



## شركة مجموعة كابلات الرياض Riyadh Cables Group Company

Offering Period: 2 days starting from Monday 27/4/1444H (corresponding to 21/11/2022G) and ending on Tuesday 28/4/1444H (corresponding to 22/11/2022G).

A Saudi closed joint stock company pursuant to Ministry of Commerce Resolution No. 146/Q dated 17/06/1435H (corresponding to 17/04/2014G), and registered under Commercial Registration No. 1010052927 dated 24/06/1435H (corresponding to 24/04/2014G).

Offering of thirty three million (33,000,000) ordinary shares, representing twenty two percent (22%) of Riyadh Cables Group Company's share capital, through a public offering at an Offer Price of SAR [•] per share.

Riyadh Cables Group Company (the "Company" or the "Issuer") is a closed joint stock company pursuant to Ministry of Commerce Resolution No. 146/Q dated 17/06/1435H (corresponding to 17/04/2014G), registered under Commercial Registration No. 1010052927 dated 24/06/1435H (corresponding to 24/04/2014G), with its registered address at the New Industrial Area, P.O. Box 26862, Riyadh 11496, Kingdom of Saudi Arabia (the "Kingdom"). The current share capital of the Company is one billion, five hundred million Saudi Riyals (SAR 1,500,000,000) divided into one hundred and fifty million (150,000,000) fully paid ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share (the "Shares"). The Company currently has a number of subsidiaries (the "Subsidiaries") and, together with the Company, the "Group" (for more details on the Subsidiaries, please see Subsection (4.8) "Group Subsidiaries and Branches" of this Prospectus (the "Prospectus").

The Company was incorporated in 1984G as a limited liability company under the name "Saudi Modern Company for Cables Industry Ltd. (Riyadh Cables)," with a share capital of seven million, five hundred thousand Saudi Riyals (SAR 7,500,000), and registered in Riyadh under Commercial Registration No. 1010052927 dated 14/04/1404H (corresponding to 18/01/1984G). On 13/09/1405H (corresponding to 01/06/1985G), the Shareholders of the Company approved the increase of the Company's share capital to twenty-nine million, four hundred and twenty-five thousand Saudi Riyals (SAR 29,425,000). The capital increase of twenty-one million, nine hundred and twenty-five thousand Saudi Riyals (SAR 21,925,000) was covered by the capitalization of the amount from the current account of the Shareholders. On 25/09/1409H (corresponding to 28/06/1989G), the Shareholders decided to increase the share capital of the Company to seventy-two million Saudi Riyals (SAR 72,000,000), through the capitalization of forty-two million, five hundred and seventy-five thousand Saudi Riyals (SAR 42,575,000) from the current account of the Shareholders. On 21/04/1411H (corresponding to 08/11/1990G), the Shareholders agreed to increase the Company's share capital to seventy-five million Saudi Riyals (SAR 75,000,000), through the capitalization of three million Saudi Riyals (SAR 3,000,000) from the Company's retained earnings.

On 05/05/1435H (corresponding to 06/03/2014G), the Shareholders decided to convert the Company from a limited liability company to a joint stock company pursuant to Ministry of Commerce Resolution No. 146/Q dated 17/06/1435H (corresponding to 17/04/2014G) announcing the conversion of the Company to a joint stock company. On 05/01/1436H (corresponding to 29/10/2014G), the Company's Extraordinary General Assembly decided to change the Company's name to "Riyadh Cables Group Company" and approved the increase of the Company's share capital to nine hundred million Saudi Riyals (SAR 900,000,000). The capital increase of eight hundred and twenty-five million Saudi Riyals (SAR 825,000,000) was covered by capitalizing thirty-seven million, five hundred thousand Saudi Riyals (SAR 37,500,000) from the statutory reserve account and seven hundred and eighty-seven million, five hundred thousand Saudi Riyals (SAR 787,500,000) from the retained earnings account. On 13/08/1436H (corresponding to 31/05/2015G), the Extraordinary General Assembly of the Company agreed to increase the Company's share capital to one billion, five hundred million Saudi Riyals (SAR 1,500,000,000). The increase of six hundred million Saudi Riyals (SAR 600,000,000) was covered by the capitalization of five hundred and seventy-nine million, nine hundred and sixty-six thousand, four hundred and thirty-five Saudi Riyals (SAR 579,966,435) from the retained earnings account, and twenty million, thirty-three thousand, five hundred and sixty-five Saudi Riyals (SAR 20,033,565) from the statutory reserve account.

The Company's current capital is one billion, five hundred million Saudi Riyals (SAR 1,500,000,000), divided into one hundred and fifty million (150,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The initial public offering (the "Offering") consists of thirty-three million (33,000,000) of the Company's ordinary shares (collectively, the "Offer Shares" and, each, an "Offer Share"), at an offer price of [•] per Share, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share (the "Offer Price"). The total Offer Shares represent twenty two percent (22%) of the Company's share capital. The Offering shall be restricted to the following two groups of investors (the "Investors"):

**Tranche (A) Participating Parties:** this tranche comprises the parties entitled to participate in the book-building process as specified under the Book Building Instructions and Allocation of Shares in Initial Public Offerings (the "Book Building Instructions") issued by the Capital Market Authority (the "CMA") pursuant to Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G), as amended by CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G) (collectively, the "Participating Parties" and each a "Participating Party") (for further details, please see Section (1) "Definitions and Abbreviations" of this Prospectus). The number of Offer Shares to be allocated to Participating Parties actually participating in the Book-Building process is thirty-three million (33,000,000) ordinary shares, representing 100% of the total Offer Shares. The final allocation will be made after the end of the subscription period for Individual Investors. In the event that Individual Investors subscribe for all of Offer Shares allocated thereto, the Financial Advisor (as defined in Section (1) "Definitions and Abbreviations"), in consultation with the Company, shall have the right to reduce the number of Offer Shares allocated to Participating Parties to at least twenty-nine million, seven hundred thousand (29,700,000) Offer Shares, representing ninety percent (90%) of the total Offer Shares. The Offer Shares shall be allocated to the Participating Parties using the discretionary share allocation mechanism. The Company and the Financial Advisors may, as they deem appropriate, not allocate shares to some of the Participating Parties.

**Tranche (B): Individual Investors:** this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account with the Receiving Entities and is entitled to open an investment account (collectively, the "Individual Investors" and each an "Individual Investor"), and together with Participating Parties, the "Subscribers"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of three million, three hundred thousand (3,300,000) Offer Shares, representing ten percent (10%) of the Offer Shares, shall be allocated to Individual Investors. If the Individual Investors do not subscribe for all the shares allocated to them, the Financial Advisor, in consultation with the Company, may reduce the number of shares allocated to them in proportion to the number of shares to which they subscribed.

The Shareholders listed in Table 4.1 "Ownership Structure of the Company's Shares Pre-and Post-Offering" of this Prospectus (collectively, the "Current Shareholders") own all of the Company's Shares prior to the Offering. The Offer Shares will be sold by some of the Current Shareholders (collectively, the "Selling Shareholders") in accordance with Table 4 "Ownership Structure of the Company Pre-and Post-Offering" of this Prospectus. Upon completion of the Offering, the Selling Shareholders will collectively own seventy-eight percent (78%) of the Company Shares and will consequently retain a controlling interest in the Company. The Offering proceeds, less the Offering expenses, (the "Net Proceeds") will be distributed to the Selling Shareholders on a pro-rata basis in accordance with their respective ownership percentage in the Offer Shares. The Company will not receive any part of the Net Proceeds (for further details, please see Section (8) "Use of Offering Proceeds" of this Prospectus). The Offering is fully underwritten by the Underwriter (for further details, please see Section (13) "Underwriting" of this Prospectus). The Substantial Shareholders, who own five percent (5%) or more of the Company's Shares as of the date of this Prospectus (the "Substantial Shareholders"),

may not dispose of their shares for a period of six (6) months (the "Lock-up Period") from the date trading commences on the Saudi Stock Exchange ("Tadawul" or the "Exchange"). After the Lock-up Period, the Substantial Shareholders may dispose of their shares without obtaining CMA's prior approval. The Substantial Shareholders, holding 5% or more of the Company's Shares are: Abdulqadir Al-Muhaidib & Sons Co., Hekmat Saadaldain Abdulhamid Al Zaim, Alma Limited, Ahmad Samer Hamdi Saadaldain Al Zaim, and Mohamed Hekmat Saadaldain Al Zaim. The Section "Offering Summary" of this Prospectus sets out the Substantial Shareholders and their ownership percentages in the Company Pre-and Post-Offering.

The Offering Period will commence on Monday, 27/4/1444H (corresponding to 21/11/2022G) and will remain open for a period of two (2) days, including the closing day and up to Tuesday, 28/4/1444H (corresponding to 22/11/2022G) (the "Offering Period"). Subscription to the Offer Shares by Individual Investors can be made during the Offering Period through any of the branches of the Receiving Entities listed on Page (i) of this Prospectus (the "Receiving Entities") or through any other means provided by the Receiving Entities, including the internet, telephone banking or ATMs (for further details, please see Subsection (17.3.2) "Subscription by Individual Investors" of this Prospectus). Participating Parties may subscribe for the Offer Shares through the Bookrunners during the Book-building process, which will take place prior to offering of the shares to Individual Investors (for further details, please see Subsection (17.3.1) "Book-building" of this Prospectus).

Each Individual Investor must apply for a minimum of ten (10) shares, noting that the minimum allocation per Individual Investor is ten (10) shares, and the maximum is two hundred and fifty thousand (250,000) Shares. The balance of the Offer Shares, if any, will be allocated on a pro-rata basis based on the number of Offer Shares applied for by each Individual Investor. In the event that the number of Individual Investors exceeds three hundred and thirty thousand (330,000) investor, the Company will not guarantee the minimum allocation of ten (10) Offer Shares per Investor, in which case, the allocation shall be made as deemed appropriate by the Financial Advisor, in consultation with the Company. Excess subscription monies, if any, will be refunded to the Individual Investors without subtracting any charge or withholding by the Receiving Entities. Announcement of the final allotment will be made no later than Thursday, 30/4/1444H (corresponding to 24/11/2022G), and the refund of excess subscription monies, if any, will be made at the latest on Sunday, 3/5/1444H (corresponding to 27/11/2022G) (for further details, please see Subsection (17.4) "Allocation and Refunds" of this Prospectus).

The Company has one class of ordinary shares. Each Share entitles its holder to one vote, and each Shareholder (the "Shareholder") has the right to attend and vote at the Shareholders' general assemblies (the "General Assembly"). No Shareholder benefits from any preferential voting rights. The Offer Shares will be entitled to receive any dividends declared by the Company as of the date of this Prospectus and for subsequent financial years (for further details, please see Section (7) "Dividend Distribution Policy" of this Prospectus).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offer of the Shares, and an application to the Exchange for the Listing of the Shares. All supporting documents required by the relevant authorities have been submitted. All the requirements have been met, including requirements for listing of the Company on the Exchange, and all approvals pertaining to the Offering, including this Prospectus, have been granted. Trading in the Shares on the Exchange is expected to commence upon completion of the final share allocation and satisfaction of all relevant regulatory requirements (for further details, please see Table (3) "Expected Offering Timetable" in Section "Key Dates and Subscription Procedures"). After the Company is registered and its Shares are listed on the Exchange, Saudi Arabian nationals, non-Saudi Arabian nationals holding valid residency permits in the Kingdom, and companies, commercial banks and investment funds established in the Kingdom or in GCC countries, as well as GCC nationals, will be permitted to trade in the Shares after trading in the Shares commences on the Exchange. Moreover, Qualified Foreign Financial Institutions and Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities (for further details, please see Section (1) "Definitions and Abbreviations" of this Prospectus). In addition, Foreign Strategic Investors may trade in the Shares in accordance with the Instructions for the Foreign Strategic Investors' Ownership in Listed Companies (as defined in this Prospectus). Non-GCC individuals residing outside the Kingdom and establishments that are incorporated outside GCC countries and operate outside the Kingdom (collectively the "Foreign Investors" and each a "Foreign Investor") will be permitted to acquire an economic interest in the Shares by entering into swap agreements (SWAP) with a Capital Market Institution licensed by the CMA to buy and trade in shares listed on the Exchange for the benefit of Foreign Investors. Under such swap agreements, the Capital Market Institutions will be treated as the legal owners of such shares.

Investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors to be carefully considered before deciding to subscribe for the Offer Shares, Section "Important Notice" on Page (a) and Section (2) "Risk Factors" of this Prospectus should be carefully reviewed prior to making a decision to invest in the Offer Shares.

Financial Advisor, Lead Manager and Underwriter



Bookrunners



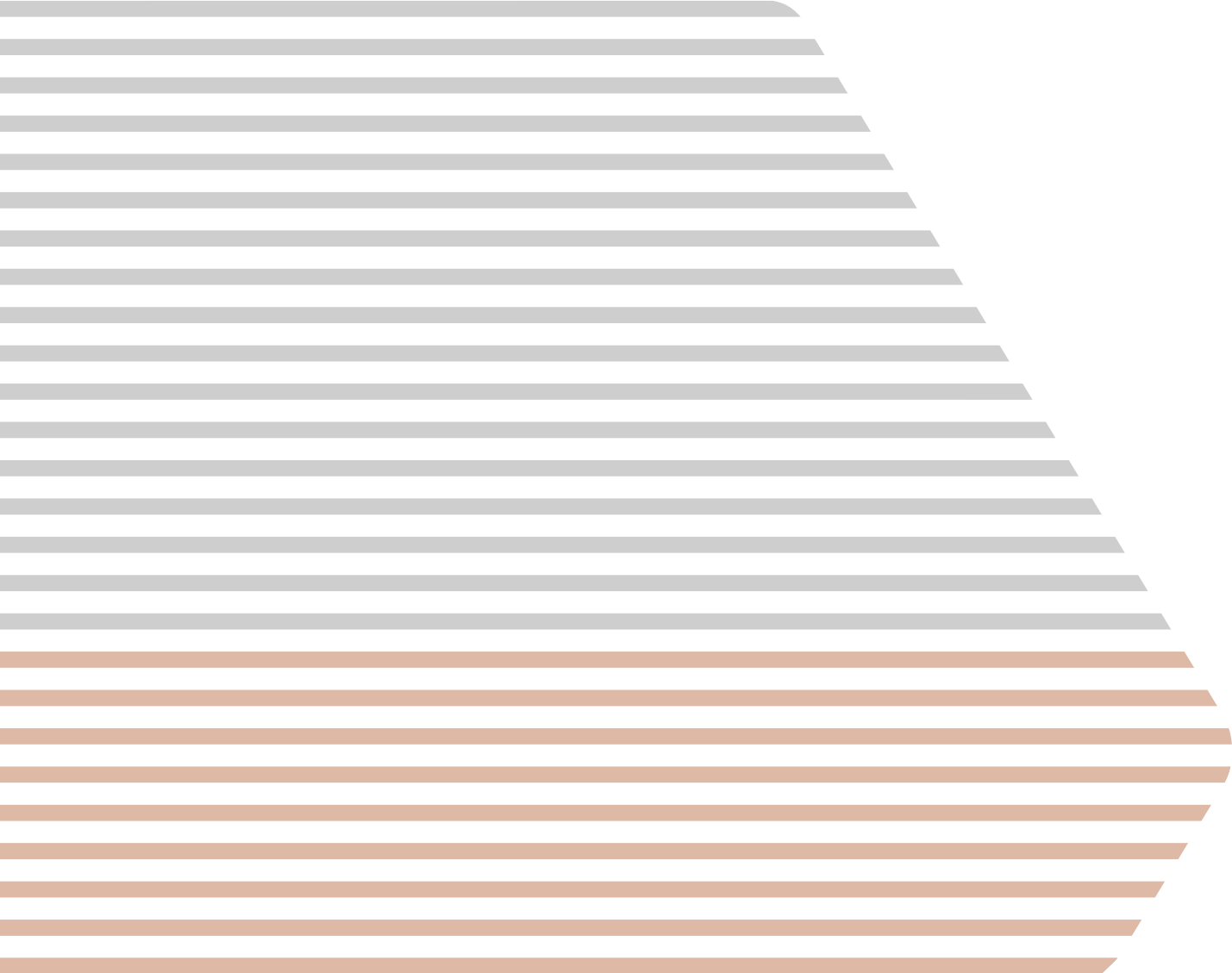
Receiving Entities



This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offering of Securities and Continuing Obligations issued by the Saudi Capital Market Authority (the "CMA") and the application for listing of securities in compliance with the Listing Rules of the Saudi Stock Exchange. The Directors, whose names appear on page (d), collectively, and individually, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange take no responsibility for the contents of this Prospectus, 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 Prospectus.

This Prospectus is dated 21/3/1444H (corresponding to 17/10/2022G).

riyadh-cables.com





**شركة مجموعة كابلات الرياض**  
**Riyadh Cables Group Company**





## Important Notice

This Prospectus contains detailed information relating to the Group and the Offer Shares. When submitting an application for the Offer Shares, Participating Parties and Individual Investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available from the Company, the Lead Manager, the Receiving Entities or by visiting the websites of the Company ([www.riyadh-cables.com](http://www.riyadh-cables.com)), the CMA ([www.cma.org.sa](http://www.cma.org.sa)), the Saudi Stock Exchange (Tadawul) ([www.saudiexchange.sa](http://www.saudiexchange.sa)), or the website of the Financial Advisor ([www.riyadcapital.com](http://www.riyadcapital.com)).

With respect to the Offer Shares described in this Prospectus, the Company has appointed Riyadh Capital as the Financial Advisor for the Offering (the “**Financial Advisor**”) and as Lead Manager (the “**Lead Manager**”), and as Underwriter (the “**Underwriter**”), and appointed Riyadh Capital, EFG Hermes KSA, and ANB Capital as Bookrunners (the “**Bookrunners**”).

This Prospectus includes information that has been presented in accordance with the CMA’s Rules on the Offer of Securities and Continuing Obligations and the Exchange’s Listing Rules. The Directors, whose names appear in Table 1 “**Board of Directors**” of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable inquiries as to the accuracy of the information contained in this Prospectus as at the date of its publication, a substantial portion of the information herein relevant to the market and industry in which the Company operates is derived from external sources.

While neither the Company nor any of the Directors, Selling Shareholders, or Advisors, whose names appear on pages (e) and (g) of this Prospectus, have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors, except for the Financial Advisor, have independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus, as at the date hereof, is subject to change. In particular, the financial position of the Company and the value of the Offer Shares may be adversely affected as a result of future developments such as inflation, interest rates, taxation or other economic and political factors beyond the control of the Company (for further details, please see Section (2) “**Risk Factors**” of this Prospectus). Neither the delivery of this Prospectus, nor any oral, written or printed communication related to the Offer Shares is intended to be, nor should be, relied upon in any way as, or construed as, a promise, confirmation or representation of future earnings, results, or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Current Shareholders, the Receiving Entities or the Advisors to subscribe to the Offer Shares. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives or the financial situation or particular investment needs of persons wishing to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA-licensed financial advisor in relation to the Offering and for considering the appropriateness of both the investment opportunity and the information herein with regard to the recipient’s individual objectives, financial situation and needs, including the merits and risks involved in an investment in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others. Prospective investors should not rely on another party’s decision whether to invest as a basis for their own examination of the investment opportunity and such investor’s individual circumstances.

Subscribing for the Offer Shares shall be limited to two tranches of Investors as follows:

**Tranche (A): Participating Parties:** this tranche comprises the parties entitled to participate in the Book-building process in accordance with the Book-Building Instructions (for further details, please see Section (1) “**Definitions and Abbreviations**” of this Prospectus).

**Tranche (B): Individual Investors:** this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or any GCC national, in each case who has a bank account with the Receiving Entities and is allowed to open an investment account. A subscription made by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.



The distribution of this Prospectus or the sale of Offer Shares to any person in any country other than the Kingdom is expressly prohibited, except for Qualified Foreign Financial Institutions and/or Foreign Investors by entering into swap agreements, subject to the applicable laws and instructions. Recipients of this Prospectus are required to inform themselves of any regulatory restrictions relevant to the Offer Shares and the sale of Offer Shares and to observe all such restrictions. Both eligible Individual Investors and Participating Parties shall read this Prospectus in full and seek advice from their attorneys, financial advisors, and any of their professional advisors regarding the various statutory, tax, regulatory and economic considerations related to their investment in the Offer Shares, and will personally bear the fees associated with that advice from their attorneys, accountants and other advisors with respect to all matters related to the investment in the Company's Shares. Realization of profits cannot be guaranteed in any way.

## Market and Industry Information

The information and data in Section (3) "**Market and Industry Overview**" of this Prospectus, relating to the market and the industry in which the Company operates, were obtained from the market study report (the "**Market Study Report**") prepared on 21/10/1443H (corresponding to 22/05/2022G) by the Market Consultant, Arthur D. Little Saudi Arabia (the "**Market Consultant**") for the Company.

The Market Consultant was founded in 1886G and is an independent company that provides strategic market research services to a wide range of customers. The Market Consultant is headquartered in Brussels, Belgium. For further details, please visit the Market Consultant's website ([www.adlittle.com](http://www.adlittle.com)).

The Market Consultant does not, nor do any of its subsidiaries, associates, partners, shareholders, directors, managers or their relatives, own any shares or any interest of any kind in the Company or its Subsidiaries as of the date of this Prospectus. The Market Consultant has given, and not withdrawn at the date of this Prospectus, its written consent for the use of its name, logo and statements and the market information and data supplied by it to the Company in the manner and format set out in this Prospectus.

The Directors believe that the information and data obtained or derived from the Market Study Report prepared by the Market Consultant are reliable. The Directors are not aware of any material deficiency or shortage in such information or data in a way that would affect an investor's decision to subscribe to the Company's Shares. However, this information and data have not been independently verified by the Company, the Directors or the Advisors, except for the Financial Advisor, and therefore they cannot provide any assurance regarding its accuracy, validity or completeness.

Subject to page (c) "**Forecasts and Forward-Looking Statements**" of this Prospectus, the Directors believe that the information and data of the Market Study contained in this Prospectus, where were obtained from other sources, including information provided by the Market Consultant, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Current Shareholders, and thus none of these parties bear any liability for the accuracy or completeness of such information.

## Financial Information

The Company's audited consolidated financial statements for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the audited financial statements for the six-month period ended 30 June 2022G as well as the accompanying notes thereto have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") that are endorsed in the Kingdom, and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**") and have been reviewed by the Company's independent auditor, KPMG Professional Services (formerly known as KPMG Al Fozan & Partners) (the "**Auditor**"), as contained in its audit reports. Such financial statements are included in Section (19) "**Financial Statements and Auditor's Report**" of this Prospectus. The Company issues its consolidated financial statements in Saudi Riyals.

Some financial and statistical information contained in this Prospectus has been rounded off to the nearest integer. Accordingly, if the figures in the tables are added, there may be slight differences between the figures mentioned in the audited financial statements and those mentioned herein.

Throughout this Prospectus, Hijri dates are presented along with corresponding Gregorian dates, where relevant. In addition, unless otherwise expressly stated in this Prospectus, any reference to "**year**" or "**years**" means Gregorian years.

## Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently, no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that, to the best of its knowledge, the statements herein were prepared with the necessary due diligence.

Certain statements in this Prospectus constitute "**forward-looking statements**". Such statements can generally be identified by their use of forward-looking words such as "**plans,**" "**estimates,**" "**projects,**" "**believes,**" "**expects,**" "**anticipates,**" "**may,**" "**will,**" "**should,**" "**expected,**" "**would be**" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for further details, please see Section (2) "**Risk Factors**" of this Prospectus). Should any one or more of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, or planned.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus, and before the end of the Offering, the Company becomes aware that:

- a- there has been a significant change in material matters contained in the Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations.
- b- any additional significant matters have become known which should have been included in the Prospectus.

Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances set forth in this Prospectus might not occur in the way the Company expects, or at all. Accordingly, prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements. All subsequent written and oral statements made by the Company or by persons on behalf of the Company are subject, in their entirety, to the warning phrases set out above or those contained in other sections in this Prospectus.

## Definitions and Abbreviations

For an explanation of certain terms and abbreviation included in this Prospectus, please see Section (1) "**Definitions and Abbreviations**" of this Prospectus.

## Corporate Directory

### Board of Directors

**Table (1): Board of Directors**

#	Name	Position	Nationality	Age	Membership Status	Direct Ownership (%)		Indirect Ownership (%)		Membership Date*
						Pre-Of-fering	Post-Of-fering	Pre-Of-fering	Post-Of-fering	
1	Khalid Abdulrahman Abdullah Al Gwaiz	Chairman of the Board of Directors	Saudi	65 years	Independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)
2	Mohamed Hekmat Saadaldain Al Zaim	Deputy Chairman	Saudi	43 years	Non-independent Non-executive	5.00%	3.90%	-	-	28/07/1443H (corresponding to 01/03/2022G)
3	Ahmad Samer Hamdi Saadaldain Al Zaim	Director	Saudi	56 years	Non-independent Non-executive	11.95%	9.32%	-	-	28/07/1443H (corresponding to 01/03/2022G)
4	Ziad Fouad Fahd Al Saleh	Director	Saudi	40 years	Non-independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)
5	Abdulwahab Abdulkareem Abdulrahman Albtairi	Director	Saudi	43 years	Independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)
6	Fahad Mahmoud Zuhdi Malhas	Director	Saudi	46 years	Independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)
7	Raed Ibrahim Suleiman Al Modaihimi	Director	Saudi	59 years	Non-independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)

Source: The Company

\* Dates listed in this table are the dates of appointment to the current positions on the Board of Directors. The biographies of the Directors state the dates at which the Directors were appointed to the Board or any other position (for further details, please see Subsection (5.3.6) "Biographies of the Board Members and Board Secretary" of this Prospectus).



