at the opening of the day following the day of the Extraordinary General Assembly for the capital increase:

  (The market value of the Company at closing on the day of the Extraordinary General Assembly for the capital increase + the value of the shares offered) / (The number of shares at the end of the day of the Extraordinary General Assembly for the capital increase + the number of shares offered for subscription) = the expected share price at the opening of the day following the day of the Extraordinary General Assembly for the capital increase.

# 14. Rump Offering

In the event that shares remain unsubscribed at the subscription stage (the "**Rump Shares**"), they will be offered to a number of institutional investors (the "**Institutional Investors**"), provided that those Institutional Investors submit offers to purchase the Rump Shares in addition to the fractions of the shares. These offers will be received starting from (10:00 am) on 23/01/1446H (corresponding to 29/07/2024G) until (5:00 pm) of the following day on 24/01/1446H (corresponding to 30/07/2024G). This offering is referred to as ("**Rump Offering**"). The Rump Shares will be allocated to institutional investors by giving priority to the highest-priced offer and then the lowest (provided that it is not less than the offering price), provided that the shares are allocated proportionally to institutional investors that offer the same offer.

Fractions of equity entitlements will be collected and offered for institutional investors during the Rump Offering. All proceeds resulting from the sale of the Rump Shares and fractions of the shares up to the offering price paid shall be distributed to the Company. In addition, any proceeds in excess of the offering price shall be distributed to the eligible persons who have not subscribed in whole or in part to the new shares and the beneficiaries of the fractions. This shall be in proportion to their entitlement and shall be on 18/02/1446H (corresponding to 22/08/2024G).

It is expected that the trading of the shares offered for subscription on Tadawul system will begin upon completion of all procedures related to the registration and allocation of the shares offered.

An application has been submitted to the Authority for the registration and offering of new shares and to the Saudi Stock Exchange ("Tadawul") for listing.

# 15. Declarations Related to Subscription

## 15.1 Summary of the Subscription Application and Subscription Undertakings

Subscription can be made using trading platforms or through any other means provided by the broker to the investors. The new shares will be subscribed in one phase according to the following:

1. In this period, all registered shareholders and new investors will be able to subscribe for new shares.
2. The registered shareholder will be able to subscribe directly to the number of his shares or less than the number of his shares during the subscription period. In the event that he buys new rights, he will be able to subscribe to them after the end of the settlement period (two working days).
3. New investors will be able to subscribe for new shares immediately after the settlement of the rights purchase (two working days).
4. Subscription will be available electronically through the investment portfolio in trading platforms and applications through which purchase and sale orders are entered, in addition to subscribing to other channels and means available to the broker, provided that only a number of new shares due under the rights in the investment portfolio are approved for subscription.

Each right gives its holder the right to subscribe for one new share at the offering price. The subscriber of the new shares represents and warrants that:

- All subscription terms and instructions contained in this Prospectus are accepted.
- That he has reviewed this Prospectus and all its contents, studied it carefully and understood its content.
- The bylaws of the Company is accepted.
- Undertaking not to cancel or amend the subscription application after its implementation.

## 15.2 Allocation Process

Rights Issue Shares shall be allocated to the entitled persons based on the number of rights they have exercised fully and correctly. With respect to the beneficiaries of fractions of shares, the fractions of shares will be collected and offered to the to institutional investors during the Rump Offering period, and the total price of the Rump Shares will be paid to the Company, and the rest of the proceeds of the sale of the Rump Shares and the fractions of shares (if any) (exceeding the offering price) will be distributed to their beneficiaries, each according to what he is entitled to, no later than 18/02/1446H (corresponding to 22/08/2024G). In the event that shares thereafter remain unsubscribed, the Underwriter will purchase those Rump New Shares at the Offering Price and they will be allocated to him.

Eligible Persons shall contact the Broker through whom the Subscription Application has been submitted for any additional information. The results of the allocation will be announced no later than 29/01/1446H (corresponding to 04/08/2024G).