## Company's Address

**Riyadh Cables Group Company**  
 2nd Industrial City, Al Kharj Road  
 P.O. Box 26862, Riyadh 11496  
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 Fax: +966 (11) 265 4061  
 Website: [www.riyadh-cables.com](http://www.riyadh-cables.com)  
 E-mail: [rcgc@riyadh-cables.com](mailto:rcgc@riyadh-cables.com)



**شركة مجموعة كابلات الرياض**  
**Riyadh Cables Group Company**

## Company's Representatives

### **Khalid Abdulrahman Abdullah Al-Gwaiz**

Chairman of the Board of Directors  
 Riyadh Cables Group Company  
 2nd Industrial City, Al Kharj Road  
 P.O. Box 26862, Riyadh 11496  
 Kingdom of Saudi Arabia  
 Tel: +966 (11) 265 1415  
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 Website: [www.riyadh-cables.com](http://www.riyadh-cables.com)  
 E-mail: [Chairman@riyadh-cables.com](mailto:Chairman@riyadh-cables.com)

### **Mohammed Suleiman Mousa Alsaleem**

Executive Advisor  
 Riyadh Cables Group Company  
 2nd Industrial City, Al Kharj Road  
 P.O. Box 26862, Riyadh 11496  
 Kingdom of Saudi Arabia  
 Tel: +966 (11) 265 1415  
 Fax: +966 (11) 265 4061  
 Website: [www.riyadh-cables.com](http://www.riyadh-cables.com)  
 E-mail: [BodSec@riyadh-cables.com](mailto:BodSec@riyadh-cables.com)

## Secretary of the Board of Directors

### **Mohammed bin Suleiman Alsaleem**

Executive Advisor  
 Riyadh Cables Group Company  
 2nd Industrial City, Al Kharj Road  
 P.O. Box 26862, Riyadh 11496  
 Kingdom of Saudi Arabia  
 Tel: +966 (11) 265 1415  
 Fax: +966 (11) 265 1423  
 Website: [www.riyadh-cables.com](http://www.riyadh-cables.com)  
 E-mail: [BodSec@riyadh-cables.com](mailto:BodSec@riyadh-cables.com)

## Stock Exchange

### The Saudi Exchange (Tadawul)

Tawuniya Towers, Northern Tower

King Fahd Road - Al Olaya 6897

Unit No. 15

Riyadh 12211- 3388

Kingdom of Saudi Arabia

Tel: +966 (11) 92000 1919

Fax: +966 (11) 2189133

Website: [www.saudiexchange.sa](http://www.saudiexchange.sa)

E-mail: [csc@saudiexchange.sa](mailto:csc@saudiexchange.sa)



## Depository Center

### Securities Depository Center Company (Edaa)

Tawuniya Towers, Southern Tower

King Fahd Road - Al Olaya 6897

Unit No. 11

Riyadh 12211- 3388

Kingdom of Saudi Arabia

Tel: 920026000

Fax: +966 11 218 9133

Website: [www.edaa.com.sa](http://www.edaa.com.sa)

E-mail: [cc@edaa.com.sa](mailto:cc@edaa.com.sa)



من مجموعة تداول السعودية  
From Saudi Tadawul Group

## Financial Advisor, Underwriter and Lead Manager

### Riyad Capital

2414- Al Shohda District, Unit No. 69  
Riyadh 13241-7279  
Kingdom of Saudi Arabia  
Tel: +96611920012299  
Fax: +966114865908  
Website: www.riyadcapital.com  
E-mail: ask@riyadcapital.com



## Bookrunners

### Riyad Capital

2414- Al Shohda District, Unit No. 69  
Riyadh 13241-7279  
Kingdom of Saudi Arabia  
Tel: +96611920012299  
Fax: +966114865908  
Website: www.riyadcapital.com  
E-mail: ask@riyadcapital.com



### EFG Hermes KSA

Sky Towers, Northern Tower, 3rd floor, King Fahd Road, Olaya, Riyadh  
Kingdom of Saudi Arabia  
Tel: +966112938048  
Fax: +966112938032  
Website: www.efghermesksa.com  
E-mail: efg\_projectrichmond@EFG-HERMES.com



### ANB Capital

King Faisal Street - ANB Capital Building  
P.O. Box: 220009 - Riyadh 11311  
Kingdom of Saudi Arabia  
Tel: +966 11 406 2500  
Fax: +966 11 4062548  
Website: www.anbcapital.com.sa  
Email: Investment.Banking@anbcapital.com.sa



## Legal Advisor to the Issuer

### The Law Office of Megren M. Al-Shaalan

Business Gate  
Building No. 26, Zone C  
Airport Road  
P.O. Box 1080, Riyadh 11431  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4167300  
Fax: +966 (11) 4167399  
Website: www.alshaalanlaw.com  
E-mail: mas@alshaalanlaw.com





## Financial Due Diligence Advisor

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### PricewaterhouseCoopers (Chartered Accountants)

Kingdom Tower, 21st Floor  
P.O. Box 8282  
Riyadh 11482  
Tel: +966112110400  
Fax: +966112110401  
Kingdom of Saudi Arabia  
Website: <http://www.pwc.com/middle-east>  
E-mail: <mailto:info@pwc.com>



## Market Consultant

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### Arthur D. Little Saudi Arabia

Office 502, 5th Floor, Entrance D  
The Plaza, Al Olaya Road  
P.O. Box 205005  
Riyadh 11361  
Kingdom of Saudi Arabia  
Tel: +966 (11) 2930023  
Fax: +966 (11) 2930490  
Website: [www.adl.com.sa](http://www.adl.com.sa)  
E-mail: [gm\\_ksa@adlittle.com](mailto:gm_ksa@adlittle.com)



## Auditor

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### KPMG Professional Services (formerly known as KPMG Al Fozan & Partners)

KPMG Tower  
Riyadh Front, Airport Road  
P.O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Tel: +966 (11) 874 8500  
Fax: +966 (11) 874 8600  
Website: [www.kpmg.com.sa](http://www.kpmg.com.sa)  
E-mail: [marketingsa@kpmg.com](mailto:marketingsa@kpmg.com)



**Note:** All the above-mentioned Advisors, the Auditor, and Data Provider have given and, as of the date of this Prospectus, have not withdrawn their written consent, until the date hereof, to the reference of their respective names, addresses, and logos and the publication of their statements in the context in which they appear in this Prospectus, and do not themselves, their employees (forming part of the engagement team serving the Company), or any of their employees' relatives have any shareholding or interest of any kind in the Company as at the date of this Prospectus which would impair their independence.

## Receiving Entities

### Riyad Bank

Al Shohda District.  
P.O. Box 22622  
Riyadh 11614  
Kingdom of Saudi Arabia  
Tel: +966 (11) 401 3030  
Fax: +966 (11) 4865909  
Website: www.riyadbank.com  
E-mail: customercare@riyadbank.com



### Saudi National Bank (SNB)

King Fahad Road – Al-Aqiq  
King Abdullah Financial District  
P.O. Box 3208, Unit No. 778  
Kingdom of Saudi Arabia  
Tel: +966 (92) 0001000  
Fax: +966 (11) 4060052  
Website: www.alahli.com  
E-mail: contactus@alahli.com



### Al Rajhi Bank

King Fahd Road - Al-Muroj District - Al Rajhi Bank Tower  
Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966 11 828 2515  
Fax: +966 11 279 8190  
Website: www.alrajhibank.com.sa  
Email: contactcenter1@alrajhibank.com.sa



### Riyad Bank

Eastern Ring Road  
P.O. Box 22622  
Riyadh 11614  
Kingdom of Saudi Arabia  
Tel: +966 11 401 3030  
Fax: +966 11 403 0016  
Website: www.riyadbank.com  
E-mail: customercare@riyadbank.com



## Offering Summary

This Offering Summary is intended to provide a brief and detailed overview of the information contained in this Prospectus. As such, this summary does not contain all of the information that may be important to prospective investors and that must be taken into consideration before deciding to invest in the Offer Shares. Accordingly, prospective investors should read and review this entire Prospectus in full, and any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. In particular, the Section "Important Notice" on page (a) and Section (2) "Risk Factors" of this Prospectus must be carefully considered before deciding to invest in the Offer Shares. Subscribers should not rely solely on this summary.

### Company Name, Description and Incorporation

Riyadh Cables Group Company is a closed joint stock company pursuant to Ministry of Commerce Resolution No. 146/Q dated 17/06/1435H (corresponding to 17/04/2014G), registered under Commercial Registration No. 1010052927 dated 24/06/1435H (corresponding to 24/04/2014G). The Company's registered address is at New Industrial Zone, P.O. Box 26862, Riyadh 11496, , the Kingdom of Saudi Arabia. The current share capital of the Company is one billion, five hundred million Saudi Riyals (SAR 1,500,000,000) divided into one hundred and fifty million (150,000,000) fully paid ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per Share.

The Company was established in 1984G as a limited liability company under the name "Saudi Modern Company for Cables Industry Ltd. (Riyadh Cables)," with a share capital of seven million, five hundred thousand Saudi Riyals (SAR 7,500,000), and registered in Riyadh under Commercial Registration No. 1010052927 dated 14/04/1404H (corresponding to 18/01/1984G).

On 13/09/1405H (corresponding to 01/06/1985G), the Shareholders of the Company approved the increase the Company's share capital to twenty-nine million, four hundred and twenty-five thousand Saudi Riyals (SAR 29,425,000). The capital increase of twenty-one million, nine hundred and twenty-five thousand Saudi Riyals (SAR 21,925,000) was covered by the capitalization of the amount from the current account of the Shareholders.

On 25/09/1409H (corresponding to 28/06/1989G), the Shareholders decided to increase the Company's share capital to seventy two million Saudi Riyals (SAR 72,000,000), through the capitalization of forty-two million, five hundred and seventy-five thousand Saudi Riyals (SAR 42,575,000) from the current account of the Shareholders.

On 21/04/1411H (corresponding to 08/11/1990G), the Shareholders agreed to increase the Company's share capital to seventy five million Saudi Riyals (SAR 75,000,000), through the capitalization of three million Saudi Riyals (SAR 3,000,000) from the Company's retained earnings.

On 05/05/1435H (corresponding to 06/03/2014G), the Company was converted from a limited liability company to a joint stock company pursuant to Ministry of Commerce Resolution No. 146/Q dated 17/06/1435H (corresponding to 17/04/2014G) announcing the conversion of the Company to a joint stock company.

On 05/01/1436H (corresponding to 29/10/2014G), the Company's Extraordinary General Assembly decided to change the Company's name to "Riyadh Cables Group Company" and approved the increase of the Company's share capital to nine hundred million Saudi Riyals (SAR 900,000,000). The capital increase of eight hundred and twenty-five million Saudi Riyals (SAR 825,000,000) was covered by capitalizing thirty-seven million, five hundred thousand Saudi Riyals (SAR 37,500,000) from the statutory reserve account and seven hundred and eighty-seven million, five hundred thousand Saudi Riyals (SAR 787,500,000) from the retained earnings account.

On 13/08/1436H (corresponding to 31/05/2015G), the Extraordinary General Assembly of the Company agreed to increase the Company's share capital to one billion, five hundred million Saudi Riyals (SAR 1,500,000,000). The increase of six hundred million Saudi Riyals (SAR 600,000,000) was covered by the capitalization of five hundred and seventy-nine million, nine hundred and sixty-six thousand, four hundred and thirty-five Saudi Riyals (SAR 579,966,435) from the retained earnings account and twenty million, thirty-three thousand, five hundred and sixty-five Saudi Riyals (SAR 20,033,565) from the statutory reserve account.



**Company's  
Activities**

The current main activity of the Company is the production, marketing and sale of all kinds of cables, electric wires, pneumatic conductors and optic fibers as well as electrical contracting projects for high voltage cables.

In accordance with the Company's Bylaws and Commercial Registration, the Company's objectives comprise:

- 1- manufacture of electrical connections and wire extension channels from other materials;
- 2- manufacture of electrical connections and plastic wire extension channels;
- 3- manufacture of electrical connections and metallic wire extension channels;
- 4- manufacture of electrical sockets and outlets;
- 5- manufacture of different types of electrical switches (for buildings and devices);
- 6- manufacture of insulated wires and cables made of steel, copper or aluminum;
- 7- manufacture of fiber optic cables;
- 8- manufacture of generators, motors, and electric transformers parts ;
- 9- manufacture of metallic cables and girdles from aluminum;
- 10- manufacture of metallic cables and girdles from copper;
- 11- manufacture of metallic cables and girdles from iron;
- 12- non-ferrous metal casting (finished products);
- 13- production of semi raw metals from nickel and copper;
- 14- smelting, rolling, drawing, purifying and casting lead, zinc, tin and their alloys;
- 15- smelting, rolling, drawing, purifying, and casting aluminum and its alloys;
- 16- smelting, rolling, drawing, refining and casting copper and its alloys;
- 17- manufacture of connectors and cables for printers, monitors and USB;
- 18- manufacture of pylons and their parts;
- 19- manufacture of sheets, plates, rolls and coils and all types of bars, skewers, wires and pieces;
- 20- manufacture of plastics in their primary forms;
- 21- manufacture of wooden cable reels;
- 22- managing investments;
- 23- management training institutes;
- 24- provision of maintenance services within facilities;
- 25- project management activities related to energy efficiency;
- 26- buying, selling and subdividing of land and real estate, and off-plan sales activities;
- 27- transportation of goods and equipment (heavy haulage);
- 28- wholesale of computer-controlled machinery and tools;
- 29- construction erection and repair of telecommunications and radar stations and towers;
- 30- installation of industrial machinery in industrial facilities;
- 31- repair and maintenance of power, distribution, and specialty transformers;
- 32- retail sale of electrical equipment and installations;
- 33- building finishing;
- 34- general construction of residential buildings;
- 35- manufacture of electrical transformers;
- 36- training centers;
- 37- energy measurement and inspection services;
- 38- providing engineering design services for energy efficiency standards;
- 39- providing services of energy efficiency design review;
- 40- managing and leasing owned or leased real estate (non-residential);
- 41- retail sale and installation of factory machinery and equipment;
- 42- retail sale of electrical and communication cables;
- 43- retail sale of solar energy devices and equipment;
- 44- installation, repair and maintenance of lightning conductors;
- 45- installation, maintenance and repair of solar energy collectors;
- 46- telecommunications wiring;
- 47- electrical wiring;
- 48- construction, erection and repair of electrical power stations and transformers;
- 49- long-distance pipelines, communication and power lines;
- 50- general constructions of non-residential steel buildings;
- 51- general construction of non-residential buildings;
- 52- distribution of electricity;
- 53- transmission of electricity;
- 54- generation of electricity;
- 55- machine rigging;
- 56- installation of communications equipment;
- 57- dismantling large-scale machinery and equipment;
- 58- installation of industrial process control equipment;
- 59- manufacture of lighting connectors;
- 60- manufacture of lighting supplies;
- 61- manufacture of polyethylene;
- 62- manufacture of propylene; and
- 63- manufacture of synthetic and natural rubber mixtures.

The following table sets out the names of Substantial Shareholders directly holding 5% or more of the Company's Shares, and their direct ownership percentages in the Company pre- and post-Offering:

**Table (2): Substantial Shareholders and Their Direct Ownership Percentages in the Company Pre- and Post-Offering**

Shareholder	Pre-Offering			Post-Offering		
	Number of Direct Shares	Direct Ownership (%)	Nominal Value (SAR)	Number of Direct Shares	Direct Ownership (%)	Nominal Value (SAR)
Abdulqadir Al-Muhaidib & Sons Co.	46,125,000	30.75%		35,977,500	23.99%	
Hekmat Saadaldain Abdulhamid Al Zaim	43,125,000	28.75%		33,637,500	22.43%	
Ahmad Samer Hamdi Saadaldain Al Zaim	17,923,982	11.95%		13,980,706	9.32%	
Alma Limited	17,898,360	11.93%		13,960,721	9.31%	
Mohamed Hekmat Saadaldain Al Zaim	7,500,000	5.00%		5,850,000	3.90%	
<b>Total</b>	<b>132,572,342</b>	<b>88.38%</b>	<b>1,325,723,420</b>	<b>103,406,427</b>	<b>68.95%</b>	<b>1,034,064,270</b>

Source: The Company

#### Direct Substantial Shareholders

#### Material Subsidiaries

#### Non-Material Subsidiaries

- RCM, a Saudi closed joint stock company registered in Riyadh under Commercial Registration No. 1010081709 dated 24/06/1435H (corresponding to 24/04/2014G).
  - REW, a Saudi closed joint stock company registered in Riyadh under Commercial Registration No. 1010106953 dated 24/06/1435H (corresponding to 24/04/2014G).
  - RTC, a Saudi closed joint stock company registered in Riyadh under Commercial Registration No. 1010107248 dated 24/06/1435H (corresponding to 24/04/2014G).
  - RCC, a Saudi closed joint stock company registered in Riyadh under Commercial Registration No. 1010146019 dated 24/06/1435H (corresponding to 24/04/2014G).
  - NCI, a UAE single shareholder limited liability company registered in the Industrial Register under No. 28588 issued by the Sharjah Economic Development Department on 14/01/1421H (corresponding to 14/09/2000G).
- SMC, a Saudi limited liability company registered in Riyadh under Commercial Registration No. 1010143896 dated 01/07/1417H (corresponding to 13/11/1996G).
  - Arabian Gulf Company for Electrical Cables, a Kuwaiti limited liability company registered in Kuwait under Commercial Registration No. M/1584/2003 dated 20/12/1435H (corresponding to 14/10/2014G).
  - Qatar Cables Company, a Qatari limited liability company registered in Doha under Commercial Registration No. 26703 dated 11/08/1424H (corresponding to 07/10/2003G).
  - Gulf Company for Electrical Works, a Omani limited liability company registered in Muscat under Commercial Registration No. 1229581 dated 09/12/1436H (corresponding to 22/09/2015G).
  - Egyptian Riyadh Cables for Electrical Works, an Egyptian joint stock company registered at Cairo Investment Commercial Register Office under Commercial Registration No. 141356 dated 23/02/1441H (corresponding to 22/10/2019G).
  - Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires, a Kuwaiti limited liability company registered in Kuwait under Commercial Registration No. 461039 dated 27/09/1443H (corresponding to 28/04/2022G).
  - Al Rowad Company for Production of Electrical Cables and Wires Limited, an Iraqi limited liability company established in Baghdad under incorporation certificate No. MH-02-000079844 dated 11/04/1433H (corresponding to 04/03/2012G).
  - Iraqi National Company for the Manufacture of Cables, an Iraqi limited liability company established in Baghdad under incorporation certificate No. M.H.A/02-8161 dated 08/01/1440H (corresponding to 18/09/2018G).

<b>Company's Share Capital</b>	One billion, five hundred million Saudi Riyals (SAR 1,500,000,000).
<b>Total Number of Issued Shares</b>	One hundred and fifty million (150,000,000) fully paid ordinary shares.
<b>Nominal Value per Share</b>	Ten Saudi riyals (SAR 10) per Share.
<b>Offering</b>	Offering of thirty three million (33,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, representing twenty-two percent (22%) of the Company's share capital, at an offer price of SAR [•] per Share.
<b>Total Number of Offer Shares</b>	Thirty-three million (33,000,000) fully paid ordinary shares.
<b>Percentage of Offer Shares to the Total Number of Issued Shares</b>	The Offer Shares represent 22% of the Company's share capital.
<b>Offer Price</b>	[•] Saudi Riyals (SAR [•]).
<b>Total Value of Offer Shares</b>	[•] Saudi Riyals (SAR [•]).
<b>Use of Offering Proceeds</b>	The Net Offering Proceeds amounting to approximately [•] Saudi Riyals (SAR [•]) (less Offering expenses and costs) will be paid to the Selling Shareholders, prorated to the percentage of Offer Shares owned by each Shareholder. The Company will not receive any part of the Net Offering Proceeds (for further details, see Section 8 "Use of Offering Proceeds" of this Prospectus). Whereas the Offering expenses and costs estimated at [•] Saudi Riyals (SAR [•]) and the Ordinary General Assembly approved the distribution of interim dividends amounting to twenty million Saudi Riyals (SAR 20,000,000) as outstanding and unpaid amounts to the Shareholders for the purpose of settling the Offering expenses, as of 30/09/2022G, an amount of SAR 5,000,000 has been deducted from the said amount to settle outstanding Offering expenses. The remaining Offering expenses will be deducted from: (a) the remaining balance of the said dividends amount, and (b) from the Offering Proceeds. (for further details, please see Section 7 "Dividend Distribution Policy" of this Prospectus).
<b>Number of Offer Shares to be Underwritten</b>	Thirty-three million (33,000,000) ordinary shares.
<b>Total Offering Amount to be Underwritten</b>	[•] Saudi Riyals (SAR [•]).
<b>Categories of Targeted Investors</b>	Subscription to the Offer Shares shall be restricted to two tranches of investors as follows: <b>Tranche (A) Participating Parties:</b> this tranche comprises the parties entitled to participate in the book-building process in accordance with the Book-Building Instructions (please see Section (1) "Definitions and Abbreviations" of this Prospectus). <b>Tranche (B): Individual Investors:</b> this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or any GCC national, in each case who has a bank account with the Receiving Entities and is allowed to open an investment account. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
<b>Total Number Offer Shares Available for Each Category of Target Investors</b>	
<b>Number of Shares Offered to Participating Parties</b>	Thirty-three million (33,000,000) ordinary shares, representing 100% of the total Offer Shares. In the event that Individual Investors subscribe for all of Offer Shares allocated thereto, the Financial Advisor, in consultation with the Company, shall have the right to reduce the number of Offer Shares allocated to the Participating Parties to a minimum of twenty-nine million, seven hundred thousand (29,700,000) Offer Shares, representing ninety percent (90%) of the total Offer Shares.
<b>Number of Offer Shares Available to Individual Investors</b>	A maximum of three million, three hundred thousand (3,300,000) ordinary shares, representing ten percent (10%) of the total Offer Shares.

Subscription Method for Each Category of Target Investors	
<b>Subscription Method for Participating Parties</b>	Participating Parties, as defined in Section (1) “Definitions and Abbreviations” of this Prospectus, may apply for subscription. The Bookrunners will provide Subscription Application Forms to the Participating Parties during the book building process. After initial allocation, the Bookrunners will provide the Subscription Application Forms to the Participating Parties, which they will complete in accordance with the instructions set out in Section (17) “Subscription Terms and Conditions” of this Prospectus.
<b>Subscription Method for Individual Investors</b>	Subscription Application Forms will be made available to Individual Investors during the Offering Period on the websites of the Receiving Entities and at some of their branches. Individual Investors Subscription Forms shall be completed in accordance with the instructions mentioned in Section (17) “Subscription Terms and Conditions” of this Prospectus and submitted to one of the branches of the Receiving Entities. Individual Investors who have participated in recent initial public offerings in the Kingdom can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Entities’ branches that offer any of those services to their customers, provided that the following requirements are satisfied: (a) the Individual Investor must have a bank account at a Receiving Entity which offers such services, and (ii) there been no changes in the personal details of the Individual Investor since their subscription in the last initial public offering.
Minimum Number of Offer Shares to be Applied for by Each Category of Target Investors	
<b>Minimum Number of Offer Shares to be Applied for by Participating Parties</b>	One hundred thousand (100,000) Shares.
<b>Minimum Number of Offer Shares to be Applied for by Individual Investors</b>	Ten (10) shares.
Minimum Subscription Amount for Each Category of Target Investors	
<b>Minimum Subscription Amount for Participating Parties</b>	[•] Saudi Riyals (SAR [•]).
<b>Minimum Subscription Amount for Individual Investors</b>	[•] Saudi Riyals (SAR [•]).
Maximum Number of Offer Shares to be Applied for by Each Category of Targeted Investors	
<b>Maximum Number of Offer Shares to be Applied for by Participating Parties</b>	Seven million, four hundred and ninety-nine thousand, nine hundred and ninety-nine (7,499,999) Shares.
<b>Maximum Number of Offer Shares to be Applied for by Individual Investors</b>	Two hundred and fifty thousand (250,000) Shares.
Maximum Subscription Amount for Each Category of Targeted Investors	
<b>Maximum Subscription Amount for Participating Parties</b>	SAR [•].
<b>Maximum Subscription Amount for Individual Investors</b>	SAR [•].

Allocation of Offer Shares and Refund of Excess Subscription Monies for Each Category of Targeted Investors	
<b>Allocation of Offer Shares and Refund of Excess Subscription Monies to Participating Parties</b>	The final allocation of the Offer Shares to the Participating Parties shall be made after the completion of the Individual Subscription process as the Financial Advisor deems appropriate, in coordination with the Company. The number of Offer Shares to be provisionally allocated to Participating Parties is thirty-three million (33,000,000) shares representing one hundred percent (100%) of the total number of Offer Shares. In the event that the Individual Investors subscribe for all of the Offer Shares allocated thereto, the Financial Advisor, in consultation with the Company, shall have the right to reduce the number of Offer Shares allocated to the Participating Parties to at least twenty-nine million, seven hundred thousand (29,700,000) Offer Shares, representing ninety percent (90%) of the total Offer Shares, upon completion of the Individual Investors' subscription. The Offer Shares will be allocated to the Participating Parties using the discretionary allocation mechanism. The Company and the Financial Advisor may, as they deem appropriate, not allocate shares to some of the Participating Parties.
<b>Allocation of Offer Shares to Individual Investors</b>	Allocation of the Offer Shares to Individual Investors is expected to be completed no later than Thursday 30/4/1444H (corresponding to 24/11/2022G). The minimum allocation per Individual Investor is ten (10) Shares, and the maximum allocation per Individual Investor is two hundred and fifty thousand (250,000) Shares. The remaining Offer Shares, if any, will be allocated on a pro-rata basis of the number of Offer Shares applied for by each Investor to the total shares to be subscribed for. In the event that the number of Individual Investors exceeds three hundred and thirty thousand (330,000), the Company will not guarantee the minimum allocation, in which case the Offer Shares will be allocated at the discretion of the Financial Advisor in consultation with the Company (for further details, please see Section (17) " <b>Subscription Terms and Conditions</b> " of this Prospectus).
<b>Refund of Excess Subscription Monies</b>	Excess subscription monies (if any) will be refunded to Individual Investors without any charge or withholding by the Receiving Entities, as set out in the Individual Investors' Application Form. Announcement of the final allocation will be made no later than Thursday, 30/4/1444H (corresponding to 24/11/2022G), and notification of the refund of excess subscription monies will be made at latest by Sunday, 3/5/1444H (corresponding to 27/11/2022G) (for further details, please see Subsection (17.4) " <b>Allocation and Refunds</b> " of this Prospectus).
<b>Offering Period</b>	The Offering Period will commence on Monday, 27/4/1444H (corresponding to 21/11/2022G) and will remain open for a period of two (2) days, up to and including the closing date, which will be on Tuesday, 28/4/1444H (corresponding to 22/11/2022G) (for further details, please see the Section " <b>Key Dates and Subscription Procedures</b> " and Section 17 " <b>Subscription Terms and Conditions</b> " of this Prospectus).
<b>Entitlement to Dividends</b>	The Offer Shares will be entitled to receive any dividends declared and paid by the Company from the date of this Prospectus and for subsequent financial years (for further details, please see Section (7) " <b>Dividend Distribution Policy</b> " of this Prospectus).
<b>Voting Rights</b>	The Company has one class of shares, ordinary shares, which do not carry any preferential voting rights. Each Share entitles the holder to one vote at the General Assembly. A Shareholder may authorize another person that is not a Director or an employee of the Company to attend the General Assembly and vote on its resolutions on his behalf (for further details, please see Subsection (12.15) " <b>Summary of the Company's Bylaws</b> " of this Prospectus).
<b>Restrictions on the Shares (Lock-up Period)</b>	The Substantial Shareholders will be subject to a lock-up period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange (the " <b>Lock-up Period</b> "). During this period, the Substantial Shareholders, whose names appear on page (50) of this Prospectus, may not dispose of their shares. Following the end of the Lock-up Period, the Substantial Shareholders may dispose of their shares without the prior approval of the CMA.
<b>Listing and Trading of Shares</b>	Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. An application has been made by the Company to the CMA for the registration and offer of the shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company has also submitted an application to the Exchange for admission to listing in accordance with the Listing Rules. All relevant approvals pertaining to the Offering have been granted, and all supporting documents required by the CMA have been obtained. Trading in the shares is expected to commence on the Exchange after the final allocation of the Offer Shares (for further details, please see the " <b>Key Dates and Subscription Procedures</b> " section on page (q) of this Prospectus).
<b>Risk Factors</b>	Investing in the Offer Shares involves certain risks. Such risks can be classified as follows: (i) risks related to the Group's activity and operations; (ii) risks related to the market, industry and regulatory environment; and (iii) risks related to the Offer Shares. These risks are described in Section (2) " <b>Risk Factors</b> " and should be considered carefully prior to making a decision to invest in the Offer Shares.
<b>Offering Expenses</b>	The Offering expenses amount to approximately [•] Saudi Riyals (SAR [•]), including the fees of the Financial Advisor, Bookrunners, Underwriter and Lead Manager, the underwriting fees, the fees of the Receiving Entities, the Legal Advisor, the Financial Due Diligence Advisor and the Market Consultant, in addition to marketing, arrangement, printing and distribution expenses and other fees related to the Offering. These expenses will be fully borne by the Selling Shareholders.

<b>Financial Advisor, Underwriter and Lead Manager</b>	<p><b>Riyad Capital</b>  2414 - Al Shohda Dist., Unit No. 69  Riyadh 13241-7279  Kingdom of Saudi Arabia  Tel: +96611920012299  Fax: +966114865908  Website: www.riyadcapital.com  E-mail: ask@riyadcapital.com</p>
	<p><b>Riyad Capital</b>  2414- Al Shohda District, Unit No. 69  Riyadh 13241-7279  Kingdom of Saudi Arabia  Tel: +96611920012299  Fax: +966114865908  Website: www.riyadcapital.com  E-mail: ask@riyadcapital.com</p>
	<p><b>EFG Hermes KSA</b>  Sky Towers, Northern Tower, 3rd floor, King Fahd Road, Olaya, Riyadh  Kingdom of Saudi Arabia  Tel: +966112938048  Fax: +966112938032  Website: www.efghermesksa.com  E-mail: efg_projectrichmond@EFG-HERMES.com</p>
<b>Bookrunners</b>	<p><b>ANB Capital</b>  King Faisal Street - ANB Capital Building  P.O. Box: 220009 - Riyadh 11311  Kingdom of Saudi Arabia  Tel: +966 11 406 2500  Fax: +966 11 4062548  Website: www.anbcapital.com.sa  Email: Investment.Banking@anbcapital.com.sa</p>

Note: The Section “**Important Notice**” on page (a) and Section (2) “**Risk Factors**” of this Prospectus should be carefully considered prior to making a decision to invest in the Offer Shares.

## Key Dates and Subscription Procedures

### Key Dates

**Table (3): Expected Offering Timetable**

Expected Offering Timetable	
Procedure	Date
Offering and Book-Building Period for Participating Parties	A period of five days, starting from Sunday, 12/4/1444H (corresponding to 6/11/2022G) and ending on Thursday, 16/4/1444H (corresponding to 10/11/2022G).
Subscription Period for Individual Investors'	A period of two days, starting from Monday, 27/4/1444H (corresponding to 21/11/2022G) and ending on Tuesday, 28/4/1444H (corresponding to 22/11/2022G).
Deadline for submission of Subscription Application Forms based on the Offer Shares provisionally allocated to Participating Parties	Thursday, 23/4/1444H (corresponding to 17/11/2022G).
Deadline for payment of the Subscription amount for Participating Parties based on the Offer Shares provisionally allocated thereto	Sunday, 26/4/1444H (corresponding to 20/11/2022G).
Deadline for submission of Subscription Application Forms and payment of the Subscription Monies (for Individual Investors)	Tuesday, 28/4/1444H (corresponding to 22/11/2022G).
Announcement of the final allocation of Offer Shares	No later than Thursday, 30/4/1444H (corresponding to 24/11/2022G).
Refund of excess subscription monies (if any)	No later than Sunday, 3/5/1444H (corresponding to 27/11/2022G).
Expected date of commencement of trading on the Exchange	Trading of the Company's Shares on the Exchange is expected to commence after all relevant regulatory requirements are satisfied. The start of trading will be announced in local newspapers and on the Tadawul website ( <a href="http://www.saudiexchange.sa">www.saudiexchange.sa</a> ).

Source: The Company

**Note:** The above timetable and dates therein are approximate. Actual dates will be communicated through announcements appearing in local daily newspapers and on the websites of the Exchange ([www.saudiexchange.sa](http://www.saudiexchange.sa)), the Financial Advisor ([www.riyadcapital.com](http://www.riyadcapital.com)) and the Company ([www.riyadh-cables.com](http://www.riyadh-cables.com)).



## How to Apply for Subscription to the Offer Shares

Subscription for the Offer Shares shall be limited to the following two groups of Investors:

- **Tranche (A): Participating Parties:** This tranche comprises the parties entitled to participate in the Book-building process in accordance with the Book Building Instructions (for further details, please see Section (1) “**Definitions and Abbreviations**” of this Prospectus).
- **Tranche (B): Individual Investors:** This tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account with the Receiving Entities, and is allowed to open an investment account. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The following is a brief summary of the subscription method for Participating Parties and Individual Investors:

### A- Participating Parties

Participating Parties can obtain Application Forms from the Lead Manager during the Book-building period and Participating Parties Subscription Application Forms from the Bookrunners after provisional allocation. The Bookrunners shall, after obtaining CMA approval, offer the Offer Shares to Participating Parties during the Book-Building period only. Subscriptions by the Participating Parties shall commence during the Offering Period, which also includes the Individual Investors, in accordance with the terms and conditions detailed in the Participating Parties Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunners, which represents a legally binding agreement between the Selling Shareholders and the Participating Party submitting the application.

### B- Individual Investors

Individual Subscription Application Forms will be available during the Individual Investors’ subscription period at the branches and/or websites of the Receiving Entities offering such service. Individual Investors can also subscribe through the internet, telephone banking or ATMs of the Receiving Entities providing such services to Individual Investors, provided that the following requirements are satisfied:

- an Individual Investor must have a bank account with the Receiving Entity which offers such services; and
- there should have been no changes to the personal information or data of the Individual Investor since such person participated in an initial public offering.

Individual Subscription Application Forms shall be filled out according to the instructions set out in Section (17) “**Subscription Terms and Conditions**” of this Prospectus. Each Applicant must complete all relevant sections of the Individual Subscription Application Form. The Company reserves the right to reject any Subscription Application, in part or in whole, if any of the subscription terms and conditions are not met. If the Individual Subscription Application Form is submitted twice, the second shall be considered void and only the first one shall be considered. Individual Subscription Application Forms cannot be amended or withdrawn once submitted. Furthermore, Individual Subscription Application Form shall, upon submission, be deemed a legally binding offer by the relevant investor to the Selling Shareholders.

Excess subscription monies, if any, will be refunded to the primary Individual Investor’s account held with the Receiving Entity from which the subscription value was initially debited, without any commission or withholding by the Lead Manager or Receiving Entities. Excess subscription monies shall not be refunded in cash or to third party accounts.

For further details regarding subscription by Individual Investors and Participating Parties, please see Section (17) “**Subscription Terms and Conditions**” of this Prospectus.

## Summary of Key Information

This summary of key information provides an overview of the information contained in this Prospectus; however, it does not contain all information that may be important to investors. Accordingly, this summary should only be treated as a brief introduction to the key information contained in this Prospectus. Persons wishing to subscribe to the Offer Shares should read the Prospectus in its entirety, as any decision to invest in the Offer Shares should be based on the careful consideration of this Prospectus as a whole, in particular the Financial Statements and the related notes thereto as well as the information set forth under Section (2) "Risk Factors" and the Section "Important Notice" on Page (a) of this Prospectus. The definitions and abbreviations herein shall have the meanings ascribed thereto in Section (1) "Definitions and Abbreviations" and elsewhere in this Prospectus.

### Overview of the Group

Riyadh Cables Group Company is a joint stock company pursuant to Ministry of Commerce Resolution No. 146/Q dated 17/06/1435H (corresponding to 17/04/2014G), registered under Commercial Registration No. 1010052927 dated 24/06/1435H (corresponding to 24/04/2014G). The Company's registered address is at New Industrial Zone, P.O. Box 26862, Riyadh 11496, the Kingdom of Saudi Arabia. The current share capital of the Company is one billion, five hundred million Saudi Riyals (SAR 1,500,000,000) divided into one hundred and fifty million (150,000,000) ordinary shares with a nominal value of ten (SAR 10) Saudi Riyals per Share.

The Company directly and/or indirectly owns the following material and non-material subsidiaries. For the purpose of measuring the materiality of the Company's Subsidiaries, the Group and the Financial Advisor have taken into account the impact of Subsidiaries on the decision to invest in the Company's securities and their price, including, but not limited to, whether they constitute 5% or more of the Company's total assets, liabilities, revenue, profits, or contingent liabilities of the Company. Accordingly, the Company has five (5) material Subsidiaries and eight (8) non-material Subsidiaries. Below are the details of each of the Company's Subsidiaries:

#### 1- Material Subsidiaries

- a- RCM, a Saudi closed joint stock company registered in Riyadh under Commercial Registration No. 1010081709 dated 24/06/1435H (corresponding to 24/04/2014G). RCM's current share capital is two hundred and fifteen million, one hundred thousand Saudi Riyals (SAR 215,100,000) divided into twenty-one million, five hundred and ten thousand (21,510,000) fully paid shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The entire share capital of RCM is directly and indirectly by the Company .
- b- REW, a Saudi closed joint stock company registered in Riyadh under Commercial Registration No. 1010106953 dated 24/06/1435H (corresponding to 24/04/2014G). REW's current share capital is twenty-five million, one hundred thousand Saudi Riyals (SAR 25,100,000) divided into two million, five hundred and ten thousand (2,510,000) fully paid shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The entire share capital of REW is directly and indirectly by the Company.
- c- RTC, a Saudi closed joint stock company registered in Riyadh under Commercial Registration No. 1010107248 dated 24/06/1435H (corresponding to 24/04/2014G). The current share capital of RTC is forty million, one hundred thousand Saudi Riyals (SAR 40,100,000) divided into four million and ten thousand (4,010,000) fully paid shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The entire share capital of RTC is directly and indirectly by the Company.
- d- RCC, a Saudi closed joint stock company registered in Riyadh under Commercial Registration No. 1010146019 dated 24/06/1435H (corresponding to 24/04/2014G). The current share capital of RCC is one hundred twenty million, one hundred and twenty-five thousand Saudi Riyals (SAR 120,125,000) divided into twelve million and twelve thousand, five hundred (12,012,500) fully paid shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The entire share capital of RCC is directly and indirectly owned by the Company.
- e- NCI, a UAE single shareholder limited liability company registered in the Industrial Register under No. 28588 issued by the Sharjah Economic Development Department on 14/01/1421H (corresponding to 14/09/2000G). NCI's current capital is eighty million UAE Dirhams (AED 80,000,000) divided into one thousand (1,000) fully paid shares with a nominal value of eighty thousand UAE Dirhams (AED 80,000) per share. The Company indirectly owns the entire shares of NCI.

## 2- Non-Material Subsidiaries

- a- SMC, a Saudi limited liability company registered in Riyadh under commercial registration number 1010143896 dated 01/07/1417H (corresponding to 13/11/1996G). The current share capital of SMC is five million Saudi Riyals (SAR 5,000,000) divided into fifty thousand (50,000) fully paid shares with a nominal value of one hundred Saudi Riyals (SAR 100) per share. The entire share capital of SMC is directly and indirectly owned by the Company.
- b- Arabian Gulf Company for Electrical Cables, a Kuwaiti limited liability company registered in Kuwait under commercial registration number M/1584/2003 dated 20/12/1435H (corresponding to 14/10/2014G). Its current share capital is ten thousand Kuwaiti Dinar (KD 10,000) divided into one hundred (100) fully paid shares with a nominal value of one hundred Kuwaiti Dinars (KWD 100) per share. The Company indirectly owns 49% of the share capital of Arabian Gulf Company for Electrical Cables.
- c- Qatar Cables Company, a Qatari limited liability company registered in Doha under commercial registration number 26703 dated 11/08/1424H (corresponding to 07/10/2003G). Its current share capital is two hundred thousand Qatari Riyals (QAR 200,000) divided into two hundred (200) fully paid shares with a nominal value of one thousand Qatari Riyals (QAR 1,000) per share. The Company indirectly owns 50% of the share capital of Qatar Cables Company.
- d- Gulf Company for Electrical Works, an Omani limited liability company registered at the Muscat Municipality under commercial registration number 1229581 dated 09/12/1436H (corresponding to 22/09/2015G). Its current share capital is twenty thousand Omani Riyals (OMR 20,000) divided into two thousand (2,000) fully paid shares with a nominal value of ten Omani Riyals (OMR 10) per share. The Company indirectly owns the entire share capital of Gulf Company for Electrical Works.
- e- Egyptian Riyadh Cables Company for Electrical Works, an Egyptian joint stock company registered at Cairo Investment Commercial Register Office under commercial registration number 141356 dated 23/02/1441H (corresponding to 22/10/2019G). Its current share capital is five million Egyptian Pounds (EGP 5,000,000) divided into five thousand (EGP 5000) fully paid shares with a nominal value of one thousand Egyptian Pounds (EGP 1,000) per share. The Company indirectly owns 49% of the share capital of Egyptian Riyadh Cables Company for Electrical Works.
- f- Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires, a Kuwaiti limited liability company registered in Kuwait under commercial registration number 461039 dated 27/09/1443H (corresponding to 28/04/2022G). Its current share capital is five million Kuwaiti Dinar (KD 5,000,000) divided into ten thousand (10,000) shares with a nominal value of five hundred Kuwaiti Dinars (KD 500) per share. The Company indirectly owns 50% of the share capital of Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires.
- g- Al Rowad Company for the Production of Electrical Cables and Wires, an Iraqi limited liability company established in Baghdad with incorporation certificate number MSH-02-000079844 dated 11/04/1433H (corresponding to 04/03/2012G). Its current share capital is fifteen billion Iraqi Dinar (IQD 15,000,000,000) divided into fifteen billion (15,000,000,000) fully paid shares with a nominal value of only one Iraqi Dinar per share. The Company indirectly owns the entire share capital of Al Rowad Company for the Production of Electrical Cables and Wires.
- h- Iraqi National Company for the Manufacture of Cables, an Iraqi limited liability company established in Baghdad with incorporation certification number M.SH.A/02-8161 dated 08/01/1440H (corresponding to 18/09/2018G). Its current share capital is five billion five hundred million Iraqi Dinar (IQD 5,500,000,000) divided into five billion five hundred million (5,500,000,000) fully paid shares with a nominal value of only one Iraqi Dinar per share. The Company indirectly owns the entire share capital of Iraqi National Cables Manufacturing Company.

For further details regarding the Subsidiaries, please see Subsection (4.8) “**Group Subsidiaries and Branches**” of this Prospectus.

The Group has eighteen (18) branches engaged in the sale and storage of the Group’s products in various major cities within the Kingdom, all of which are subsidiaries of REW. Outside the Kingdom, the Group has five (5) branches engaged in the sale and storage of the Group’s products, four (4) of which are subsidiaries of RCM, divided into one (1) branch in Kuwait and three (3) branches in the UAE. In addition, the Group has one (1) branch of RCC in the UAE engaged in the sale of the Group’s products (for further details on the Group’s subsidiaries and branches, please see Subsection (4.8) “**Group Companies and Branches**” of this Prospectus).

## Principal Activities of the Group

The Group's activities are divided into four (4) key sections:

- 1- **Manufacturing Activities:** The Group produces low, medium, high and extra-high voltage electrical cables and wires manufactured from copper or aluminum through the Company, RCM and NCI, as well as household electrical cables and wires through the Company, REW and NCI, copper communication cables through the Company and RTC, fiber optic cables through RTC, specialized cables through RCM and cables and overhead line OHL conductors through the Company and REW (collectively, the “**Products**”). In addition, the Group produces raw materials used in manufacturing its products through RCM, including copper and aluminum rods, compounding polymers necessary for cable manufacturing such as medium-density polyethylene (MDPE) compound, fire retardant low-smoke emission halogen-free polymer compound (LSHF), Polyvinyl Chloride(PVC) Compound, Cross-linked Polyethylene (XLPE) compound and Polypropylene Yarn (PP). The Group also manufactures wooden and steel drums used in spooling electrical cables and wires through RCM (for further details, please see Subsection (4.10) “**Group Factories and Manufacturing Activities**” of this Prospectus).
- 2- **Sales Activities:** The Company, RCM, REW, RTC, and NCI sell the Group's products through multiple sales channels including direct retail sales to Group customers and through eighteen (18) sales and distribution centers of REW in different cities throughout the Kingdom.
- 3- **Electrical Contracting Projects:** The Group undertakes electrical contracting projects for high voltage (HV) cables inside and outside the Kingdom through RCC and RCM. Electrical contracting projects include the design and construction of electricity distribution networks, excavation, installation and connection works related to electrical cables and wires.
- 4- **Maintenance Activities:** Backed by a specialized team of engineers, SMC engages in construction and maintenance of industrial buildings and production lines. The Company also offers industrial services, including maintenance, repair and operation of industrial, electrical, telephone and computer machinery, as well as installation and operation of laboratory equipment.

## Brief Overview of the Evolution of the Company's Capital

The Company was incorporated on [18/01/1984G] as a limited liability company under the name “Saudi Modern Company for Cables Industry Ltd. (Riyadh Cables), with a share capital of seven million, five hundred thousand Saudi Riyals (SAR 7,500,000), and registered in Riyadh under Commercial Registration No. 1010052927 dated 14/04/1404H (corresponding to 18/01/1984G). On 13/09/1405H (corresponding to 01/06/1985G), the Shareholders of the Company approved the increase of the Company's share capital to twenty-nine million, four hundred and twenty-five thousand Saudi Riyals (SAR 29,425,000). The capital increase of twenty-one million, nine hundred and twenty-five thousand Saudi Riyals (SAR 21,925,000) was covered by the capitalization of the amount from the current account of the Shareholders. On 25/09/1409H (corresponding to 28/06/1989G), the Company's Shareholders decided to increase the share capital of the Company to seventy-two million Saudi Riyals (SAR 72,000,000), through the capitalization of forty-two million, five hundred and seventy-five thousand Saudi Riyals (SAR 42,575,000) from the current account of the Shareholders. On 21/04/1411H (corresponding to 08/11/1990G), the Company's Shareholders decided to increase the Company's share capital to seventy-five million Saudi Riyals (SAR 75,000,000) through the capitalization of three million Saudi Riyals (SAR 3,000,000) from the Company's retained earnings. On 05/05/1435H (corresponding to 06/03/2014G), the Shareholders decided to convert the Company from a limited liability company to a joint stock company pursuant to Ministry of Commerce Resolution No. 146/Q dated 17/06/1435H (corresponding to 17/04/2014G) announcing the conversion of the Company to a joint stock company. On 05/01/1436H (corresponding to 29/10/2014G), the Company's Extraordinary General Assembly agreed to change the Company's name to “Riyadh Cables Group Company” and approved the increase of its share capital to nine hundred million Saudi Riyals (SAR 900,000,000). The capital increase of eight hundred and twenty-five million Saudi Riyals (SAR 825,000,000) was covered by capitalizing thirty-seven million, five hundred thousand Saudi Riyals (SAR 37,500,000) from the statutory reserve account and seven hundred and eighty-seven million, five hundred thousand Saudi Riyals (SAR 787,500,000) from the retained earnings account. On 13/08/1436H (corresponding to 31/05/2015G), the Company's Extraordinary General Assembly agreed to increase the Company's share capital to one billion, five hundred million Saudi Riyals (SAR 1,500,000,000), representing an increase of six hundred million Saudi Riyals (SAR 600,000,000), which was covered through the capitalization of five hundred and seventy-nine million, nine hundred and sixty-six thousand, four hundred and thirty-five Saudi Riyals (SAR 579,966,435) from the retained earnings account and the capitalization of twenty million, thirty-three thousand, five hundred and sixty-five Saudi Riyals (SAR 20,033,565) from the statutory reserve account.

## Ownership Structure of the Company

The following table sets out the ownership structure of the Company pre-and post-Offering:

**Table (4): Ownership Structure of the Company Pre-and Post- Offering**

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Percentage	Equity (SAR)	Number of Shares	Percentage	Equity (SAR)
Abdulqadir Al-Muhaidib & Sons Co.	46,125,000	30.75%	461,250,000	35,977,500	23.99%	359,775,000
Hekmat Saadaldain Abdulhamid Al Zaim	43,125,000	28.75%	431,250,000	33,637,500	22.43%	336,375,000
Ahmad Samer Hamdi Saadaldain Al Zaim	17,923,982	11.95%	179,239,820	13,980,706	9.32%	139,807,060
Alma Limited	17,898,360	11.93%	178,983,600	13,960,721	9.31%	139,607,210
Mohamed Hekmat Saadaldain Al Zaim	7,500,000	5.00%	75,000,000	5,850,000	3.90%	58,500,000
Rana Hamdi Saadaldain Al Zaim	5,177,083	3.45%	51,770,830	4,038,125*	2.69%	40,381,250
Leena Hamdi Saadaldain Al Zaim	5,177,083	3.45%	51,770,830	4,038,125*	2.69%	40,381,250
Ihsan Abdulmajeed Al Zaim	4,448,492	2.97%	44,484,920	3,469,823*	2.31%	334,698,230
Khedhar Muhsin Muhammad Alebrahim	1,500,000	1.00%	15,000,000	1,170,000	0.78%	11,700,000
Mohammed Suleiman Alsaleem	1,125,000	0.75%	11,250,000	877,500	0.59%	8,775,000
The Public**	-	-	-	33,000,000	22%	330,000,000
Total	150,000,000	100%	1,500,000,000	150,000,000	100.00%	1,500,000,000

\* It should be noted that the shares owned post-Offering by the following Shareholders: (i) Rana Hamdi Saadaldain Al Zaim; (ii) Leena Hamdi Saadaldain Al Zaim; (iii) Ihsan Abdulmajeed Al-Zaim; and (vi) Khedhar Muhsin Muhammad Alebrahim will be considered as part of the public shares in accordance with the CMA's regulations.