## 15.3 Saudi Stock Exchange ("Tadawul")

Tadawul was established in 2001 as an alternative system to the electronic securities information system, and electronic stock trading began in the Kingdom in 1990. Trading takes place every working day of the week from Sunday to Thursday over one period from (10:00 am) to (3:00 pm) during which orders are executed. Outside of these times, it will be allowed to enter, amend and cancel orders from 9:30 am to 10:00 am.

Transactions are executed by automatically matching orders according to price. In general, market orders are executed first, which are orders that contain the best prices, followed by price-specific orders, and in the event that several orders are entered at the same time, they are executed according to the timing of the entry.

Tadawul distributes a comprehensive range of information through various channels, most notably the Tadawul website. Market data is provided instantly to well-known information providers such as Reuters. Transactions are settled automatically within two working days according to(T+2).

The Company shall disclose all decisions and information that are important to investors through the Tadawul system. Trading systems are responsible for monitoring the market, with the aim of ensuring fair trading and efficient market operations.

## 15.4 Trading the Company's Shares on the Common Stock Market

An application has been submitted to the Authority for the registration and offering of new shares and to the Saudi Stock Exchange ("Tadawul") for listing, and this Prospectus has been approved and all requirements have been met.

It is expected that the registration, offering and commencement of trading in Rights Issue Shares in the Saudi Stock Exchange ("Tadawul") will be approved after the completion of the final allocation of Rights Issue Shares, and this will be announced in a timely manner on Tadawul website. The dates mentioned in this prospectus are preliminary and may be changed with the approval of CMA.

Although existing shares are listed on the Saudi Stock Exchange ("Tadawul"), new shares can only be traded after the final allocation of shares has been approved and deposited in the underwriters' portfolios. Trading in new shares is strictly prohibited before the allocation process is approved.

Subscribers and bidders in the Rump Offering who deal in such prohibited trading activities shall bear full responsibility for them and the Company shall have no legal liability in this case.

# 16. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office located in Al Khobar, Tariq Bin Ziad Street, Southern Al-Rakah District, during official working hours between the hours of (9:00 am) to (5:00 pm) 14 days prior to the Extraordinary General Meeting of the Capital Increase to the end of the Offering Period.

## Company Documents

- Commercial Registration Certificate.
- Bylaws.

## Offering Shares

- Announcement of the Authority's approval of the offering of Rights Issue Shares on 14/11/1445H (corresponding to 22/05/2024G).
- Board of Directors' recommendation to increase the capital by offering Rights Issue Shares on 11/02/1445H (corresponding to 27/08/2023G).
- Approval of the Extraordinary General Assembly of the Company on 02/01/1446H (corresponding to 08/07/2024G) (will be available for inspection after the issuance of the resolution of the Extraordinary General Assembly of the Company).

## Reports, Letters and Documents

- Underwriting referred to in Section 10 (**"Underwriting"**).
- Lead Management Agreement
- Written approval by the Financial Advisor, Underwriter and Lead Manager (Alinma Investment Company) to include his name, logo and any affidavit he has submitted within this Prospectus.
- Written approval by the legal advisor (Abdulaziz bin Ibrahim Al-Ajlan and Partners Lawyers and Legal Consultants) to include his name, logo and any statement he submitted within this Prospectus.
- Written approval by Ibrahim Ahmed Al-Bassam & Partners Chartered Accountants (Al-Bassam & Partners) to include its name, logos and statements as a Chartered Accountant of the Company for the audited financial statements for the financial year ended 31 December 2020G, within this Prospectus.
- Written approval by Abdullah Mohammed Al-Azim, Salman Bandar Al-Sudairi, Musab Abdulrahman Al-Sheikh and Partners for Professional Consultancy to include its name, logos and statements as the Company's chartered accountant for the audited financial statements for the two financial years ended December 31, 2021G, and 2022G, and the six-month period ending June 30, 2023G, within this prospectus, and to publish the report of the chartered accountant.

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