\*\* For the purposes of this table, the public field reflects the number and percentage of the shares to be offered to the public under the Offering, i.e., 33,000,000 shares representing 22% of the Company's share capital. This does not include the shares that shall be held post-Offering by some of the Current Shareholders, to whom the definition of the public under the CMA's regulations applies. Those Shareholders are: (i) Rana Hamdi Saadaldain Al Zaim; (ii) Leena Hamdi Saadaldain Al Zaim; (iii) Ihsan Abdulmajeed Al-Zaim; and (vi) Khedhar Muhsin Muhammad Ali Ibrahim. Accordingly, the total public shares post-Offering amount to 45,716,073 shares, representing 30.47% of the Company's share capital.

Source: The Company

## Group Vision and Mission

### Vision

To be the leading and most efficient Group globally in providing products and services for the delivery and distribution of electricity and infrastructure.

### Mission

To continue to grow by introducing new and specialized high-quality products and services to serve the energy and infrastructure sectors; to expand operations through development of and investment in resources and technologies; to depend on Saudi competencies and resources; and to promote exports in order to contribute effectively to GDP to achieve the best returns.

## Strategy and Future Prospects

### • Regional and international leadership in the power cables market

Power and communication cables are considered the backbone of the infrastructure for contemporary societies, as they are a pivotal component for energy and data transmission. Therefore, the Group, based on its experience spanning nearly four decades, its superior production capacity over its competitors and its long-term relationships with customers and suppliers, aims at maintaining leadership in the KSA market and raising its position to become one of the pioneers in the regional and global cable markets.

In numerical terms, the Group is the biggest manufacturer of cables in the KSA and ranks among the fifteen (15) largest cable manufacturers globally in terms of production. The Group's total design production capacity is approximately 264,000 tons of metals, with an estimated market share of 30% in the KSA.

The KSA is the biggest and most significant market for the Group's products (accounting for 65% of the Group's sales in 2021G). In light of the continuous population growth and efforts exerted by the visionary leadership to supply power throughout the KSA and expedite the implementation of the ambitious 2030 Vision, the Group believes that KSA market size will continue to increase, and its products will be essential during this historical phase. The Group aspires to enhance its market share in the KSA through:

- 1- Continuous observation of market trends and requirements to proactively provide customers with integrated solutions (products and services) and to continue to be the preferred provider of cable solutions in the KSA.
- 2- Relying on the Company's extensive sales and distribution network (which includes eighteen (18) branches throughout the KSA), through which the Group seeks to increase its share in urban projects and small and medium-sized infrastructure projects.
- 3- Obtaining the largest share in upcoming mega-projects, due to the Group's possession of a wide portfolio of power cable products, compared to peer KSA manufacturers (from 0.3 kV – 500 kV).

The Group also continues to pursue its track record of expanding its geographical influence and increasing its presence in neighboring markets (by benefiting from its regional experience, talents and relationships) by expanding and establishing factories in such markets, as is the case in:

- 1- **The United Arab Emirates (NCI):** Cable Factory No. 8, owned by the Group through NCI, was established in 2001G and produces wires and medium and high voltage cables. This has enabled the Group to enter the UAE market strongly and obtain a larger market share by benefiting from local expertise and the laws and legislation in force aiming at prioritizing local factories. Additionally, it has enabled the Group to be one of the leading companies in export operations to international markets by virtue of bilateral customs exemption agreements between the UAE and other countries.
- 2- **Iraq:** The Group seeks to make optimal use of its marketing and technical expertise and its integrated production capacity for expansion in the Iraqi market, owing to its position as the leading supplier in the Iraqi cable market since the Group's incorporation. Moreover, the Group expanded its operations in Iraq in 2017G by acquiring Al-Rowad Cables Company (through NCI), which is currently 100% owned by the Group. Its expansion of Cable Factory No. 9 increased production capacity fourfold and made it the most advanced cable factory in Iraq. It is worth noting that the Group's sales in Iraq increased from 2019G to 2021G with a CAGR of 19.26%. The Group continuously concentrates its efforts on being a key supplier of cables during the expansion and rehabilitation of the network and large-scale reconstruction currently underway in Iraq.
- 3- **Kuwait:** Based on the Group's expertise and ability to manufacture specialized products, it is in the process of launching its first industrial facility in Kuwait for the manufacture of high and extra-high voltage cables through a joint venture with Gulf Cable and Electrical Industries Company. A company was incorporated in Kuwait under the name "**Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires**", of which the Group (through RCM) holds 50% of the capital. It shall be the sole manufacturer of high and extra-high voltage cables in Kuwait, which will enable it to strengthen its position as a major supplier in the Kuwaiti market. It is expected that manufacturing operations in this industrial facility will commence during 2023G.

The Group also continues to expand its sales activities in the neighboring markets through its sales centers, as is the case in:

- 1- **GCC Countries:** The Group also has a strong presence in these countries, as it enjoys well-established relations with customers. It supplies its products manufactured in the KSA and the UAE primarily by sales and distribution branches in such countries.
- 2- The Group is engaged in the execution and contracting of high voltage projects, particularly in the UAE, being one of the main suppliers and contractors approved by Dubai Electricity and Water Authority (DEWA), in addition to supplying cables and electrical contracting in the State of Kuwait.
- 3- **Egypt:** The Company undertakes sales and high voltage projects through the Egyptian Riyadh Cables Company for Electrical Works, which it established in 2019G.

The Group gives emphasis to global export markets and will continue expanding into existing export markets through representative offices, clients and authorized distributors in countries such as Jordan, the Netherlands, Belgium, Luxembourg, New Zealand and Australia.

The Company, in line with the Group's proactive approach and in implementation of its strategic objectives to analyze global requirements, and depending on its production capabilities and the diversity of its products, aspires to become a supplier of cables in Europe and North America, where energy transition (from traditional to renewable) has created new demand for primary cables in such markets.



- **Expansion and Development of the Group's Products and Services and Technological Advancement**

Since its incorporation in 1984G, the Company's strategy has been to be a "regional energy solutions provider" to meet the needs of all customers. Since the Group is constantly working on development of its portfolio of products and services, it is capable of greatly expanding its core list of products (approximately 3,000 items), in addition to new specialized products that witness continuous growth with low market competition. This has helped the Group expand operations, increase sales and consolidate deep relationships with its customers. The Group's management and technical team (the best among its competitors) grant it the ability to develop and expand its portfolio by concentrating on products, such as:

- Less commoditized and more profitable specialized cables, such as extra-high voltage cables rated up to 500 kV. The Group has gained significant expertise in designing, manufacturing, testing and supplying multiple extra-high voltage cable projects. Such achievement enhances the Group's competitive advantage as a "turnkey solutions provider" to the main market sectors of utilities and mega-projects for such niche product. It has led to the Group securing a leading market share in the sectors for these products, which are expected to be the fastest growing sectors in the forthcoming period, particularly in light of orientation towards initiatives to convert overhead power lines in cities to underground extra-high voltage cables.
- Instrumentation and control cables that are successfully manufactured by the Group and have passed all necessary tests and approvals to qualify them for oil and gas sector customers (as they are used in pumping and refining operations and are often imported from external parties), in addition to the industrial sector.
- Renewable energy cables, such as cables used in solar and wind power generation applications, as the Group expects demand to grow in line with increased focus on renewable energy generation in the GCC. It is worth mentioning that the products of the Group, as a supplier, have been qualified by many bodies in the field of renewable energy, and it has supplied products to some projects in the KSA, such as the power plants in Sudair and Sakaka.
- Overhead lines and conductors, such as 525-kV DC transmission lines and composite-core transmission lines (carbon fibers) resistant to sagging due to heat and capable of transmitting high currents in high temperatures, which are preferred and demanded by some markets, due to environmental awareness and application of regulations and policies that take into account environment impact due to their low carbon emissions. The Group continues to make full use of its extensive technical expertise and invests in development of capabilities in such area.
- Integrated high and extra-high voltage cables and systems solutions for AC Cables: the Group recently succeeded in securing its first 400-kV turnkey project contract. It covers designing, manufacturing, supplying, installing, testing and commissioning cables in Makkah. In addition, it will work on expanding capabilities of executing turnkey projects in the GCC region. It is worth noting that the Group is active in bidding for more works, which will enable it to gain added value as being a one-stop shop for customers.
- Additional services, such as maintenance, monitoring, testing and repair active and standby cables and backup systems in the power grid, are rapidly performed services with significant returns. Based on its experience, the Group believes that services sector will continue to grow, particularly in light of the trend towards privatization of public utilities, with the increase of underground cables in the power grid.

- **Leadership in Cost Management and Excellence in Cash Management**

The Group seeks to increase its market share by managing its costs through two main factors: enhancing operational efficiency and making use of high production capacity which requires purchasing raw materials in bulk.

To enhance the Company's ability to maintain the efficiencies of resources, raw materials, and production processes and to control expenses in general, the Enterprise Resources Planning (ERP) system was updated to be in line with the Company's strategy to raise efficiencies and continuously analyze activities.

In order to reduce costs and ensure continuity of raw material supply chains, the Group adopted a policy of in-house manufacturing and continuous integration of basic operations within the manufacturing chain to reduce dependence on external manufacturers, hence ensuring the highest quality and best efficiency. To achieve this goal, the Group added 6 Supporting Factories, rendering it one of the integrated manufacturing groups in the Middle East region (for further details, please see Subsection (4.10) "**Group Factories and Manufacturing Activities**" of this Prospectus).

The large volume of raw materials purchased annually by the Group has provided it with negotiating power and an opportunity to secure favorable payment terms with its suppliers. The Group was able to significantly improve its days payable outstanding ratio with a CAGR of 50% from 2019G to 2021G, resulting from renegotiation of payment terms with its major suppliers.

Additionally, the Group launched a number of flexible manufacturing initiatives centered on cutting costs and increasing production efficiency, such as smart planning for the production and storage of semi-finished materials shared by many sorts of cables, based on the Group's accrued manufacturing experience of over 38 years and its highly experienced administrative staff.

Lately, the Group launched a cash excellence initiative to improve working capital by reducing inventory and improving accounts payable.

The Group contributes to constantly driving updates of specifications and modern designs for products, not only for the purpose of increasing production efficiency, but also to provide customers with high-quality products and to serve them. For example, it participated in high voltage testing with King Saud University and the specification of electrical wires approved by the Saudi Standards, Metrology and Quality Organization.

## **Strengths and Competitive Advantages**

The Group's strengths and competitive advantages include the following:

- **Group Size**

The Group is the biggest cables manufacturer in the MENA Region and one of world's biggest power cables manufacturers with a total production capacity of 264,000 tons of metal. The Group produces more than 3,000 items. Over four decades it has manufactured enough cables to circle the globe nearly 2,000 times. Currently, the Group has full industrial operations in three (3) countries (production in the fourth will commence by the end of 2023G) and its products are available in thirty-seven (37) countries over five (5) continents.

This scale of production capacity gives the Group a highly competitive advantage, in terms of rapid and prompt delivery times, the ability to fulfill large orders without subcontracting to other manufacturers (usually resulting in breach of quality standards and high costs), in addition to reducing material costs by purchasing in bulk.

Owing to its extensive local spread throughout KSA (through eighteen (18) branches) and regional presence in the GCC, it is distinguished in its ability to make products within customers' hands and reach customers quickly. As a result, the Company gained a significant market share in the key markets. In 2021G, it gained a market share of 30% in the KSA market and 22% in the UAE.

- **World-class Integrated Industrial Facilities**

Operations and production of the Group's factories have been vertically integrated. It is one of the companies in the region which manufactures its own copper and aluminum rods (which are the main components of cable conductors). It is capable of producing and mixing polymers used in insulation, lining and packaging processes, and manufacturing metal and wooden drums necessary for packing and shipping the final product to its customers. This provided the Group with competitive advantages in terms of production speed, cost-effectiveness and quality maintenance.

The Group owns six supporting factories to the nine main cable factories in the KSA, the UAE and Iraq (for further details, please see Subsection (4.10) "**Group Factories and Manufacturing Activities**" of this Prospectus).

As the Group is keen on strengthening its position as the preferred supplier of energy solutions to its customers, it has paid special attention to design and manufacturing details. It manages globally qualified facilities and factories. The Group has been awarded many compliance, quality systems and governance certifications, such as a Certificate of Conformity by Resource Inspections Canada Incorporated (RICI) and Pioneers of Quality Systems & Certifications Co. LTD, and accreditation certificates from BRE Global Ltd (for further details on the certificates and accreditations obtained by the Group, please see Subsection (4.12) "**Certificates and Accreditations**" of this Prospectus). As a result, the Group's facilities and products have been qualified by major regional service and utility companies, such as the Saudi Electricity Company (SEC), Dubai Electricity and Water Authority (DEWA), Sharjah Electricity and Water Authority (SEWA), Kuwait Ministry of Electricity, Water and Renewable Energy (MEW), Bahrain Electricity and Water Authority (EWA) and the Iraqi Ministry of Electricity, among many others. In addition, the Group's products have been qualified and used in mega projects such as the King Salman Energy Park project and ROSHN projects. The Group maintains distinguished relationships with its main customers.

- **Diversity of the Group's Products and Services**

The Group is distinguished in its ability to produce a variety of products with more than 3,000 high-quality cable and wire items (of various specifications and sizes) that are used in the energy, contracting, oil, gas, transportation, industry and communications sectors, giving it a significant competitive advantage in providing turnkey solutions.

The Group's product categories are classified as follows:

### **Underground Power Cables**

This category includes:

- Armored and unarmored low-voltage, single- and multi-phase cables.
- Armored and unarmored medium-voltage, single- and multi-phase cables.
- High and extra-high voltage cables up to 500 kV.
- Fire-resistant cables, fire-retardant cables, and halogen free low-smoke cables, in all medium- and low-voltage classes.
- Grounding cables.

### **Wires and cables used in buildings and the industrial sector**

- Specialized Cables: These include control cables, instrumentation cables and renewable energy cables.
- Building wires.

### **Communication cables and cables used in cloud computing and data center applications, including the following:**

- Fiber-optic cables: The Group is one of two companies in the KSA that manufacture fiber-optic cables.
- Data cables.
- Telephone cables.

## Overhead conductors

- All-Aluminum Conductor (AAC) cables.
- Aluminum Conductor Steel Reinforced (ACSR) cables.
- All-Aluminum Alloy Conductor (AAAC) cables.
- Aluminum Conductor Aluminum Reinforced (ACAR) cables.
- Composite Core (Carbon Fiber) High Temperature Low Sag Conductor (HTLS) cables.

Alongside the aforementioned range of products, the Group provides turnkey solutions services, such as consultancy and technical services, cable and systems design services, power circuit design, cable laying and installation systems design, site engineering, design, supply and installation of cable joints and terminations, testing and commissioning, and monitoring, maintenance and repair services.

### • **Technical Expertise, Quality Control, Research and Development**

The Group has invested heavily in continuous research and development of products to maintain its position amongst regional competitors.

- 1- It has a dedicated research and development department responsible for evaluating and designing current products.
- 2- The Group performs proactively tests innovative products to meet customer needs and market trends.
- 3- The Group's laboratories are accredited by international bodies to provide third-party high and extra-high voltage cable testing services.
- 4- The Quality Control Department possesses exceptional expertise and equipment. Each manufactured product is tested in the Group's laboratories to ensure product quality.
- 5- The Group owns and operates the most modern cable testing laboratories in the region, capable of testing extra-high voltage cables up to 800 kV.

### • **Excellent and firmly-established relationships with major customers**

The Group has established strong relationships during the past decades with many of its customers through its diverse and high-quality product offering. As the Group is the regional pioneer in the cable industry, it has been a regional reference for utility companies in improving and developing existing specifications and designs. In addition to providing a variety of consulting and technical services to its customers during projects, the Group is focused on continuous customer service and after-sale services.

### • **Improvement of metal purchases to reduce the impact of metals price fluctuations**

Due to its size, the Group is one of the largest regional consumers of copper, aluminum and other metals. As a result, it has forged solid relationships with a variety of suppliers from different geographies. Consequently, the Group is capable of securing large quantities of metals when needed and negotiate the most competitive prices. Moreover, the Group has accrued experience spanning more than four decades and has an experienced team in the use of hedging instruments for protection against metals price fluctuations.

### • **Environmental, Social and Corporate Governance Practices**

The Group strives to recycle the materials used in the cable manufacturing process as it has state-of-the-art recycling facilities for reusing recyclable metals, polymers and cable reels, which effectively contribute to the sustainability process, minimizing waste and the reduction of carbon dioxide emissions. Additionally, the Group is gradually decreasing use of high carbon emission fuels in order to achieve net zero emissions.

Since its incorporation and throughout its continuous development over the past four decades, the Group has supported the local economy by providing local job opportunities, developing human resources and supporting families and the local economy through Saudization policies and reliance on local raw materials (such as aluminum and polymers) as much as possible.

- **Long-term Record of Shareholders and their Representatives on the Board of Directors**

The Company has a shareholder base comprised of leading companies in the KSA, with multiple activities and highly experienced businessmen in the industry field in general and the cables industry in particular, with decades of experience in the industrial sector. The Board of Directors and its Committees consist of members with experience in the cable industry.

The Group's Management has experience in operations and business development and the management team has proven its ability to maintain the Group's market share and increase its profit margins, even during periods of macroeconomic volatility, in addition to developing strong customer relationships, managing cash flows and growing profits. The Group's management launched a number of successful strategic initiatives, including expansion into new geographies and introduction of renewable products and services.

The Group has also implemented governance frameworks as a part of its growth strategy to ensure transparency and accountability, alongside governance structures to facilitate its growth strategy. The Company employs an effective system for measuring general performance indicators of the Company and its employees.

### **Outlook and Future Prospects**

The Group's strategy includes protecting and increasing its market share by focusing on increasing sales of its primary products in existing markets. As mentioned in Section (3) "**Market and Industry Overview**" of this Prospectus, the KSA and other targeted markets constitute attractive elements that will increase the demand for cables and services provided in the coming years.

During the financial year 2022G, the Group received a number of purchase orders in relation to the supply of approximately 136 thousand tons of its products with a total value of SAR 3.7 billion that have been confirmed and approved in accordance with the procedures agreed upon with the relevant clients. Part of these products will be delivered during the financial year 2022G, as per agreements/purchase orders concluded with such clients. The Group has also participated in various tenders and it is expected that it will confirm and approve additional purchase orders regarding the supply of approximately 50,000 tons of the Group's products.

Demand for cables and electrical wires is expected to increase in the KSA due to the hike in electricity consumption and residential ownership (the KSA aspires to achieve a Saudis ownership rate of 70% by 2030G). The expansion in the power transmission grid continues as a result of mega projects and continuous expansion of cities and electricity throughout the KSA. Moreover, the ongoing energy transition in the Saudi market will create additional demand for the Group's products. The KSA aims to reach a renewable energy generation capacity of 58.6 GW by 2030G, mostly from solar power. The UAE also seeks to generate 50% of its electricity from clean energy sources by 2030G.

In order to increase its market share and expand into other markets, the Company is currently working on the development of new types of cables and products, focusing on key areas such as the following:

- 1- Expanding its portfolio of extra-high voltage cables to keep pace with global energy market trends, such as high-voltage DC cables and accessories.
- 2- Concentrating on turnkey projects, particularly in the field of regional mega projects.
- 3- Expanding its product portfolio and launching new and specialized products to include cables used in special applications to keep pace with the requirements of industrial base growth in the KSA, such as products employed in defense systems applications, clean energy generation, mining, oil and gas and the automotive industry.
- 4- Launching specialized products, such as instrumentation and control cables, renewable energy cables, and submersible pump cables.
- 5- Expanding communications projects to include cloud computing applications, data centers and communications networks (5G).
- 6- Expanding its product portfolio to include sustainable and recyclable cables.
- 7- Focusing on expansion in various sectors of the Iraqi market and relying on the advantages of local product prioritization.

## Market and Industry Overview

Globally, the power cables market is expected to grow in accordance with post-pandemic economic rebound and ambitious energy transition plans of advanced economies.

The power cables market is driven by the key factors summarized below:

- The economy's strong recovery post-pandemic is driving growth in the construction sector and promoting large-scale development projects worldwide.
- Urbanization in emerging economies increases the demand for infrastructure projects and electricity generation and distribution.
- Transition to green energy, led by the world's leading economies, and the revamp of the power infrastructure.
- Electrification and automation of buildings, factories and transportation, as well as its direct impact on the introduction of new demand sources for the power cable industry.

The global power cable market is forecasted to grow at a CAGR of 4.4% to reach SAR 894 billion by 2027G, from SAR 690 billion in 2021G.

The power cable market in the Company's main geographical areas, the Kingdom, GCC countries and Iraq, is expected to exceed global growth rates, as a result of the national development plans of those areas, and supported by favorable macroeconomic and demographic factors:

- National visions: All GCC nations have developed a national vision that outlines specific targets and relevant growth plans to be achieved according to a specific timeline. These growth plans are supported by large scale mega-projects across various sectors such as residential, commercial, infrastructure, industrial and power sectors.
- Diversification: In order to mitigate the long-term risk of depending on a single source of income, GCC nations are focusing on economic diversification into non-oil sectors. For example, the Kingdom has started to implement large-scale projects to develop the non-religious tourism sector and attract both international and domestic tourism business.
- Energy transition: In line with the global trend of transition to renewable energy sources, the GCC countries have embarked on journeys towards net zero emissions through large-scale renewable energy generation projects. On the other hand, the State of Iraq is focused on building basic power infrastructure, by increasing the power generation capacity and strengthening the distribution network to increase access to electricity.
- Economic upturn: The GCC countries' economies are recovering strongly from the downturn caused by the pandemic, owing to the introduction of vaccination and the gradual return to normalcy. Iraq's growth is driven by post-war reconstruction efforts and the revival of political stability.
- Oil revenue: The Gulf countries' economies are dependent on oil revenues, benefitting from the increase in oil prices since the last quarter of 2021G driven by the recovery of the global economy post-pandemic.
- Demographics: The Gulf countries continue to achieve a high population growth rate, with the region accommodating a large number of expatriates which is increasing again after a fall during the pandemic. The population growth and the substantial proportion of young people is expected to boost residential demand and provide a favorable climate for growth in construction activity.

These factors are concretized by the slight rise in the region's construction portfolio (construction projects worth more than SAR 600 billion are expected to be awarded in the Kingdom, the GCC and Iraq by the end of 2022G). These construction projects will require significant amounts of power cables.

The power cables market in these geographies has grown at a CAGR of 2.5% over the past four (4) years despite the negative impact of the pandemic in 2020G. Considering the factors described and the associate increase in construction activities in these geographies, the growth of the power cables market is expected to accelerate to a CAGR of 7.2%, with the total market value ranging from SAR 34.9-38.8 billion in the next five (5) years.

The Kingdom, being a regional leader in the transition to more sustainable and diversified economies, is expected to strengthen its position as a major market in the geographies under study. The power cables market relevant to the Kingdom is expected to grow at a CAGR of 8.3% between 2022G-2027G, reaching SAR 16.8-18.7 billion over the next five (5) years.

The GCC growth is driven by the UAE, the second largest market after the Kingdom among Gulf countries. The UAE is significantly developing infrastructure and real-estate, and is expected to be at the forefront of the energy transition. While the Kuwaiti, Qatari, Omani, and Bahraini markets are supported by the same favorable environment as that of the Kingdom and UAE, they have fewer ambitions for infrastructure development and energy transition. The GCC power cables market is expected to grow at a CAGR of 6.0% between 2022G-2027G to reach SAR 14.6-16.2 billion by 2027G.

Iraq is currently undergoing a reconstruction phase that focuses on restoring the basic infrastructure, industrial and residential capacities in the country. If the country can overcome systemic difficulties and use the expected oil revenues adequately, demand for wires and cables will increase further. The Iraqi power cable market is expected to grow at a CAGR of 7.1% to reach SAR 3.5-3.8 billion by 2027G.

## Summary of Financial Information

The financial information and KPIs set out below should be read in conjunction with the audited consolidated financial statements for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G, the audited financial statements for the six-month period ended 30 June 2021G and 30 June 2022G as well as the accompanying notes thereto, which have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) included in Section (19) “Financial Statements and Auditor’s Report” of this Prospectus. The audited consolidated financial statements for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the audited financial statements for the financial periods ended 30 June 2021G and 30 June 2022G have been extracted from the comparative financial information presented in the Group’s audited consolidated financial statements for the financial years ended 31 December 2020G and 31 December 2021G and the audited financial statements for the financial periods ended 30 June 2021G and 30 June 2022G.

The Group’s consolidated financial statements set out are below derived from the 2019G Financial Statements, 2020G Financial Statements and 2021G Financial Statements.

**Table (5): Summary of the Financial Information and KPIs for the Financial Years Ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the Six-Month Period Ended 30 June 2022G**

SAR’000	2019G	2020G	2021G	Six-Month Period Ended 30 June 2022G
	Audited* (consolidated)	Audited (consolidated)	Audited (consolidated)	Audited (consolidated)
<b>Statement of Income</b>				
Revenue	4,565,676	4,086,816	4,883,444	3,252,287
Cost of revenue	(4,085,657)	(3,650,439)	(4,420,361)	(2,958,697)
<b>Gross profit</b>	<b>480,019</b>	<b>436,377</b>	<b>463,083</b>	<b>293,590</b>
Selling and distribution expenses	(97,965)	(87,010)	(91,763)	(48,404)
General and administrative expenses	(85,119)	(84,497)	(79,477)	(49,326)
Refund/(provision) for credit losses	(33,456)	12,140	8,671	-
Other revenue, net	15,020	8,600	2,640	(1,891)
<b>Operating profit</b>	<b>278,499</b>	<b>285,611</b>	<b>303,154</b>	<b>193,969</b>
Financing costs	(49,619)	(35,351)	(31,781)	(25,505)
<b>Profit before Zakat and income tax</b>	<b>228,880</b>	<b>250,260</b>	<b>271,373</b>	<b>168,465</b>
Zakat and income tax	(31,875)	(32,137)	(31,376)	(15,115)
<b>Net profit for the year</b>	<b>197,004</b>	<b>218,123</b>	<b>239,997</b>	<b>153,350</b>



SAR'000	2019G	2020G	2021G	Six-Month Period Ended 30 June 2022G
	Audited* (consolidated)	Audited (consolidated)	Audited (consolidated)	Audited (consolidated)
<b>Statement of Financial Position</b>				
Total current assets	2,258,034	2,068,699	2,669,917	3,454,290
Total non-current assets	1,245,367	1,233,430	1,282,750	1,260,120
<b>Total assets</b>	<b>3,503,401</b>	<b>3,302,130</b>	<b>3,952,667</b>	<b>4,714,411</b>
<b>Total equity</b>	<b>1,919,261</b>	<b>1,959,326</b>	<b>2,036,067</b>	<b>1,917,820</b>
Total current liabilities	1,475,608	1,235,946	1,800,136	2,675,191
Total non-current liabilities	108,532	106,859	116,464	121,399
Total liabilities	1,584,140	1,342,804	1,916,600	2,796,590
Total equity and liabilities	3,503,401	3,302,130	3,952,667	4,714,411
<b>Statement of Cash Flows</b>				
Net cash generated from / (utilized in) operating activities	(27,882)	594,365	(208,438)	(206,582)
<b>Net cash generated from / (utilized in) investing activities</b>	<b>(88,216)</b>	<b>(88,216)</b>	<b>(72,111)</b>	<b>(28,166)</b>
<b>Net cash generated from / (utilized in) financing activities</b>	<b>123,615</b>	<b>(531,956)</b>	<b>267,383</b>	<b>281,488</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>53,615</b>	<b>64,253</b>	<b>50,356</b>	<b>97,096</b>
<b>Financial performance indicators</b>				
Gross profit margin	10.51%	10.68%	9.48%	9.03%
Operating profit margin	6.10%	6.99%	6.21%	5.96%
Net profit margin	4.31%	5.34%	4.91%	4.72%
Return on equity	10.26%	11.13%	11.79%	14.1%
Return on assets	5.62%	6.61%	6.07%	5.8%
Current assets to current liabilities	1.53	1.67	1.48	1.27
Liabilities to equity	0.83	0.69	0.94	1.53

\* Earnings per share have been calculated based on 150 million shares, representing the Group's share capital up to the date of this Prospectus.

Source: The audited consolidated financial statements for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the audited financial statements for the six-month period ended 30 June 2022G.

## Summary of Risk Factors

### Risks Related to the Operations of the Group

- 1- Risks related to the dependence of the Group operations' dependence on the availability and price stability of raw materials.
- 2- Risks related to revenue concentration.
- 3- Risks related to setting aside provisions for onerous contracts.
- 4- Risks related to hedging agreements.
- 5- Risks related to raw material inventory management, finished product manufacturing, storage, transportation and distribution.
- 6- Risks related to the operations of the Group depending on the availability of energy and water.
- 7- Risks related to industrial failures, accidents and disposal of chemicals.
- 8- Risks related to the fact that some of the Group's factories are located on leased land.
- 9- Risks related to the Group's financing.
- 10- Risks related to working capital management and liquidity.
- 11- Risks related to credit and doubtful debts.
- 12- Risks related to the Group's reliance on the expertise and capabilities of Senior Executives.
- 13- Risks related to the inability of any of the Group's companies to renew the licenses required to conduct their business.
- 14- Risks related to the Group's operations being subject to environmental, health and safety laws and regulations.
- 15- Risks related to the Group's inability to maintain sufficient insurance coverage for the risks related to its operations.
- 16- Risks related to natural phenomena and disasters such as floods, earthquakes and other natural events.
- 17- Risks related to the Group's companies being involved in lawsuits and subject to penalties arising from the ordinary course of their business.
- 18- Risks related to protection of the Group's intellectual property rights.
- 19- Risks related to Zakat and taxes.
- 20- Risks related to the Group's inability to continue to comply with the Saudization requirements.
- 21- Risks related to Government fees applicable on non-Saudi employees.
- 22- Risks related to the Group's operations relying heavily on IT systems.
- 23- Risks related to the emergence of competitive products that are more technically advanced and more efficient than the Group's products and the imposition of new specifications on the Group's products.
- 24- Risks related to manufacturing defects in the Group's products.
- 25- Risks related to compliance with the customer quality requirements and manufacturing specifications.
- 26- Risks related to the Company's Management lacking experience in management of public joint stock companies.
- 27- Risks related to the Group's inability to implement its growth strategy in the future.
- 28- Risks related to potential future acquisitions.
- 29- Risks related to sector concentration, specialization and the market.
- 30- Risks related to the dependence of the Group on the Saudi Electric Company as a major client.

### **Risks Related to the Market and the Industry**

- 1- Risks related to supply and demand fluctuations in domestic and regional markets.
- 2- Risks related to an outbreak of an infectious disease.
- 3- Risks related to competition and its intensity.
- 4- Risks related to fluctuations in interest rates, currency exchange rates and financing costs.
- 5- Risks related to increases production costs.
- 6- Risks related to emergence of new laws affecting the way the Group conducts its operations.
- 7- Risks related to changes to the mechanism for calculating Zakat and income tax.
- 8- Risks related to political instability and security concerns in the Middle East.
- 9- Risks related to the impact of economic conditions on the Group's operations.

### **Risks Related to the Offer Shares**

- 1- Risks related to control by the Selling Shareholders.
- 2- Risks related to the absence of a prior market for the Company's Shares and the possibility of share price volatility.
- 3- Risks related to fluctuations in the market price of the Shares.
- 4- Risks related to the distribution of cash dividends and restrictions imposed by financiers on the distribution of profits.
- 5- Risks related to offering additional shares to increase capital.
- 6- Risks related to a substantial number of shares being sold on the Market following the Lock-up Period.
- 7- Risks related to foreign currency exchange when investing in the Offer Shares.

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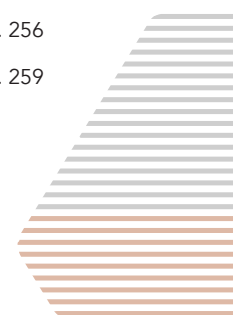


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## 1. Definitions and Abbreviations

<b>2019G Financial Statements</b>	The Company's audited consolidated financial statements for the year ended 31 December 2019G (with comparative data for the year ended 31 December 2018G) prepared in accordance with International Financial Reporting Standards.
<b>2020G Financial Statements</b>	The Company's audited consolidated financial statements for the year ended 31 December 2020G (with comparative data for the year ended 31 December 2019G) prepared in accordance with International Financial Reporting Standards.
<b>2021G Financial Statements</b>	The Company's audited consolidated financial statements for the year ended 31 December 2021G (with comparative data for the year ended 31 December 2020G) prepared in accordance with International Financial Reporting Standards.
<b>Advisors</b>	The Company's advisors in relation to the Offering, whose names appear on Page (g) and (h) of this Prospectus.
<b>Aluminum Rod</b>	High purity, 9.5mm diameter aluminum rods used as a primary material in manufacturing aluminum conductors.
<b>Application Form</b>	The application form to be used by Participating Parties to apply for the Offer Shares during the Book-Building Period. This term includes, when applicable, the appended application form when the price range is changed.
<b>ASTM International</b>	ASTM International develops specifications for electric and technical products in accordance with specific technical specifications.
<b>Auditor</b>	KPMG Professional Services (formerly KPMG Al Fozan & Partners).
<b>Audited Financial Statements for the Six-Month Period Ended 30 June 2022G</b>	The Company's audited financial statements for the six-month period ended 30 June 2022G (with comparative data for the six-month period ended 30 June 2021G) prepared in accordance with the International Financial Reporting Standards.
<b>Authorized Person</b>	A person authorized by the CMA to carry out securities business.
<b>Board of Directors or Board</b>	The Board of Directors of the Company.
<b>Book-Building Applications</b>	Application submitted by the Participating Entities to the Bookrunners for subscription in the Offer Shares during the Book Building process, no later than the last day of the Book-Building Period. This term includes, when applicable, the addendum application forms when the price range is changed.
<b>Book-Building Period</b>	The period during which the Participating Parties may submit Application Forms or Book-Building Applications, as specified in Table 3 " <b>Expected Offering Timetable</b> ".
<b>Bookrunners</b>	Riyad Capital. EFG Hermes KSA. ANB Capital.
<b>British Approvals Service for Cables (BASEC)</b>	A non-profit organization established in 1971G in the United Kingdom to grant accreditation.
<b>Business day</b>	Any day (with the exception of Fridays, Saturdays and official holidays in the Kingdom of Saudi Arabia) on which the Receiving Entities are open for business.
<b>Bylaws</b>	The Company's Bylaws approved by the General Assembly, as summarized in Subsection (12.15) " <b>Summary of Company's Bylaws</b> " of this Prospectus.
<b>Cable Factories</b>	The factories of the Company and its Subsidiaries that manufacture cables and wires of all kinds, consisting of Cable Factories 1-9 described in Section (4) " <b>Overview of the Company and its Subsidiaries and Nature of Their Business</b> " of this Prospectus.
<b>Cable Factory No. 1</b>	The Company's factory producing low, medium and high voltage cables, located in Riyadh, with an area of 36,000 m2.
<b>Cable Factory No. 2</b>	RCM's factory producing low, medium, high and extra-high voltage cables, located in Riyadh, with an area of 32,000 m2.
<b>Cable Factory No. 3</b>	The Company's factory producing low, medium, high and extra-high voltage cables, located in Riyadh, with an area of 289,000 m2.
<b>Cable Factory No. 4</b>	REW's factory producing domestic electrical wires and cables, located in Riyadh, with an area of 27,000 m2.

<b>Cable Factory No. 5</b>	REW's factory producing overhead conductors, located in Riyadh, with an area of 5,900 m2.
<b>Cable Factory No. 6</b>	RTC's factory producing copper telephone cables, located in Riyadh, with an area of 24,000 m2.
<b>Cable Factory No. 7</b>	RTC's factory producing fiber optic telephone cables, located in Riyadh, with an area of 5,000 m2.
<b>Cable Factory No. 8</b>	NCI's factory located in Sharjah, UAE, with an area of 56,712 m2.
<b>Cable Factory No. 9</b>	The factory of Al Rowad Company for Production of Electrical Cables and Wires Limited, located in Baghdad, Iraq, with an area of 75,000 m 2.
<b>Capital Market Law (CML)</b>	The Capital Market Law, promulgated by Royal Decree No M/30 dated 02/06/1424H (corresponding to 01/08/2003G) as amended.
<b>CEO</b>	Chief Executive Officer of the Company.
<b>Chairman</b>	Chairman of the Board of Directors.
<b>CMA</b>	The Capital Market Authority in the Kingdom, including, where the context permits, any committee, sub-committee, employee or agent to whom any function of the CMA may be delegated.
<b>Committees</b>	The Audit Committee, Nomination and Remuneration Committee and Executive Committee of the Company.
<b>Communication Cables (Fiber and Copper)</b>	Mainstream communications networks, environmental communications for data transmission systems, and fiber to network and FTTH applications.
<b>Companies Law</b>	The Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended.
<b>Company or Issuer</b>	Riyadh Cables Group Company.
<b>Copper Rod</b>	High purity, 8mm diameter copper rods used as a primary material in manufacturing copper conductors.
<b>Corporate Governance Regulations</b>	The Corporate Governance Regulations issued by CMA Board Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) as amended pursuant to CMA Board Resolution No. 1-94-2022 dated 24/01/1444H (corresponding to 22/08/2022G).
<b>Cross Linked Polyethylene (XLPE)</b>	Polymer compound used for wire and cable insulation.
<b>Current Shareholders</b>	The current Shareholders of the Company whose names are listed in Table 4 " <b>Ownership Structure of the Company Pre-and Post- Offering</b> " of this Prospectus.
<b>Directors</b>	The members of the Company's Board of Directors.
<b>ECHO</b>	European Civil Protection and Humanitarian Operations.
<b>Exchange or Tadawul</b>	The Exchange in which securities are traded, operated by Tadawul, a subsidiary of Saudi Tadawul Group.
<b>Extraordinary General Assembly</b>	An Extraordinary General Assembly of the Shareholders convened in accordance with the Company's Bylaws.
<b>Financial Advisor</b>	Riyad Capital.
<b>Financial Statements</b>	2019G Financial Statements, 2020G Financial Statements, 2021G Financial Statements and the Audited Financial Statements for the Six-Month Period Ended 30 June 2022G.
<b>Financial Year (FY)</b>	The Company's Financial Year, which starts from January 1 to December 31 of each Gregorian year.
<b>Fire Retardant (FR)</b>	Fire retardant polymer compound.
<b>Fire Retardant (LSHF)</b>	Fire retardant, low smoke halogen free polymer compound.
<b>Foreign Investors</b>	Qualified Foreign Investors and Foreign Strategic Investors.
<b>Foreign Strategic Investor</b>	A foreign legal person aiming to acquire a strategic interest in listed companies in accordance with the Foreign Strategic Investor Instructions. The term " <b>strategic interest</b> " means the direct ownership percentage in the listed company's shares, through which the owner aims to contribute to enhancing the financial or operating performance of such listed company.
<b>G</b>	Gregorian.
<b>Galvanized</b>	Aluminum coated to prevent rust.

<b>GCC</b>	The Cooperation Council for the Arab States of the Gulf, with members states including the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, and the United Arab Emirates.
<b>GDP</b>	Gross Domestic Product (the broadest quantitative measure of a country's total economic activity, representing the monetary value of all goods and services produced within a country's geographic borders over a specified period of time).
<b>GDP per Capita</b>	Gross Domestic Product per Capita is a measure of the average income per person in a country (calculated by dividing the GDP by the population).
<b>General Assembly</b>	An Extraordinary General Assembly and/or an Ordinary General Assembly. <b>"General Assembly"</b> shall mean any general assembly of the Company.
<b>GOSI</b>	General Organization for Social Insurance in Saudi Arabia.
<b>Government</b>	The Government of the Kingdom of Saudi Arabia; the word <b>"governmental"</b> shall be construed accordingly.
<b>Group</b>	The Company and its Subsidiaries.
<b>GW</b>	A unit of power (billion watts).
<b>H</b>	Hijri.
<b>High Density Polyethylene (HDPE)</b>	Polymer compound of high-density polyethylene.
<b>High Density Polyethylene (MDPE)</b>	Polymer compound of medium-density polyethylene.
<b>HV and EHV Cables</b>	Power transmission cables used in infrastructure projects and the transmission network, with a voltage of up to 500 kV.
<b>IEC</b>	The International Electrotechnical Commission, which develops specifications of electric and technical products in accordance with specific technical specifications.
<b>IFRS</b>	International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA.
<b>Income Tax Law</b>	The Income Tax Law promulgated by Royal Decree No. M/1 dated 15/01/1425H (corresponding to 06/03/2004G) and its Executive Regulations issued pursuant to Ministerial Resolution No. 1535, dated 11/06/1425H (corresponding to 11/08/2004G) and the amendments made thereto from time to time.
<b>Individual Investors</b>	Saudi Arabian nationals, including any Saudi Arabian female divorcee or widow with minor children from a marriage to a non-Saudi Arabian person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi Arabian natural person residing in the Kingdom, or any GCC national, in each case who has a bank account with the Receiving Entities and is entitled to open an investment account.
<b>Instructions for Strategic Foreign Investors</b>	Instructions for Foreign Strategic Investors to acquire strategic stakes in listed companies issued by the CMA Board Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G) based on the Capital Market Law promulgated by Royal Decree No. M/30, dated 02/06/1424H and the amendments thereto.
<b>Instructions of Book Building Process and Allocation Method in Initial Public Offerings (IPOs)</b>	Instructions on Book Building and allocation of Shares in Initial Public Offerings issued by the CMA Board Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G), as amended by the CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G).
<b>International Organization for Standardization (ISO)</b>	An international federation or an international non-governmental organization, which is not a UN organization, comprising of authorities and specifications and standards bodies from different countries, with a representative member from each country. The Organization, specializing in developing international standards, was established in Geneva in 1946G to facilitate the international cooperation and standardization of industrial specifications with the aim of facilitating the commercial exchange of goods and services.
<b>Investment Funds Regulations (IFR)</b>	The Investment Funds Regulations issued by CMA Board Resolution No. 1-219-2006 dated 03/12/1427H (corresponding to 24/12/2006G), in accordance with the CMA Law promulgated by Royal Decree No. M/30 dated 02/06/1424H, as amended by CMA Board Resolution No. 2-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
<b>Kingdom or KSA</b>	The Kingdom of Saudi Arabia.

<b>kV</b>	A unit of voltage (Kilo Volts).
<b>Labor Law</b>	The Saudi Labor Law promulgated by Royal Decree No. M/51, dated 23/08/1426H (corresponding to 27/09/2005G), as amended.
<b>Lead Manager</b>	Riyad Capital.
<b>Legal Advisor</b>	The Law Office of Megren M. Al-Shaalan with respect to the Offering inside the Kingdom.
<b>Listing</b>	Admission to Listing of the Company Shares on the Exchange in accordance with the Listing Rules.
<b>Listing Rules</b>	The Listing Rules 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. 3-96-2022 dated 10/02/1444H (corresponding to 06/09/2022G).
<b>Lock-up Period</b>	The six (6) month period during which Substantial Shareholders may not dispose of any of their Shares, commencing on the date on which trading of the Shares on the Exchange starts.
<b>LV Cables</b>	(Low Voltage) Cables used in construction and power distribution, including delivery of electricity from substations to energy meters inside buildings.
<b>Market Consultant</b>	Arthur D. Little Saudi Arabia.
<b>Material Subsidiaries</b>	RCM, REW, RTC, RCC and NCI, a single shareholder limited liability company.
<b>MENA</b>	Middle East and North Africa.
<b>MHRSD</b>	The Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia.
<b>Ministry of Commerce</b>	The Ministry of Commerce in the Kingdom of Saudi Arabia.
<b>Ministry of Industry</b>	The Ministry of Industry and Mineral Resources in the Kingdom of Saudi Arabia.
<b>MT</b>	(1,000 kg) or (2,204,62 lbs)
<b>MV Cables</b>	(Medium Voltage) Power distribution and transmission cables used in infrastructure projects, with a voltage 1kV-33 kV.
<b>Nitaqat Program</b>	<p>A program launched by the Ministry of Human Resources and Social Development pursuant to the Minister of Human Resources and Social Development Resolution No. 4040, dated 12/01/1432H (corresponding to 10/09/2011G), based on the Council of Ministers Resolution No. 50, dated 21/05/1415H (corresponding to 27/10/1994G). The Nitaqat Program provides establishments with incentives to hire Saudi Arabian nationals. This program evaluates the performance of an establishment based on specific ranges, which are platinum, green (which is further sub-divided into three categories: low, medium and high), yellow and red.</p> <p>Establishments that are classified within the platinum and green ranges are deemed to be compliant with the Saudisation requirements and receive certain specific benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified within the yellow or red ranges (depending on the extent to which they are non-compliant) are deemed to be non-compliant with the Saudisation requirements and are subject to certain punitive measures, such as limiting their ability to renew work visas for foreign employees or prohibiting them from obtaining or renewing work visas for foreign employees.</p>
<b>Non-Material Subsidiaries</b>	SMC, Arabian Gulf Company for Electrical Cables, Qatar Cables Company, Gulf Company for Electrical Works Ltd, Egyptian Riyadh Cables Company for Electrical Works, Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires, Al Rowad Company for Production of Electrical Cables and Wires Limited and Iraqi National Company for the Manufacture of Cables.
<b>OESHC</b>	Oman Environmental Services Holding Company (S.A.O.C).
<b>Offer Price</b>	SAR [•] per Share.
<b>Offer Shares</b>	Thirty-three million (33,000,000) Shares, representing 22% of the Company's share capital.
<b>Offering</b>	The Offering of thirty-three million (33,000,000) ordinary shares, representing twenty-two percent (22%) of the Company's share capital, at an Offer Price of [•] Saudi Riyals (SAR [•]) per Share.
<b>Offering Period</b>	The period commencing on Monday, 27/4/1444H (corresponding to 21/11/2022G) and continuing for a period of two (2) days, up to and including the closing day on Tuesday, 28/4/1444H (corresponding to 22/11/2022G).



<b>Official Gazette</b>	Umm Al-Qura, the Official Gazette of the Kingdom's Government.
<b>OHL</b>	(Overhead Power Lines) Long distance power transmission and inter-city connections.
<b>Oman Cables</b>	Oman Cables Industry SAOG
<b>OPEC</b>	Organization of the Petroleum Exporting Countries.
<b>Ordinary General Assembly</b>	An Ordinary General Assembly of the Shareholders convened in accordance with the Company's Bylaws.
<b>OSHA</b>	Occupational Safety and Health Administration in the USA.
<b>Others/Other Cables and Wires</b>	Special wires and cables for control circuits, insulation compounds, polyvinyl chloride pellets, wood and steel cylinders and copper and aluminum rods.
<b>Participating Parties</b>	<p>The parties entitled to participate in the book-building process, namely:</p> <ol style="list-style-type: none"> <li>1- public and private funds that invest in securities listed on the Exchange, if permissible according to the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Fund Regulations and the Book-building Instructions and Allocation of Shares in Initial Public Offerings;</li> <li>2- capital market institutions authorized by the CMA to deal in securities as principals, in compliance with the provisions set forth in the Prudential Rules when submitting an Application Form;</li> <li>3- customers of a Capital Market Institution authorized by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book-building Instructions and Allocation of Shares in Initial Public Offerings;</li> <li>4- legal persons allowed to open an investment account in the Kingdom and an account with the Depository Center, with the exception of non-resident foreign investors, other than Qualified Foreign Investors in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, in compliance with the CMA Circular No. 6/05158, dated 11/08/1435H (corresponding to 09/06/2014G), issued pursuant to CMA Board Resolution No. 9-28-2014, dated 20/07/1435H (corresponding to 19/05/2014G);</li> <li>5- government entities and any supranational authority recognized by the CMA, the Market or any other exchange recognized by the CMA or the Depository Center;</li> <li>6- companies owned by the Government, directly or through a private portfolio manager; and</li> <li>7- GCC companies and GCC funds if permissible according to the terms and conditions of such funds.</li> </ol>
<b>Person</b>	A natural or legal person recognized as such under the laws of the Kingdom.
<b>Poly Vinyl Chloride (PVC)</b>	Polymer compound used for wire and cable insulation, filling and sheathing.
<b>Polyethylene (PE)</b>	Polymer compound used for wire and cable insulation.
<b>Polypropylene Yarn (PP)</b>	Polymer yarn made of polypropylene, used as a filler in multi-core cables to maintain roundness.
<b>PRC</b>	The People's Republic of China.
<b>Prospectus</b>	This Prospectus, prepared by the Company in relation to the Offering.
<b>Public</b>	<p>Persons other than those listed below:</p> <ol style="list-style-type: none"> <li>1- Affiliates of the Issuer;</li> <li>2- Substantial Shareholders of the Issuer;</li> <li>3- Directors and Senior Executives of the Issuer;</li> <li>4- Directors and Senior Executives of the Affiliates of the Issuer;</li> <li>5- Directors and Senior Executives of the Issuer's Substantial Shareholders;</li> <li>6- Any Relatives of the persons referred to in 1, 2, 3, 4, or 5 above;</li> <li>7- Any company controlled by any person referred to in 1, 2, 3, 4, 5 or 6 above; and</li> <li>8- Persons acting in concert and, collectively, holding 5% or more of the class of shares to be listed.</li> </ol>
<b>Qualified Foreign Investor (QFI)</b>	A foreign investor qualified to invest in listed securities in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. A qualification application shall be submitted to a licensed Capital Market Institution for evaluation and approval in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities.

<b>RCC</b>	Riyadh Cables Company
<b>RCGC</b>	Riyadh Cables Group Company (The Company)
<b>RCM</b>	Saudi Modern Company for Metals, Cables and Plastic Industry.
<b>Receiving Entities</b>	The Receiving Entities whose names are mentioned on page (i) of this Prospectus.
<b>Related Party/Related Parties</b>	<p>The terms "<b>Related Party</b>" or "<b>Related Parties</b>" in this Prospectus include, pursuant to the Glossary of Defined Terms of the Authority's Regulations and Rules, issued by CMA Board Resolution No. 04-11-2004, dated 20/08/1425H (corresponding to 04/10/2004G), as amended by the CMA's Board Resolution No. 1-94-2022, dated 24/01/1444H (corresponding to 22/08/2022G) the following:</p> <p>a- Affiliates of the Issuer;</p> <p>b- Substantial Shareholders of the Issuer;</p> <p>c- Directors and Senior Executives of the Issuer;</p> <p>d- Directors and Senior Executives of the Affiliates of the Issuer;</p> <p>e- Directors and Senior Executives of the Substantial Shareholders of the Issuer;</p> <p>f- Relatives of the persons referred to in a, b, c, d, and e above; or</p> <p>g- Any company controlled by any person referred to in a, b, c, d, e and f above.</p> <p>For the purpose of Paragraph (g), "<b>control</b>" shall mean the ability to, directly or indirectly, influence the actions or decisions of a third party, individually or collectively with a relative or affiliate through any of the following: (a) holding 30% or more of the voting rights in the Company; or (b) having the right to appoint 30% or more of the administrative staff, and the term "<b>controlling</b>" shall be construed accordingly.</p>
<b>Relatives</b>	<p>Husband, wife and minor children, and for the purposes of the Corporate Governance Regulations:</p> <ul style="list-style-type: none"> <li>• Fathers, mothers, grandparents and ascendants thereof;</li> <li>• Children, grandchildren and descendants thereof;</li> <li>• Full brothers and sisters, including half brothers and sisters; and</li> <li>• Husbands and wives.</li> </ul>
<b>REW</b>	Saudi Modern Company for Special Electric Wire and Cables Industry
<b>Saudi Riyal or SAR</b>	The Saudi Riyal, the official currency of the Kingdom.
<b>Rods</b>	Copper and Aluminum rods used in producing conductors for power cables, overhead line conductors, screens and armoring.
<b>RTC</b>	Saudi Modern Company for Telephone Cable Industry Ltd.
<b>Rules for Qualified Foreign Financial Institutions Investment</b>	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued pursuant to the CMA Board Resolution No. 1-42-2015 dated 15/07/1437H (corresponding to 04/05/2015G), as amended by the CMA Board Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G), as amended.
<b>Rules of Listed Companies</b>	Regulatory rules and procedures issued pursuant to the Companies Law for Listed Joint Stock Companies issued by CMA's Board pursuant to Resolution No. 8-127-2016 dated 16/01/1438H (corresponding to 17/10/2016G), as amended by the CMA's Board Resolution No. 4-122-2020 dated 03/04/1442H (corresponding to 18/11/2020G).
<b>Rules on the Offer of Securities and Continuing Obligations</b>	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA pursuant to CMA Board Resolution No. 3-123-2017 dated 04/09/1439H (corresponding to 27/12/2017G) in accordance with the Capital Market Law, as amended by CMA Board Resolution No. 1-94-2022 dated 24/01/1444H (corresponding to 22/08/2022G).
<b>SIBOR</b>	The interbank borrowing rate in the Kingdom for one year, updated on a daily basis.
<b>Saudi Vision 2030</b>	The National Strategic Economic Program, which aims to reduce dependence on oil as a major source of income for the country, diversify the Saudi economy and develop public services.
<b>Secretary</b>	The Secretary of the Company's Board of Directors.
<b>Selling Shareholders</b>	Shareholders whose names are mentioned in Table 4 " <b>Ownership Structure of the Company Pre-and Post- Offering</b> " and those who are selling part of their shares in the Offering.
<b>Senior Executives</b>	Any natural person assigned, severally or jointly with third parties, by the Company's Board or by a Director with supervision and management tasks. Such person shall report directly to any of members of the Board of Directors or the CEO.

<b>Shareholder(s)</b>	Any owner(s) of shares in the Company.
<b>Shares</b>	One hundred and fifty million (150,000,000) fully paid ordinary shares in the Company, with a nominal value of ten (SAR 10) Saudi Riyals per Share.
<b>Sharia</b>	The main source of legislation in Islam.
<b>SMC</b>	Saudi Modern Company for Cables Limited.
<b>SOCPA</b>	The Saudi Organization for Chartered and Professional Accountants (formerly known as the Saudi Organization for Certified Public Accountants).
<b>Subscribers</b>	Participating Parties and Individual Investors.
<b>Subscription Application Form</b>	The Subscription Application Form to be filled out by Participating Parties and Individual Investors (as applicable) to subscribe for the Offer Shares.
<b>Subsidiaries</b>	Material and non-material Subsidiaries
<b>Substantial Shareholder</b>	A shareholder who owns, either directly or indirectly (5%) or more of the Issuer's Shares.
<b>Supporting Factories</b>	RCM's factories for the manufacturing of electrical cables and wire materials required by the Group's factories, consisting of the Supporting Factories No. 1-6 described in Section (4) "Overview of the Company and Its Subsidiaries and Nature of Their Business" of this Prospectus.
<b>Supporting Factory No. 1</b>	RCM's factory built in Riyadh on a land area of 4,906 m2 for the production of Poly Vinyl Chloride (PVC) used to manufacture electric cables and wires.
<b>Supporting Factory No. 2</b>	RCM's factory built in Riyadh on a land area of 15,184 m2 for the production of copper rods used to manufacture electric cables and wires.
<b>Supporting Factory No. 3</b>	RCM's factory built in Riyadh on a land area of 14,018 m2 for the production of aluminum rods used to manufacture electric cables and wires.
<b>Supporting Factory No. 4</b>	RCM's factory built in Riyadh on a land area of 20,000 m2 for the production of wooden and steel reels used to transfer and store electric cables and wires.
<b>Supporting Factory No. 5</b>	RCM's factory built in Riyadh on a land area of 3,500 m2 for the production of Poly Vinyl Chloride (XLPE) used to manufacture electric cables and wires.
<b>Supporting Factory No. 6</b>	RCM's factory located in Riyadh for the production of Polypropylene Yarn (PP) used to manufacture electric cables and wires,
<b>SWAPs</b>	Agreements that give non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom the right to invest indirectly to acquire economic benefits in the Shares by entering into swaps with a Capital Market Institution licensed by the CMA.
<b>Ton</b>	A unit of mass equal to one thousand kilograms (1000kg)
<b>Underwriter</b>	Riyad Capital.
<b>Underwriting Agreement</b>	The Underwriting Agreement entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
<b>UNICEF</b>	United Nations International Children's Emergency Fund.
<b>USA</b>	The United States of America.
<b>VAT</b>	The Value Added Tax with respect to which a Council of Ministers Resolution was issued on 02/05/1438H (corresponding to 30/01/2017G), to adopt the Unified VAT Agreement for the member States of GCC, which became effective as of 1 January 2018G, as a new tax added to the taxation system and to other fees that must be applied by specific sectors in the Kingdom and GCC countries. The amount of this tax is 5%. A number of products (such as basic foods, healthcare and education services) are excluded from the scope of application of such tax. In addition, the Ministry of Finance has recently announced an increase in VAT rate to 15% as of 1 July 2020G.
<b>Wires</b>	Electrical power supply, lighting and internal wiring for residences, offices and other non-industrial settings.
<b>ZATCA</b>	The Zakat, Tax and Customs Authority (formerly known as the General Authority of Zakat and Tax).

## 2. Risk Factors

All prospective investors wishing to subscribe to the Offer Shares subject of this Prospectus should carefully consider the risk factors below and all information contained in this Prospectus prior to making any investment decision with regard to the Offer Shares. The risks and uncertainties set out below do not necessarily comprise all of the risks which the Company may face. There may be additional risks that the Company is currently not aware of which are not mentioned in this section, or which may currently be considered as immaterial. However, such risks may develop in the future and have a material effect on the Company's operations.

If any of the risks mentioned below, or any other risks not specified by the Directors, or any risks currently considered to be immaterial were to occur, or become material, this may materially and adversely affect the Company's business, financial condition, results of operations and prospects. As a result of these risks and other factors which may affect the Company's business, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company or the Directors expect, or at all. Hence, investors should consider all forward-looking statements in this Prospectus in light of these explanations and should not place any reliance on forward-looking statements without verifying them (for further details, please see the "Forecasts and Forward-Looking Statements" section on page (c), Section (11) "Declarations of the Directors" and Section (15) ("Post-listing Undertakings") of this Prospectus).

The Directors also confirm that, to the best of their knowledge and belief, as at the date of this Prospectus there are no material risks other than those mentioned in this section, the non-disclosure of which may affect investors' decisions to invest in the Offer Shares.

An investment in the Offer Shares is only appropriate for investors who are able to assess the risks and benefits of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts about the procedures to be followed should consult a financial advisor duly licensed by the CMA for advice regarding investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority reflecting their expected impact on the Company. Additional risks and uncertainties, including those currently unknown, or currently deemed immaterial, could have the impact or consequences set forth in this Prospectus on the Company. Therefore, the risks identified under this section or any other section of this Prospectus may not: (i) include all of the risks that might affect the Group, its business, operations, assets and the markets in which it operates; and/or (ii) include all risks relevant to investing in the Offer Shares.

### 2.1 Risks Related to the Operations of the Group

#### 2.1.1 Risks related to the Group operations' dependence on the availability and price stability of raw materials

##### 2.1.1.1 Availability of raw materials and base metals

The Group's business is concentrated in the manufacture of electrical cables and wires used in various areas of electricity transmission and communication cables. The Group depends on certain key raw materials in manufacturing electrical cables and wires and communication cables, namely, copper and aluminum. These are used as key materials from which electrical cables and wires and communication cables are manufactured, as well as plastic derivatives used for wire and cable insulation and sheathing. Considering the Group's huge production volume, the Group consumes large quantities of raw materials and base metals. Accordingly, the Group's manufacturing operations depend materially on the availability of such raw materials and base metals on an ongoing basis and in quantities sufficient to meet its manufacturing needs.

The following table sets forth the quantities of raw materials and base metals the Group purchased in the financial years ending 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G.

**Table (6): The Quantities of Raw Materials Purchased by the Group in Tons as of the Financial Years Ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the Six-Month Period Ended 30 June 2022G.**

No.	Product Type	Quantity Purchased				Percentage of Sales Costs			
		31 Decem-ber 2019G	31 Decem-ber 2020G	31 Decem-ber 2021G	Six-Month Period Ended 30 June 2022G	31 Decem-ber 2019G	31 Decem-ber 2020G	31 Decem-ber 2021G	Six-Month Period Ended 30 June 2022G
1	Copper	117,105 tons	98,487 tons	92,224 tons	53,161 tons	65%	60%	69%	66%
2	Aluminum	56,356 tons	63,711 tons	46,365 tons	38,437 tons	10%	14%	10%	14%
3	Plastic derivatives	107,478 tons	110,799 tons	117,824 tons	70,873 tons	5%	8%	7%	6%

Source: The Company

Accordingly, the unavailability of any such raw materials or base metals or the inability of the Group to procure them in sufficient quantities as a result of high demand by industrial companies that consume them or the inability of the suppliers of raw materials to provide the quantities requested by the Group for any reason whatsoever, whether temporarily or permanently, will hinder the Group's manufacturing operations and negatively affect the Group's business, financial position, results of operations and future prospects.

#### 2.1.1.2 Volatility of the prices of raw materials and base metals

The Group's revenue relies on multiple factors, among the most important of these is the price of raw materials and base metals, mainly copper, aluminum and plastic derivatives, which are subject to price volatility based on the prevailing global market prices, which are in turn driven by supply and demand for these materials. Additionally, actual changes in supply and demand, market fluctuations and international economic factors that may materially affect the prices of raw materials and base metals are unpredictable and beyond the Group's control. It should be noted that raw materials represent one of the largest components of sales costs for the Group, as they constituted approximately 80%, 82%, 86% and 85% of the total cost of sales during the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G, respectively. If the prices of raw materials were to increase, this may require the Company to obtain bank facilities to finance working capital and to grant higher credit ceilings to its customers to match the rise in raw material prices (for further details regarding financing risks, please see Subsection (2.1.9) "Risks related to the Group's financing" of this Prospectus).

Additionally, an increase in the prices of raw materials will result in an increase in the value of the Group's inventory, leading to increased financing of working capital, which will adversely affect the Group's cash flow and increase its need for external financing, which in turn will require higher financing costs and adversely affect the Group's profitability ratios. Any customer purchase order cancellations resulting from fluctuations in the prices of raw materials will have an adverse effect on the Group's business, financial position, results of operations and future prospects.

It should also be noted that the sales operations of REW are mainly focused on the sale of low-voltage cables to end consumers, wholesalers and contractors directly through its eighteen (18) branches (i.e., its production operations do not depend on prior purchase orders from customers, which increases REW's product inventory (compared to other Group companies)). REW's sales accounted for 33.2%, 34.3%, 36.6% and 32.8% of the Group's total revenue during the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G and the six-month period ended 30 June 2022G, respectively.

The sales performance of REW's branches is affected by fluctuations in the global copper and aluminum price rate, as REW follows a "production to inventory" strategy unlike other Group companies that follow a strategy of "production on demand". Therefore, the Group periodically reviews raw material prices and hedges branch inventory against fluctuations in raw material prices each month to reduce the impact of such fluctuations. In the event that the Group is unable to hedge against fluctuations in the prices of these metals and carefully review the prices of its products to counter such fluctuations, this would have a negative impact on its business, financial position, results of operations and future prospects.

### 2.1.1.3 Risks related to the relationship with raw material suppliers

In general, the Group purchases raw materials from various non-exclusive suppliers. Although the Group purchases most of its plastic derivative needs from SABIC, and most of its aluminum needs from Saudi Arabian Mining Company (Ma'aden), these materials are available from other suppliers and therefore the Group is capable of purchasing these raw materials from other sources. In this regard, it should be noted that the Group's purchases from SABIC accounted for 3%, 4%, 3% and 3% of the Group's total volume of purchases for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The Group's purchases from RCM accounted for 9%, 9%, 8% and 9% of the Group's total volume of purchases for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G, respectively.

The Group concludes annual framework agreements with the above suppliers by which contractual quantities, durations and initial prices are determined. It then makes purchases from suppliers through the issuance of purchase orders (as needed) in accordance with the Group's procurement procedures, which include comparing quotes from multiple suppliers.

In the event that the Group is unable to maintain the continuity of the relationship with any of its suppliers, or in case of any obstacles that limit the ability of any of them to meet the Group's needs for raw materials and base metals, such as the issuance of new laws or regulations related to the import of raw materials and base metals, the ability of suppliers to provide the required quantities at the times agreed with the Group or their ability to export to the Kingdom, or in the event that suppliers cease production for any reason, or any material accidents occur in the production or supply process of such suppliers, or in the event of wars, natural disasters, political unrest and similar force majeure, this would have a material impact on the Group's ability to obtain the raw materials required for production. The Group may not be able to provide a suitable alternative supplier with the same level of qualification, quality and pricing, which will cause the Group to incur losses, whether as a result of delay in obtaining raw materials or as a result of obtaining them at high prices, which the Group may not be able to pass on to its customers. Accordingly, any additional costs in obtaining raw materials will result in higher production costs for the Group, which will have a negative impact on its business, financial position, results of operations and future prospects.

### 2.1.2 Risks related to revenue concentration

The Group's revenues are mainly based on the sale of three of its products, namely low-voltage cables, medium-voltage cables and internal electrical wires. The Group's sales related to these products amounted to SAR 3,613,414,324, SAR 3,433,954,864, SAR 4,040,977,640 and SAR 2,880,177,892, accounting for 79%, 84%, 83% and 88% of the Group's total revenue in the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G, respectively. In the event of a decrease in the sales of these products for any reason, including the emergence of alternative products, the reluctance of customers to consume these products, or the inability of the Group to keep pace with customer needs, this would lead to a decrease in the Group's sales, which would have a negative impact on the Group's business, financial situation, results of operations and future prospects.

### 2.1.3 Risks related to setting aside provisions for onerous contracts

It should be noted that when entering into a contract or receiving a purchase order/confirmation from a customer in connection with the manufacture of any of its products, the Group usually fixes the prices of metals used in the relevant manufacturing process vis-à-vis the customer, in accordance with the terms agreed between the parties. In view of the volatility of metal prices, in the event that the delivery date is delayed for any reason and the metals are used to manufacture products under other subsequent contracts, the Company makes provisions for what it considers to be excess revenues from such subsequent contracts to offset what it considers to be losses as a result of the said delayed contracts which the Group classifies as onerous contracts. In this case, profits are realized from subsequent contracts in the short term which are balanced against losses from onerous contracts in the long run. The inability of the Company to make sufficient provisions for onerous contracts may affect the volatility of the profit and loss results in the short term and expected to be balanced in the long run, which may affect the Group's results, financial position and future prospects.

The provisions for the Group's onerous contracts amounted to SAR 55.4 million, SAR 105.8 million, SAR 78 million and SAR 91.5 million as of 31 December 2019G, 31 December 2020G, 31 December 2021G and the six-month period ended 30 June 2022G (for further details, please see Section (6) "Management's Discussion and Analysis of Financial Position and Results of Operations" of this Prospectus). It should be noted that the Group enters into hedging agreements to meet the costs resulting from increases in the prices of base metals used in its production operations. However, the Group is also exposed to risks in respect of these hedging agreements as described in Risk Factor (2.1.4) "Risks related to hedging agreements" of this Prospectus.

#### 2.1.4 Risks related to hedging agreements

The Group has entered into hedging agreements in order to fix the prices of base metals used in manufacturing electrical cables and wires, namely copper, aluminum and lead (for further details, please see Subsection (12.6.3) “**Hedging Agreements**” and Section (12) “**Legal Information**” of this Prospectus). Hedging transactions are entered into pursuant to said agreements against the procurement or sales contracts received by the Group from its customers and suppliers, such transactions usually include the Company’s procurement of base metals used in the products sold by the Group’s branches. The hedging agreements do not cover other raw materials used in manufacturing electrical cables and wires, such as plastic derivatives, as this system is not applicable in the global markets for these materials. It is worth noting that other raw materials, which no hedging agreements have been entered into to protect price fluctuations related thereto, constituted 20%, 17%, 18% and 17% of the Group’s total inventory in the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G, respectively.

Therefore, the Group does not guarantee that the aforementioned hedging transactions will cover all of the losses that it may incur as a result of significant changes and fluctuations in the price of raw materials, which, in turn may affect the Group’s business, financial position, results of operations and future prospects.

The Group does not guarantee its ability to enter into hedging agreements to stabilize the prices of metals used in its manufacturing operations, as the provisions of such agreements may not be accepted by the Group, which may expose the Group to risks of fluctuations in the prices of metals and which may therefore increase product costs and have an adverse effect on the Group’s business, financial position, results of operations and future prospects.

Pursuant to the hedging agreements entered into by the Group with international brokerage firms, the Group has credit limits that allow for limited changes in the daily prices of metals. If metal prices undergo material and sudden fluctuations exceeding the credit limits granted to the Group, the Group must, upon the request of related brokers, cover the margin by paying additional financial differences resulting from the change in market value related to the hedging instruments compared to the prices of contracted-for metals. In the event that the amounts required to cover the margin are material, this will adversely impact the Group’s cash flow which in turn will impact the Group’s business, financial position, results of operations and future prospects.

The profits/(losses) of hedging agreements amounted to SAR 14.6 million, SAR 40.7 million, SAR 142.9 million and SAR 2 million, representing 0.3%, 1%, 2.9% and 0.06% of the Group’s sales during the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The Group settles the profits or losses resulting from hedging agreements with profits or losses resulting from the actual purchase of minerals by the Group so that these agreements do not have a financial impact on the financial statements.

A sharp drop in the prices of metals and raw materials may result in customers of the Group not fulfilling their contractual purchase obligations or in the bankruptcy of brokers procuring base metals and raw materials. In both cases, the Group must prosecute such customers, which will have an adverse effect on the Group’s business, results of operations, financial position and future prospects.

#### 2.1.5 Risks related to raw material inventory management, finished product manufacturing, storage, transportation and distribution

The Group holds an inventory of raw materials and base metals sufficient to meet its needs for a period ranging from one month to three months in accordance with customer orders and manufacturing plans. The Group has a stock of raw materials equivalent to SAR 210 million, SAR 200 million, SAR 292 million and SAR 365 million representing 6%, 6%, 7% and 7% of the Group’s total assets as of 31 December 2019G, 31 December 2020G, 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The turnover of this stock during the aforementioned periods was approximately equivalent to 19, 20, 24 and 20 days, respectively.

In case of any inventory surplus exceeding the Group’s needs, management of such inventory will cause the Group to incur additional costs and to use of a portion of the Company’s liquidity to finance such surplus. In contrast, any shortage in raw material inventory would have an impact on the Group’s ability to maintain the required level of production and meet the needs of some customers as quickly as required, which may have an adverse and material impact on the Group’s business, results of operations, financial position and future prospects.



Additionally, the Group has stock of finished products with a value of SAR 589 million, SAR 741 million, SAR 868 million and SAR 822 million, representing 54%, 62%, 53% and 42% of the total inventory of the Group as of 31 December 2019G, 31 December 2020G, 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The turnover rate of this stock during the aforementioned periods was approximately equivalent to 52, 57, 71 and 50 days, respectively. Finished products stored for over 365 days amounted to SAR 21 million, SAR 16 million, SAR 19 million and SAR 44 million (representing 4%, 3%, 2% and 5% of the total finished product inventory) as of 31 December 2019G, 31 December 2020G, 31 December 2021G and the six-month period ended 30 June 2022G, respectively.]

It is worth noting that the Group's inability to manage the storage of finished products efficiently and effectively, inadequacy or disruption of storage space or failure of storage systems or policies adopted by the Group in this regard could result in increased storage costs, which in turn would adversely affect the Group's business, financial position, results of operations and future prospects.

The Group's provision for slow-moving inventory amounted to SAR 46 million, SAR 51 million, SAR 50 million and SAR 50 million as of 31 December 2019G, 31 December 2020G, 31 December 2021G and the six-month period ended 30 June 2022G, representing 4%, 4%, 3% and 2.5%, respectively, of the value of the Group's total inventory. Any future changes to the accounting policies for the slow-moving inventories adopted by the Group may force it to increase the value of provisions it has to set aside in order to cover slow-moving inventory, which will have an adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.1.6 Risks related to the operations of the Group depending on the availability of energy and water**

The Group's manufacturing operations depend on electricity, industrial water, diesel, gas and gasoline. The Group's manufacturing plants consume approximately 194 million kw/h of electricity, 2 million liters of diesel, 772 thousand cubic meters of industrial water and 191 thousand Btu of gas annually.

The Group's expenses for electricity, industrial water, diesel, gas and gasoline amounted to SAR 40.6 million (representing 1% of revenue) during the financial year ended 31 December 2019G, approximately SAR 39 million (representing 1% of revenue) during the financial year ended 31 December 2020G, approximately SAR 38.6 million (representing 0.8% of revenue) during the financial year ended 31 December 2021G and approximately SAR 22.3 million (representing 0.7% of revenue) during the six-month period ended 30 June 2022G.

The Group's manufacturing plants require the aforementioned quantities of energy resources in its various manufacturing operations on an ongoing basis. Accordingly, any temporary or permanent shortage or interruption of energy supply and the Group's failure to provide alternative resources in a timely manner and at a reasonable cost, any material increase in electricity tariff imposed by SEC, or any increase in prices of diesel, gas or gasoline, would hinder the Group's production operations and increase costs incurred, which would have an adverse effect on the Group's business, results of operations, financial position and future prospects.

The Group's future expansion plans depend on several elements, including the availability of the aforementioned energy resources in adequate quantities to meet the requirements of expansion. Hence, the Group's inability to procure its additional needs for such resources in a timely manner or at adequate prices will have an adverse effect on financial projections and actual financial results associated with such expansion plans, which will, therefore, have an adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.1.7 Risks related to industrial failures, accidents and disposal of chemicals**

The operation of some of the key machinery upon which the Group manufacturing plants' operations depend may stop due to unexpected technical failures, periodic or emergency maintenance, or force majeure events such as fires and natural disasters. The Group may, in the future, encounter risks of manufacturing plant failure, decline in its production capacity for specific periods due to the failure of such machinery or other factors beyond its control in a manner that may, in turn, lead to the Group's inability to control the consequent damages, or lead to the Group's failure to meet its contractual obligations with its customers and its inability to manufacture and supply the quantities required by its customers, which would have an adverse effect on the Group's business, results of operations, financial position and future prospects.

The work of the Group's companies includes the use, storage, transportation and disposal of various substances, thus the Group is subject to the risk of industrial accidents, which in turn may lead to damage to the environment and negatively affect the health and safety of workers and facilities. Such risks may result in the interruption of production, the loss of essential workers or damage to the property of the Group, or may put workers or individuals near the affected sites at risk. In the event that any of the above industrial accidents occur, the Group may be exposed to civil and criminal penalties in addition to lawsuits from the affected parties, which would have a negative impact on the Group's business, financial position, results of operations and future prospects.



### 2.1.8 Risks related to the fact that some of the Group's factories are located on leased land

Some of the Group's manufacturing facilities are constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (Modon) (for further details regarding the properties leased by the Group, please see Subsection (12.11) "Lease Agreements" of this Prospectus). Rent paid by the Group to the Saudi Authority for Industrial Cities and Technology Zones (Modon) are nominal, amounting to SAR 2.8 million per year. Such lease agreements have a fixed term by definition, the conditions of which may be reviewed during their term or upon renewal. Any increase imposed by the Saudi Authority for Industrial Cities and Technology Zones (Modon) would result in additional and unexpected costs incurred by the Group, which would have an adverse effect on the Group's business, results of operations, financial position and future prospects.

Moreover, the Group may not be able to renew the lease agreements for the leased premises upon the expiration of their terms at all or may be unable to renew them under suitable conditions compared to the existing conditions included in these agreements. If the Group decides or is forced to move any or some of its manufacturing plants to other locations as a result of not renewing any of the related lease agreements for any reason, the Group cannot guarantee that it will be able to move its related manufacturing plants to new locations within a short or convenient time period. Such moving process will result in hindering manufacturing operations of the plants and incurring unexpected capital expenses, which would have an adverse effect on the Group's business, results of operations, financial position and future prospects.

### 2.1.9 Risks related to the Group's financing

#### 2.1.9.1 Existing financing arrangements

Some Group companies have obtained a number of facilities from a number of commercial banks inside and outside the Kingdom, including the Saudi British Bank (SABB), Arab National Bank (ANB), Gulf International Bank (GIB), the Saudi National Bank (SNB) and Banque Saudi Fransi (BSF). It should be noted that the Group's debt-to-assets ratio was 34.5%, 26%, 33.5% and 34.1% during the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G, respectively.

Pursuant to certain facility agreements, the lenders have the right to terminate or cancel such facilities at their discretion without any cause or the relevant company's prior consent. If any creditor decides to cancel or terminate any facilities granted to the relevant company, such creditor may require all due amounts to be paid, which would have a material adverse effect on the Group's cash flow, results of operations, financial position and future prospects.

Additionally, certain facility agreements entered into by the Group include a number of conditions which authorize the lending banks to adjust interest rates and profit margins as they see fit and as per the market's prevailing prices without the Group having any right to object. Therefore, should the Saudi Inter-Bank Offered Rate ("SIBOR") or the interest rates imposed by third-party financing institutions increase, the costs of finance obtained by the Group will increase, which would have an adverse effect on the Group's cash flow, profitability, results of operations, financial position and future prospects.

The facility agreements also contain various terms that the Group is required to comply with, including, but not limited to, compliance with repayment of the amounts owed by the Group within the agreed upon time frame. The Group may not be able to meet its obligations under such agreements should its revenue decrease for any reason. Should the Company or any of its Subsidiaries default on their debts in the future, the lenders may require the Group to repay the debt immediately, and, if the debt is secured, they may seize and judicially enforce the security. In addition, if any lender declares its loan due and payable as a result of an event of default of payment, the Group's other lenders are likely to be able to require that any debts owed to them be paid immediately. In such circumstances, there would be no assurance that the Group would be able to access sufficient alternative funding to meet such repayments. Any of these factors would have a material adverse effect on the Group's business, prospects and financial position (for further details, please see Subsection (12.8) "Financing Agreements" of this Prospectus).

#### 2.1.9.2 Future financing

In the future, the Group may need to obtain financing from commercial banks to cover working capital requirements or implement expansion projects. It should be noted that the Group's ability to obtain banking facilities from various lenders at reasonable costs and with acceptable terms depends on its financial position, creditworthiness, general macro-economic conditions, financial market conditions, commission rates and credit availability from banks or third-party lenders. The Group may not be able to obtain sufficient or suitable funding in the future in order to finance its growth and implement its expansion plans, which would have an adverse effect on the Group's business, results of operations, financial position and future prospects.

### 2.1.9.3 Short-term financial obligations

A significant portion of the banking facilities entered into by the Group comprises of short-term financial obligations, which represented 100% of the total loans obtained by the Group and 53.6%, 41.5%, 49.6% and 46%, respectively, of current assets as of 31 December 2019G, 31 December 2020G, 31 December 2021G and 30 June 2022G. Therefore, these loans will mature within a maximum of one year from the date of each loan, and may be revolved for other period/s. If the lenders require the Group to repay and not revolve the short-term loans, the Group must repay the required amounts under these facilities within periods ranging from three to four years. The Group may not be able to provide the required liquidity to repay these obligations during such periods, which will have a negative effect on its cash flows and its ability to meet its financial obligations. After repaying these obligations, the Group may not be able to obtain new loans to fund its operations and working capital, which would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

In the event that the Group is not able to repay the amounts due at the times specified in the facilities agreements or fails to meet its other financial obligations under other agreements, it will be in breach of the obligations set out in such agreements. The Group, may therefore, be subject to lawsuits, or the lenders may require it to repay the facilities granted by them immediately or take possession of the securities granted to them, which would have a material adverse effect on the Group's business, results of operations, financial position and future prospects (for further details, please see Subsection (12.8) "Financing Agreements" of this Prospectus).

### 2.1.10 Risks related to working capital management and liquidity

The Group depends in managing cash liquidity and financing working capital on cash flows generated from its operations and available facilities. Because the Group's working capital management and financing depend materially on its efficient management of inventory and accounts receivable and on available facilities for this purpose, the Group's inability to manage inventory and accounts receivable or obtain adequate financing will have a material adverse effect on the Company's revenues, profitability, cash flows, results of operations, financial position and future prospects.

Moreover, if the Group is not able to manage its working capital efficiently, this will lead to increased utilization of facilities and increased financing costs, which will have a material adverse effect on the Group's profitability, cash flows, results of operations, financial position and future prospects.

### 2.1.11 Risks related to credit and doubtful debts

The Group's entire revenue consists of payments made by customers for products supplied to them by the Group. It should be noted that 5% of sales to these customers are made in cash, and 95% of sales are completed on a deferred basis. With regard to forward sales to the Group's customers, credit limits, secured by letters of credit, bank guarantees or promissory notes, are generally given to these customers with a repayment period ranging from 30 to 120 days.

In addition, the receivables of the Group's five largest customers represent 25%, 26%, 22% and 20% of the Group's total receivables for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The average collection period from these customers was 90, 120, 90 and 87 days during the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G, respectively. In the event that any of these customers does not pay the amounts owed by them to the Group, this would adversely affect the Group's cash flow, profitability and financial results.

It should be noted that the Group may be unable to predict the future credit risks of these customers when supplying the products to them under the relevant purchase orders, and these customers may face financial and operational challenges in the future due to economic downturn or negative changes in market conditions or any other factors related to customers themselves. In the event that any of the Group's customers, including its main customers, experiences a detrimental change in their financial condition, they may default on their obligations towards the Group or be exposed to insolvency or even bankruptcy. This would negatively affect the Group's ability to collect the related outstanding receivables, and accordingly, would adversely affect the Group's business, financial position, results of operations and future prospects.

The provision for doubtful debts of the Group amounted to SAR 115 million, SAR 58 million, SAR 49 million and SAR 49 million as of 31 December 2019G, 31 December 2020G, 31 December 2021G and 30 June 2022G, respectively, which is equivalent to 10%, 7%, 5% and 3.5%, respectively, of total accounts receivable and 3%, 1%, 1% and 1.5%, respectively, of total sales. Any future change in the Group's doubtful debts policies may require the Group to raise the provisions for doubtful debts, which would have an adverse effect on the Group's business, results of operations, financial position and future prospects.

The Group does not guarantee its ability to collect doubtful debts in the future despite making the necessary financial provisions for them. Therefore, the Group's inability to reduce doubtful debts or control the general credit quality of customers may negatively impact the Group's business, financial position, results of operations and future prospects.

It should be noted that as part of the provisions for doubtful debts as of 30 June 2022G amounted to SAR 49 (which is equivalent to 3.5% of total accounts receivable and 1.5% of total sales), there is a provision amounted to SAR 34.4 million that relates to a doubtful debt amounted to SAR 40.4 million owed from a client to REW (Modern Oceans Company). On 10/2019G, REW initiated a litigation claim against such client whereby both parties concluded a settlement agreement by virtue of which the major shareholder of the client agreed to sell plots of land he owns in Arab Republic of Egypt to REW against the settlement of his debt and the revocation of the litigation claim. Therefore and on 10/06/2021G, REW entered into a sale agreement with such client whereby the title to said plots of land was transferred to REW, and a judgement has been rendered by the competent Egyptian court confirming the signature of the client on the sale agreement, which proves that REW becomes the owner of such plots of land.

In light of the mentioned settlement and the purchase of the plots of land by REW against the total amount of doubtful debt owed from such client, the amount of relevant debt has been deducted from the total doubtful debts as of the nine-month period ended 30 September 2022G and the value of such plots has been added to the assets of the Group.

On 18/09/2019G and based on the fact that the Egyptian laws require the ownership of lands and real estate properties to be registered in the Egyptian Notary Public, REW commenced the process to register title to said plots of land; however, the Group does not guarantee completion of the registration process now. The non-ability to register the title in the Notary Public may have a negative effect vis-à-vis third parties when it comes to evidence title to REW, which in turns may have negative impact on the Group's business.

#### **2.1.12 Risks related to the Group's reliance on the expertise and capabilities of senior executives**

The Group's current operations and future plans depend on the experience and capabilities of its management and technical staff from senior executives and qualified employees who have wide experience in manufacturing electric cables and wires and a deep knowledge of the Group's production lines, operations and product research and development, as well as other factors that contribute to its ability to expand and succeed. The majority of the Group's senior executives have extensive experience in manufacturing electric cables and have built strong relationships with the Group's customers, suppliers, lenders and other business partners. Therefore, the Group's loss of any of its senior executives and qualified employees and its failure to recruit replacements with the same levels of experience and qualification would have an adverse effect on the Group's business, results of operations, financial position and future prospects.

#### **2.1.13 Risks related to the inability of any of the Group's companies to renew the licenses required to conduct their business**

The Company and its Subsidiaries are subject to certain laws and regulations that require them to obtain a number of necessary licenses and permits from the appropriate regulatory authorities in the Kingdom and countries in which the Group's companies operate and to maintain the validity of such licenses through compliance with the applicable laws and regulations governing such licenses and permits in order to conduct their business. The failure of any Group company to comply with the applicable laws and regulations governing such licenses and permits may render the relevant company unable to renew such licenses or obtain new licenses that may be required in the future for expansion of its business. Moreover, the failure of any of the Group's companies to comply with the requirements of the licenses and permits related to its activity may cause such licenses and permits to be revoked. Therefore, the loss of any license or permit due to non-compliance with the laws and regulations may result in suspension of the relevant Group activities, which would have an adverse effect on the Group's business, results of operations, financial performance and future prospects.

Since the licenses and permits that the Group must obtain are granted with fixed validity periods, the Group must renew them on an ongoing basis. In this regard, it should be noted that the Group is currently in the process of renewing a number of expired licenses, including civil defense licenses for branches of REW in Riyadh and Khobar and municipal licenses for branches of REW in Riyadh, Jubail to Sakakah. If the Group is unable to renew or maintain its licenses or permits or obtain the necessary licenses and permits to conduct its future business, this would have a negative impact on the Group's business, financial position, results of operations and future prospects.

#### **2.1.14 Risks related to the Group's operations being subject to environmental, health and safety laws and regulations**

The Group's operations are subject to the laws and regulations related to environmental protection and health and safety in the Kingdom, which increasingly impose strict standards that they must adhere to on an ongoing basis. Therefore, the Group incurs high costs as a result of complying with these laws and regulations. The adherence to new and strict standards may require incurring additional capital expenditure or result in the Group being forced to make adjustments in the manufacturing, operational, marketing and sales processes, which in turn would lead to the Group incurring high expenses to meet those changes. In addition, failure to comply with the requirements of those laws and regulations may result in costly civil and criminal penalties to the Group, revocation of related licenses or suspension of the Group's operations and subject the Group to lawsuits by third parties. Health, safety and environmental accidents outside the control of the Group may arise and may negatively affect the Group's reputation, which in turn may adversely affect the Group's business, financial position, results of operations and future prospects.

#### **2.1.15 Risks related to the Group's inability to maintain sufficient insurance coverage for the risks related to its operations**

The Group maintains various types of insurance policies to cover its operations and those of its Subsidiaries, including medical insurance, property insurance, vehicle insurance, land transit insurance and marine cargo insurance (for further details regarding insurance policies, please see Subsection (12.9) "Insurance Policies") of this Prospectus). The Group's operations may be affected by a number of risks, including risks related to electrical and mechanical failures of plants or machinery and devices, risks related to losses from shutdowns, in whole or in part, or risks related to wars, riots, acts of murder and terrorism, for which full insurance coverage is either not available or excluded from the insurance policies or risks for which insurance coverage is available but not commercially feasible, the incurred damage may not be covered by insurance, or the claim made by any of the Group's companies against the relevant insurer may be rejected, all of which would create additional costs for the Group. The Group does not guarantee that all claims filed in the future against any of its companies will be fully covered under the relevant insurance policies. The Group may not be able to obtain sufficient insurance coverage due to increased insurance premium rates or a lack of availability thereof. If insurance coverage costs increase materially, if current insurance contracts are insufficient to cover all claims filed in the future against any of the Group's companies, or if the Group is unable to obtain sufficient insurance coverage as a result of an increased cost or a lack of availability thereof, this may have an adverse effect on the Group's business, results of operations, financial position and future prospects.

#### **2.1.16 Risks related to natural phenomena and disasters such as floods, earthquakes and other natural events**

The Group, its operations or its facilities may be subject to a number of events that are beyond its control that could materially affect its operations such as fires, floods, earthquakes and other natural disasters. Such accidents may result in suspension of business of the Group or of the Group's affected facilities for a period of time, which may have an effect on the Group's revenue during such period as well as emergency capital expenditure and costs of repair, reconstruction and rehabilitation, which the Group may incur in order to repair and rehabilitate the affected facilities to their original condition (for further details regarding the Group's health and safety procedures, please see Subsection (4.14) "Safety and Security" of this Prospectus). Thus, such accidents would have a negative impact on the Group's business, results of operations, financial performance and future prospects.

#### **2.1.17 Risks related to the Group's companies being involved in lawsuits and subject to penalties arising from the ordinary course of their business**

The Group may pursue litigation claims and/or judicial proceedings in the future and may also have litigation claims and/or judicial proceedings filed against it. The Group cannot guarantee the final outcome or the costs it may incur due to such claims or judicial proceedings. Therefore, any negative outcome arising from such claims or judicial proceedings may have an adverse effect on the Group and its financial results. The reasons for such claims and judicial proceedings include, but are not limited to, contractual disputes with suppliers and customers and safety, as the Group sells its products to major service companies inside and outside the Kingdom. The nature of the Group's products is linked to transferring electrical current, which poses a public safety risk if not dealt with properly. Electrical cables and wires are widely used in towers, electrical wiring, construction projects and communication sector projects, which may harm persons in contact with such cables directly or through another conductor if handled improperly.

Hence, in the ordinary course of its business, the Group may face lawsuits and judicial proceedings resulting from several types of incidents, including health and safety, compliance with environmental standards, or liability arising from products or as a result of them being a part of other products. Additionally, the Group may face labor lawsuits and claims due to the large number of the Group's employees and workers. If a judgement is issued against the Group or the Group is forced to resolve a dispute amicably and pay material compensation, this will have an adverse effect on the Group's business, results of operations, financial position and future prospects (for further details regarding the lawsuits filed by and against the Company, please see Subsection (12.14) "Litigation and Disputes") of this Prospectus).

#### **2.1.18 Risks related to protection of the Group's intellectual property rights**

As of the date of this Prospectus, the Group has registered 5 trademarks (for further details on the Group's trademarks and trade names, please see Subsection (12.12) "Trademarks and Property Rights" of this Prospectus). It should be noted that, in general, it is difficult to monitor unauthorized use of trademarks and other violations of intellectual property rights. Additionally, the Group may not be able to register its trademarks in all countries in which it wishes to register such trademarks, as other companies in those countries may have previously registered the same under their own names and used it for their products. In the event that the Group fails to protect its intellectual property rights successfully - or if any other parties steal, breach or infringe upon the intellectual property rights of the Group - the value of the Group's trademark may be damaged, which would adversely affect the Group's business, financial condition, results of operations and future prospects.

The Group may, from time to time, have to file a lawsuit to claim recovery of its rights relating to its trademarks and other intellectual property rights. Other parties may claim that the Group infringed on their intellectual property rights, which could lead to a lawsuit against the Group. Litigation is inherently uncertain and can preoccupy the Group's management, thus incurring significant costs and resources. It may also negatively affect Group revenue and profit, regardless of whether the Group is able to successfully maintain or defend the intellectual property rights. Furthermore, such disputes may result in the Group having to enter into franchise or licensing agreements, which may not be available to the Group at all, or on unfavorable terms. Any of these factors would adversely affect the Group's business, financial condition, results of operations and future prospects.

#### **2.1.19 Risks related to Zakat and taxes**

The Company is governed by the laws and regulations in force in the Kingdom in relation to zakat and tax, including the regulations of ZATCA. The Company has submitted its zakat and tax returns for all financial years from the date of incorporation up to the financial year ended 31 December 2021G, and has accordingly obtained zakat certificates for these years. However, the Company has not received the final zakat and tax assessments for the years 2016G-2021G, as all of the Company's zakat and tax returns are still under review by ZATCA. It should be noted that with regard to the Company's Zakat and tax declaration for the financial year ended 31 December 2016G, the Company received an amendment letter from ZATCA on 27/04/2022G, obligating the Company to pay differences amounting to SAR 36,857,358.76. The Company objected to the same and ZATCA rejected this objection by virtue of its letter dated 08/09/2022G. The Company filed a grievance against the decision of ZATCA with the General Secretariat of Tax Committees. As of the date of this Prospectus, this case has not yet been adjudicated by the General Secretariat of Tax Committees. It should be noted that the Company has not set aside a provision for such differences as it believes in the strength of its position in the said case based on the data and the opinion of the Zakat consultant concerned with the follow-up of the said case.

The Company's zakat provisions amounted to SAR 22 million, SAR 29.4 million, SAR 29.7 and SAR 19.3 million as of 31 December 2019G, 31 December 2020G, 31 December 2021G and 30 June 2022, respectively. The Company has set aside a provision for Zakat and income in its calculations for all historical periods, however, this provision may not be sufficient to meet the Zakat and income obligations for the above-mentioned historical periods. In the event that the provisions for Zakat and income set aside in its accounts are insufficient to meet any additional Zakat or tax obligations imposed by ZATCA, the Company will form additional provisions covering the value of such Zakat or tax obligations. The Company will bear any additional claims that may arise from ZATCA, which will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

### **2.1.20 Risks related to the Group's inability to continue to comply with the Saudization requirements**

Based on the regulations and instructions of the Ministry of Human Resources and Social Development in the Kingdom regarding the Saudization system (Nitaqat program), the Company is classified within the medium green range (Nitaq) with a Saudization rate of 28.79%, RCM is classified within the low green range (Nitaq) with a Saudization rate of 25.39%, REW within the low green range (Nitaq) with a Saudization rate of 25.48%, RTC within the low green range (Nitaq) with a Saudization rate of 24.97% and RCC within the low green range (Nitaq) with a Saudization rate of 17.23%, as of 30 June 2022G. It may be difficult for the Group to continue to employ Saudi employees and maintain the Saudization rates, and therefore any of the Group companies may fail to comply with the requirements of the Nitaqat program. The Group does not guarantee its ability to raise or maintain the required Saudization rates, and the increase in the number of foreign employees or the inability of any of the Group companies to implement the Saudization requirements may lead to the exposure of the related company to a number of penalties or the payment of high fees, which may negatively affect the Group's business, financial position, results of operations and future prospects.

### **2.1.21 Risks related to governmental fees applicable to non-Saudi employees**

The Government approved a number of decisions aimed at implementing comprehensive reforms in the Saudi labor market, by imposing additional fees on every non-Saudi employee working for Saudi institutions as of 14/04/1439H (corresponding to 01/01/2018G), along with additional fees for issuing residence permits and renewal fees for non-Saudi families (which entered into force on 07/10/1438H corresponding to 01/07/2017G), taking into account their gradual increase from four thousand, eight hundred Saudi Riyals (SAR 4,800) to nine thousand, six hundred Saudi Riyals (SAR 9,600) annually per employee in 2020G. The residence permit fees incurred by the Group amounted to SAR 19.2 million, SAR 10.8 million, SAR 12 million and SAR 6 million for the financial years ended 31 December 2019G, 2020G and 2021G and the six-month period ended 30 June 2022G, respectively.

In general, the increase in Government fees paid by the Group for the issuance and renewal of residence permits for its non-Saudi employees will lead to an increase in the prices of the products provided to its customers. In addition, increases in fees for the issuance and renewal of residence permits incurred by non-Saudi employees on behalf of their families will lead to a higher cost of living. This may lead to non-Saudi employees of the Group searching for job opportunities in other countries with lower living costs. In this case, it will be difficult for the Group to retain its non-Saudi employees, which in turn will affect the Group's ability to maintain its employee base. The Group may have to incur additional Governmental fees related to the issuance and renewal of residence permits for non-Saudi employees, which will result in higher financial obligations for the Group. Thus, the rise in Governmental fees and the difficulty of maintaining non-Saudi employees and the foreign workforce will negatively affect the Group's business, results of operations, financial position and future prospects.

### **2.1.22 Risks related to the Group's operations relying heavily on IT systems**

The Group uses a large number of information technology systems to manage its business, including, but not limited to, manufacturing, storage, distribution, advertising, selling, following-up and accounting and financial matters. It should be noted that the Group might bear significant operational costs and consequences as a result of updating its information technology systems and networks, or due to the Group adopting additional measures to protect its data or information technology systems, whether as a result of expansion, modernization, new technologies, systems and regulations or other such factors. In addition, the increased use and dependence of the Group on applications and systems hosted on networks (such as cloud computing) to store, process and transmit information exposes the Group, its employees and its customers to the risk of loss or misuse of such information. In the event that the Group's information technology systems are compromised for any reason, it may lead to a leakage of data regarding the employees, customers and consumers of the Group's products, which may expose the Group to lawsuits against it by the affected parties, thus tarnishing its reputation.

Any internet or IT infrastructure malfunctions, including those related to the Group's computer systems, website and electronic application, or the occurrence of any of the above-mentioned risks would negatively affect the Group's business, financial position, results of operations and future prospects.

### **2.1.23 Risks related to the emergence of competitive products that are more technologically advanced and more efficient than the Group's products and the imposition of new specifications on the Group's products**

The Group operates in a sector that depends on continually developing and increasing the efficiency of its products. The cables (both electrical and communication cables) and electrical wires sector undergoes technical developments in cable and wire manufacturing techniques and specifications that may have a significant impact on the quality of materials used in manufacturing and production techniques. Accordingly, some companies which consume the Group's products change the specifications of the products that they request to keep pace with the latest state of the art technology, which will, in turn, force the Group to upgrade its technology and machinery and adjust its manufacturing process to meet its customers' needs, which may require capital investment and the incurrence of costs which may be high. In the event that the Group is unable to price new products adequately in order to pass the additional costs to its customers, the Group will incur additional costs that will adversely impact the Group's business, results of operations, financial position and future prospects.

The Group's products are subject to standards imposed by the Saudi Standards, Metrology and Quality Organization (SASO). If SASO amends such standards or imposes new specifications requiring changes in the manufacturing process and the purchase of new equipment, this may result in the incurrence of costs and capital investments by the Group, which would increase manufacturing costs. Should the Group not be able to pass the cost increases to its customers, this would reduce its profit margin, which, in turn, would negatively affect the Company's business, results of operations, financial position and future prospects.

### **2.1.24 Risks related to manufacturing defects in the Group's products**

The Group relies heavily on the integrity of its products due to the seriousness and importance of their applications. Failures or manufacturing accidents may occur or raw material quality may adversely affect product quality. Moreover, employee errors at the plants is likely and the occurrence of any of the aforementioned scenarios may lead to defects in the quality of the Group's products, which may result in the imposition of sanctions or financial liabilities on the Group and adversely affect its reputation. The Group cannot categorically guarantee that such defects will not occur. Therefore, if such defects were to occur, this would have a negative impact on the Group's business, results of operations, financial position and future prospects.

### **2.1.25 Risks related to compliance with customer quality requirements and manufacturing specifications**

The quality of the Group's products depends on the effectiveness of its quality control system, which in turn depends on various factors such as the design of the control systems, quality control, quality control training programs, ensuring employees' compliance with the quality policies and standards in place and other such factors. Therefore, any failure by the Group in maintaining the effectiveness of quality control systems will result in manufacturing products of lower quality compared to competing products, which in turn will largely impact the Group's reputation, which would have an adverse effect on the Group's business, results of operations, financial position and future prospects.

If any product fails to pass the quality control procedures, if the Group is unable to maintain and service its products as per the applicable standards for any reason, if any defect is identified while screening and checking the Group's products, or if any of the Group's companies loses the certificates and approvals required to sell and market its products, this would harm its reputation and adversely affect its ability to sell its products, which in turn would negatively impact the Group's business, results of operations, financial position and future prospects.

In manufacturing its products, the Group complies with specific specifications set out in its contracts with its customers in order for the products to meet the customers' needs and purposes of usage. The Group delivers its products within time periods specified by the contracts. Therefore, the Group's inability to manufacture products that fully meet the agreed specifications or its inability to deliver the products at the times specified in the respective contracts will adversely affect its reputation and may result in penalties, fines or lawsuits filed by the affected customer seeking compensation for damages incurred due to delay or non-compliance with the required specifications. If any such incidents were to occur, this would adversely affect the Group's business, results of operations, financial position and future prospects.



### **2.1.26 Risks related to the Company's Management lacking experience in management of public joint stock companies**

Since its incorporation, the Company has operated as a private company. Therefore, the executive management staff has limited experience in managing public joint stock companies and methods of compliance with laws and regulations pertaining to public joint stock companies listed on the Stock Exchange. Executive management staff, in particular, must make additional efforts to ensure the Company's compliance with applicable regulations, including rules related to disclosure requirements of companies listed on the Stock Exchange, which may reduce the time allocated by the executive management staff for carrying out the day-to-day business of the Company. Should the Company fail to comply with the laws and regulations and disclosure requirements for listed companies in a timely manner, such failure will cause the Company to be guilty of regulatory violations and subject the Group to the imposition of financial fines by the competent authorities. If the fines are large, this could adversely affect the Group's business, results of operations, financial position and future prospects.

### **2.1.27 Risks related to the Group's inability to implement its growth strategy in the future**

The Group's future performance depends on its ability to implement its expansion plans and growth strategies. However, the Group cannot guarantee the success of such plans and strategies, as this will depend on several factors including the following:

- Developing the Group's manufacturing, financial and administrative systems to keep pace with these expansions, while maintaining and developing the current quality level of the Group's products.
- Collaboration with current and future customers.
- Identifying new products and geographic markets as well as competing successfully with such products and in such markets and complying with the relevant regulatory requirements.
- Availability of adequate financing (including the financial resources currently available to the Group) in accordance with acceptable terms.
- The competition faced by the Group from internal and external parties.
- The Group's ability to reduce costs and establish controls to maintain quality and service levels.
- Increasing qualified personnel and training and managing them with the required competencies.
- The presence of favorable economic, regulatory and market conditions for the Group.

In the event that any of the aforementioned factors or other factors beyond the control of the Group are not realized, the Group's revenues may not grow at the same rate as in previous periods, or the Group may incur additional costs without obtaining the expected revenues from the implementation of its expansion plans. It may also not be possible to reach the expected level of profitability during the time schedule specified in such plans, which will affect the competitive position of the Group, increase pre-operating costs and thus negatively affect the Group's business, financial position, results of operations and future prospects.

Based on the foregoing, the failure of the Group to effectively implement its expansion plans and growth strategies will negatively affect the Group's business, financial position, results of operations and future prospects.

### **2.1.28 Risks related to potential future acquisitions**

The Group's strategy includes expansion in size and scope, and therefore the Group may seek to make acquisitions, investments or mergers that would complement or expand the scope of the Group's business. Some of these operations may be large in relation to the volume of the Group's business and may require significant capital and/or additional support. Such acquisitions, investment, or mergers involve various risks, including the Group's failure to assess the value, strengths and weaknesses of an accurately targeted acquisition, investment, or merger, effectively merging businesses or assets acquired, achieving expected integration, or recovering acquisition costs on those businesses or assets. The Group may incur unanticipated costs, liabilities and losses in connection with any business or asset it acquires, including in connection with the retention of key personnel, or potential legal obligations (such as contractual, financial, regulatory, environmental or other obligations and liabilities) and risks related to the acquired business, and to maintain and integrate procedures, controls and quality standards. These difficulties could affect the ongoing business of the Group, distract its management and employees and increase its expenses, which may have a negative and material impact on the Company's business, results of operations, financial position and future prospects.



### **2.1.29 Risks related to sector concentration, specialization and the market**

The Group's activities are limited to the sectors of production, marketing and sale of cables, electrical wires, overhead connectors and optical fibers, in addition to high and extra-high voltage cable electrical contracting project work. Changes in the supply of these products within the Kingdom and abroad, as well as developments in production patterns and methods, are all considered basic factors affecting this industry, both positively and negatively. Consequently, the inability of the Group to diversify its products in the future in line with these market changes will affect the Group's business, financial position, results of operations and future prospects.

### **2.1.30 Risks related to the dependence of the Group on the Saudi Electric Company as a major client**

The Saudi Electricity Company (SEC) is one of the Group's main customers with the Group's sales to SEC amounting to SAR 465,361,000, SAR 635,692,000, SAR 561,521,000, SAR 564,508,000, accounting for 10.2%, 15.6%, 11.5% and 17.4% of the Group's total revenue in the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G, respectively.

SEC relies on Government subsidies, Government expansion plans and private sector projects, which may directly or indirectly affect the volume of SEC's demand for the Group's products.

Therefore, any decrease in the rate of SEC purchases of the Group's products as a result of reduced expenditure on electricity projects or other reasons, or the inability of the Group to win SEC tenders, may lead to a decrease in the Group's sales volume, which would have a negative impact on the Group's business, results of operations, financial performance and future prospects.

## **2.2 Risks Related to the Market and the Industry**

### **2.2.1 Risks related to supply and demand fluctuations in domestic and regional markets**

Production volume in the electrical cables and wires sector, like other sectors, is affected by supply and demand fluctuations in the domestic and regional markets. Therefore, if regional production levels do not adapt to the sharp decline in demand, this will affect the productivity of manufacturers of electrical cables and wires and the levels of their sales, which in turn will affect the sector's overall performance and thus the Group's business prospects, results of operations, financial position and future prospects.

Moreover, fluctuations of supply and demand for electrical cables and wires in global markets may result in a continuous increase in production capacity. Accordingly, the existence of large surplus stock of electrical cables and wires domestically and regionally may force the Group to decrease production or decrease the prices of its products, which will adversely affect the Group's profit margins and thus its business, results of operations, financial position and future prospects.

### **2.2.2 Risks related to an outbreak of an infectious disease**

An outbreak of a contagious disease in the Kingdom or elsewhere, or any other serious public health concern such as the global spread of the novel coronavirus (COVID-19) may have a negative impact on economies, financial markets and commercial activities around the world, including the Group's business. For instance, the global outbreak of the novel coronavirus (COVID-19) has led to volatility in global capital markets, affected commodity prices, led to high levels of unemployment and negatively affected global demand and prices for oil. The Kingdom, like other countries, has adopted strict preventive and precautionary measures on travel and public transportation, requirements for people to stay at home, the practice of social distancing, and the closure of workplaces and economic activity for long periods leading to a severe disruption of the Kingdom's economy. The severity of these preventive and precautionary measures varied from time to time, depending on various factors that include the severity of the virus' spread. There are no guarantees related to the type of preventive and precautionary measures applied and the duration of their application, and therefore the current preventive and precautionary measures may be tightened or lessened. Any outbreak of other infectious diseases around the world may lead to a prolonged decline in oil prices, or a prolonged negative impact on the Kingdom's economy, which will have a negative and material impact on the Company's business, financial position, results of operations and future prospects.

Additionally, despite the Group's implementation of a number of precautionary and preventive measures, which include providing preventive health products such as masks, sanitizers and gloves, training workers on preventive methods and applying social distancing, the effectiveness of these measures or any other measures taken in the future to prevent the spread of the novel coronavirus (COVID-19) among the Group's employees cannot be guaranteed. The viral infection can spread rapidly among employees in the Company's industrial facilities, storage and distribution centers and workforce accommodation facilities despite taking all the mentioned measures. In the event that such infections occur, there would be a shortage of employees, which may lead to temporary closure of the Group's factories. Government agencies may impose strict preventive measures on the Group, which may lead to the Group incurring additional costs, which will have a negative and material impact on its business, results of operations, financial position and future prospects.

### **2.2.3 Risks related to competition and its intensity**

The Group operates in a competitive environment, both domestically and regionally. This competition is expected to remain at the regional level in the future given that expected growth rates in electrical wire and cable markets may not reach historic growth rates. The domestic market is competitive; domestic manufacturers offer products largely similar to those of the Group but are primarily focused on low and medium voltage electrical cables and wires.

Any of the Company's domestic or regional competitors or any new competitor may offer products at a lower cost or build stronger relationships with the Group's customers. Therefore, such factors may adversely affect the Group's volume of sales. Moreover, competitors may have a lower capital cost compared to the Group and potential access to financing sources unavailable to the Group, and, therefore, enjoy faster growth. The pricing policies adopted by the Group's competitors may impact the Group's competitiveness. Additionally, any surplus in the products on sale in the market may result in greater competition, which will affect the Group's ability to sell its products at competitive prices. If the Group cannot compete effectively, it will not be able to maintain its profitability or its market share, which will have an adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.2.4 Risks related to fluctuations in interest rates, currency exchange rates and financing costs**

The Group is exposed to currency exchange rate risks whereby it engages in commercial relations with foreign parties. For example, the Group supplies its products to customers located outside the Kingdom, which sometimes requires transactions to be conducted in the currencies of such customers. These foreign currencies may not be pegged to the US dollar. As the Group's transactions are made in Saudi Riyal and other currencies, the Group is subject to the risk of foreign currency exchange rates, and moreover, any unpredicted significant fluctuations in exchange rates will adversely affect the Group's financial performance.

Increased financing costs will result in the Group incurring additional costs, which will adversely affect its future profitability and its ability to pay and fulfil its obligations toward the financing parties. Increased financing cost rates, whether stable or variable (i.e., the costs based on Saudi Interbank Offered Rate (SIBOR) or London Interbank Offered Rate (LIBOR) payable to the Group's financing parties will result in an increase in the cost of financing needed by the Group in order to finance its business, which would adversely affect the Group's business, results of operations, financial position and future prospects.

### **2.2.5 Risks related to increases in production costs**

The performance of the Group also depends on its ability to preserve its profitability ratios by maintaining appropriate prices for its products and its ability to pass on any increase in production costs to its customers by raising the prices of products. In reality, controlling the price of products is not within the Group's complete control, as prices depend fundamentally on supply and demand in the market. Therefore, if operating and production costs rise and the Group is unable to raise the prices of its products to compensate for those costs, the Group's profitability will be greatly affected, which would negatively affect the Group's business, results of operations, financial position and future prospects.

### **2.2.6 Risks related to the emergence of new laws affecting the way the Group conducts its operations**

The Group is subject to the risk of changes to laws and policies in the Kingdom or other countries in which the Group's companies operate, including the laws and policies relating to taxes, liquidations, imports, exports, currencies, environmental protection, labor standards and occupational health and safety standards. The regulatory and legal environment in the Kingdom remains less comprehensive compared to some other countries and is therefore more vulnerable to development and change than others. The costs associated with compliance with these systems and regulations are high. In the event that amendments are made to the current laws or regulations, or new laws or regulations are issued in relation to the Group's manufacturing business, the Group may be forced to make modifications to its manufacturing operations or to make modifications to its products or production lines in conformity with the requirements imposed by these laws which would cause the Group to incur additional financial expenses or materially affect the results of its, its financial position and future prospects.

Additionally, compliance with the legislation and regulations applicable to the Group's operational activity is considered a continuing obligation. Accordingly, the failure of the Group to comply with these laws and regulations on an ongoing basis will expose it to violations, fines or penalties from the regulatory authorities, which will negatively affect its operations by limiting the growth of its revenues or suspending its work or licenses.

### **2.2.7 Risks related to changes in the mechanism for calculating Zakat and income tax**

The Zakat, Tax and Customs Authority (formerly known as the General Authority for Zakat and Tax) issued Circular No. 6768/16/1438 dated 05/03/1438H (corresponding to 05/12/2016G), which obliges Saudi companies listed on the Exchange to calculate income and Zakat on the basis of the nationality of shareholders and actual ownership between Saudi and Gulf citizens and others as contained in the "Tadawulati System" at the end of the year. Prior to the issuance of this circular, companies listed on the Exchange were generally subject to Zakat or tax on the basis of the ownership of their founders in accordance with their articles of association, without the listed shares having an impact on determining the Zakat base. This circular was to be applied in the year ended 31 December 2016G and subsequent years. However, the Zakat, Tax and Customs Authority (formerly known as the General Authority for Zakat and Tax) issued its letter No. 12097/16/1438H on 19/04/1438H (corresponding to 17/01/2017G) postponing the implementation of the circular for the financial year ended 31 December 2017G and the following years. Until the Zakat, Tax and Customs Authority (formerly known as the General Authority for Zakat and Tax) issues its directives regarding the mechanisms and procedures for implementing this circular, the implementation of this circular, including the final requirements to be met, are still under consideration, in addition to the rules imposing income tax on all non-Gulf residents who are shareholders in listed Saudi companies which apply withholding tax on dividend distributions of non-resident shareholders regardless of their nationalities.

### **2.2.8 Risks related to political instability and security concerns in the Middle East**

The majority of the Group's manufacturing business, assets and business base are located in the Kingdom. The Group exports its products to a number of countries in the Middle East, which include the United Arab Emirates, Kuwait, Oman, Iraq and Egypt, where the Group's sales to its customers in these countries constituted 36.2%, 32%, 31.9% and 31.6% of its total sales as of 31 December 2019G, 31 December 2020G, 31 December 2021G and 30 June 2022G, respectively.

The Middle East region is exposed to a number of geopolitical and security risks. Furthermore, given that the political, economic and social environments in the Middle East region in which the Group operates are still subject to continuous developments, investments in this region may be characterized by a degree of uncertainty. Any unexpected changes in the political, social, economic or other conditions in the countries located in the Middle East may have a material negative impact on the markets in which the Group operates and its ability to retain and attract customers in these areas and the investments made by the Group or that it may make in the future. This, in turn, would negatively affect the Group's business, financial position, results of operations and future prospects.

### **2.2.9 Risks related to the impact of economic conditions on the Group's operations**

As the majority of the Group's activities and operations take place inside the Kingdom, the financial performance of the Group depends mainly on the economic conditions prevailing in the Kingdom, in addition to global economic conditions which in turn affect the Kingdom's economy. It should be noted that investments in emerging markets - such as the Kingdom - generally carry a higher degree of risk compared to investing in other economies.

Given that the oil sector occupies the largest share of the Kingdom's GDP, the potential fluctuations in oil prices may negatively affect the Kingdom's economy. Therefore, the decline in oil prices for an extended period could lead to a recession or economic depression, which may result in a reduction in Government spending and the suspension of a number of infrastructure projects. This would negatively affect the Group's business, results of operations, financial position and future prospects.

There is no guarantee that negative developments in international relations, or the economic and political conditions arising in any other country, would not negatively affect the Kingdom's economy, direct foreign investment in it, or the Kingdom's financial markets in general. As such, there is no guarantee that these factors would not adversely affect the Group's business, results of operations, financial position and future prospects.

Any unexpected major changes in the political, economic or legal environment in the Kingdom or in any other countries in the Middle East would adversely and materially affect the Group's business, results of operations, financial position and future prospects, including, but not limited to, normal fluctuations in markets, economic stagnation, insolvency, rising unemployment rates, technological shifts and other developments.

## 2.3 Risks Related to the Offer Shares

### 2.3.1 Risks related to control by Selling Shareholders

Following the completion of the Subscription, the Selling Shareholders will jointly own a minimum of 70% of the Company's share capital. Therefore, the Selling Shareholders will be able to influence all matters and decisions requiring the shareholders' approval, including election of members of the Board of Directors, approval of the Company's significant contracts and activities and changes to the Company's Share Capital and Bylaws, which may be used in a manner that adversely affects the Company's business prospects, results of operations and financial position, which will, in turn, have a negative impact on the expected returns of subscribers or result in subscribers' partial or complete loss of their investments in the Company.

### 2.3.2 Risks related to the absence of a prior market for the Company's shares and the possibility of share price volatility

The Company's shares have not previously been offered or traded on a public stock market. There is no guarantee that there will be an effective and continuous market for trading in the Company's shares after the end of the subscription. The subscription price has been determined based on several factors, such as the Company's position, its future aspirations, the market in which it competes, and an evaluation of the Company's administrative, operational and financial results. Factors such as differing financial results, general conditions, the general economic situation, the regulatory environment in which the Company operates, and other factors beyond the control of the Company, may lead to a significant variation in the liquidity and price of the Company's stock.

### 2.3.3 Risks related to fluctuations in the market price of the Shares

The Offer Price has been determined based on several factors, including the Company's past performance, future business prospects and the markets in which it competes, as well as an evaluation of the Company's management and its operational and financial results. The Offer Price may not be equal to the trading price of the Shares after the Offering is completed, and investors may be unable to resell the Offering Shares at the Offer Price or at a higher price, or they may be unable to sell the Shares at all.

In general, the stock market is exposed, from time to time, to severe fluctuations in price and volume, and market fluctuations may lead to large changes in the price of the shares, which may cause a decline in the value of the shares, with an increase in price volatility if trading volume decreases. The stock price may be negatively affected due to several factors, including the Company's performance, expected results of its operations, key employees leaving their positions, changes in earnings estimates or expectations, changes in business strategy, market conditions for the Company's sector and the general condition of the Kingdom's economy, and any changes in laws, regulations, terrorist acts, acts of war, natural disasters, tragic events, and price fluctuations in the stock market. The occurrence of any of these risks or other factors will lead to a material and negative impact on the expected returns of the subscribers or may result in the loss of all or part of their investment in the Company.

### 2.3.4 Risks related to the distribution of cash dividends and restrictions imposed by the financiers on the distribution of profits

The distribution of dividends depends on several factors, including the Company's ability to achieve profits, its financial position, statutory reserve requirements, available credit limits, general economic conditions, cash flows, working capital requirements, capital expenditure and the acceptance of financiers who, as per the financing agreements with the Company, stipulated not to distribute dividends without complying with specific financial criteria or obtaining prior approval from the financing entity, and other factors subject to the recommendation of the Board in announcing the distribution of dividends. Shareholders may not get any return on their investment in shares except by selling the shares at a price higher than the purchase price. Accordingly, the Company does not guarantee in any way that it will have sufficient funds to distribute dividends or that it will declare dividends to shareholders in the near future. Accordingly, the subscribers must take these risks into consideration, as they may have a negative and material impact on their investment plans and projects (for further details regarding the Company's dividend distribution policy and the restrictions imposed by the financiers on distributing cash dividends, please see Section (7) "Dividend Distribution Policy" and Section (12) "Legal Information" of this Prospectus).

### **2.3.5 Risks related to offering additional shares to increase capital**

The Company may need, from time to time, to raise its share capital to meet its business requirements. The following are some factors that may require the Company to increase its share capital: (a) expansion of the Company's activities in a way that exceeds the capability of its budget, (b) imposition of additional capital requirements as a result of new laws and regulations, or (c) exhaustion of the current share capital due to unexpected operational losses. The Company may not be able to increase its share capital at the time it needs or in a manner that serves its interest or the interests of current shareholders, which will adversely affect the Company's business prospects, results of operations, financial position and future prospects.

Should the Company offer new shares in the future, including initial offerings, this may result in a decrease in the subscribers' shareholding percentages in the Company and material negative impacts on the trading price of the shares as a result of offering future equity or the sale of shares by its Substantial Shareholders. Moreover, the subscribers' recognition of such sale or offering may affect the share trading price. Consequently, subscribers must carefully consider such risks, which would negatively affect their plans and investment projects.

### **2.3.6 Risks related to a substantial number of shares being sold on the market following the lock-up period**

The Company's offering of any ownership stakes in the future, including the offering of a rights issue, may lead to a reduction in subscribers' shareholding percentages in the Company and result in negative and material effects on the stock trading price as a result of offering future equity or the sale of shares by existing shareholders. The Existing Shareholders are subject to a lock-up period of six (6) months starting from the date of commencement of trading of the Company's Shares, during which they may not dispose of any Shares. However, they may dispose of their Shares in the Company following the expiration of the Lock-up Period. Although the Company does not currently plan to issue new Shares immediately after the end of the subscription, any change to such plan in the future resulting in the Company making significant issuances of Shares or the Existing Shareholders selling large quantities of their Shares following the Lock-up Period will negatively impact the Share price on the market. Accordingly, prospective investors should carefully consider these risks, as they may have a negative and material impact on their investment plans and projects.

### **2.3.7 Risks related to foreign currency exchange when investing in the Offer Shares**

The Offer Shares and any dividends distributed are denominated in Saudi Riyals. Accordingly, any investment in the Offer Shares by an investor whose main currency is different from the Saudi Riyal will be exposed to the exchange rate risk of that foreign currency, which may negatively affect the value of the investment in the Offer Shares or any profits thereunder.

### 3. Market and Industry Overview

#### 3.1 Preface

The information shown below is based on an independent market study conducted by Arthur D. Little Saudi Arabia exclusively for Riyadh Cables Group Company. RCGC has commissioned Arthur D. Little Saudi Arabia to undertake the necessary research and analysis and develop the market and sector overview section of this Prospectus.

Arthur D. Little is an independent management consulting firm that specializes in providing strategic advisory services and market research. Arthur D. Little was founded in 1886G and started its business in the KSA in the 1950s (for further information about the market study consultant, please visit the website [www.adlittle.com](http://www.adlittle.com)).

It should be noted that neither the market study consultant nor any of its affiliates or sister companies, partners, shareholders, members of its board of directors, directors or their relatives, own shares or hold ownership interests in the Company or its subsidiaries. The market study consultant has given its written approval on the use of its name, the market information and analysis conducted to the Company as shown in this Prospectus, and such approval has not been withdrawn to date.

RCGC and the members of the Board of Directors observe that the information and data shown in this Prospectus and other places was derived from other sources – including those provided by the market study consultants – and is credible data and information. Neither the Company nor the members of the Board of Directors, its directors or other consultants have checked or verified the accuracy or completion of the information shown in this section, and none of them shall assume any responsibility as to such information. In addition, such information shall not constitute the sole basis for taking or refraining to take any investment-related decisions.

Conclusions shown in this section are based on analysis conducted by the market study consultants, which are based in part upon its analysis of materials and information collected from third party research institutions, government agencies, its internal and external network of experts and other publicly available resources.

The market study consultant has undertaken its best efforts to assimilate available market data and understand the repercussions of the novel coronavirus pandemic (COVID-19) and its impact on the market to the best of its abilities and expertise. However, the repercussions of the pandemic may have a far-reaching impact on the economy and industrial growth trends worldwide. As a result of the uncertainty of the impact of the pandemic, actual market trends may vary significantly from indicated forecasts.

While this section of the Prospectus represents the market consultant's current view of market size, growth and its related dynamics, realization of forecasts is contingent on several additional factors. These include, but are not limited to, effective implementation of policy initiatives within an appropriate timeframe, regulatory and technological changes and developments, and industry trends and movements.

As a result, third-party use of any information contained in this section for any purpose should not, and does not, absolve such third party from using their own due diligence and appropriate assessment in verifying the market study report's contents or deriving conclusions from the same.

#### 3.2 Research Methodology and Approach

This market study is an output of comprehensive research conducted during March and April 2022G based on:

- i- analysis of publicly available sources and information;
- ii- analysis of documents and material provided by RCGC; and
- iii- the data from multiple sources cross-checked and triangulated according to Arthur D Little's methodology.

This market study focuses on estimating the market size for products generating a large proportion of RCGC's current revenues and the geographic areas where RCGC is generating these revenues. Thus, considering the share of average revenue between 2019G and 2021G, this market study will focus on the following product categories and geographies:

**Table (7): Focus Product Categories and Geographies for the Market Study**

Product category	Geographic coverage	Revenue share
Power cables (including wires, low voltage cables, high and extra-high voltage cables and OHLs)	KSA, rest of the GCC (UAE, Kuwait, Qatar, Oman, and Bahrain) and Iraq	95%*

Source: The Company

\* Based on the average Company revenue 2019-2021

It must be noted that Subsection (3.5) "GCC Market Assessment" of this Prospectus excludes the KSA, and includes only the UAE, Kuwait, Qatar, Oman, and Bahrain.

Additionally, a brief global overview of the defined market has also been included to understand the global context.

The market size for the selected RCGC products is estimated according to the expected demand from projects (ongoing and upcoming) across different industry verticals, the estimation of particular geographies' production, imports and exports, and the revenues of the key players in the market.

Key sources leveraged for developing the report include the IMF, World Bank, Kingdom of Saudi Arabia's General Authority for Statistics (GASTAT), National Vision documents for KSA, GCC countries and Iraq, MEED projects database, etc.

This market study has been conducted in Saudi Riyal (SAR) (where the exchange rate of 1 USD = 3.75 SAR).

### 3.3 Global Market Overview

#### 3.3.1 Overview of the Emerging Trends in the Power Cables Market

The global economy is witnessing a strong recovery post-pandemic and is expected to have steady, real GDP growth between 2022G and 2027G. The growth in the global power cables market is driven by the following key factors:

- **Construction:** Spending in the construction sector is expected to grow at a CAGR of 4.4% between 2022G and 2027G.,
- **Urbanization:** The world population is projected to reach 9.7 billion by 2050G. Furthermore, urbanization is increasing as up to 68% of world population projected to live in urban areas by 2050G, compared to 57% in 2021G. As countries undergo urbanization, demand for cables is expected to increase spending on infrastructure and improve access to electricity.
- **Energy transition:** In accordance with carbon emission reduction commitments, countries have started their energy transition to renewable sources. Within the next two years, 425 GW of renewable energy capacity is expected to be added globally. The transition to renewables and modernization of power grids is expected to drive the revamp of power infrastructure.
- **Electrification:** In their bid to reduce carbon emissions, countries are actively looking at adoption of carbonless energy at the consumption end of the energy value chain. To achieve this objective, countries are electrifying buildings, industries and transportation, which is driving demand for both electricity and electrical products.

Aided by these trends, the global power cables market is forecasted to grow at a CAGR of 4.4% to reach SAR 894 billion by 2027G, from SAR 690 billion in 2021G.

### 3.3.2 Impact of the COVID-19 Pandemic

The COVID-19 pandemic continues to impact countries around the world and the number of new coronavirus cases worldwide continues to fluctuate. As of April 19, 2022G, around 505 million cases have been recorded worldwide. However, the various prevention measures have helped slow the spread of new infections across the world and immunization programs are well underway with the number of COVID-19 vaccine doses administered worldwide reaching over 11.5 billion.

COVID-19 strongly impacted the global economy in 2020G, and the global GDP declined at a CAGR of 3.1%. The global economy recovered at a CAGR of 6.1% growth in 2021G and is expected to normalize with a CAGR of 3.6% in 2022G.

Globally and in the Middle East, the construction industry and the development of mega-projects started to slow in 2020G, and new projects planned in 2021G were postponed to 2022G. These projects are expected to result into strong growth in the construction sector in 2022G.

### 3.3.3 Regulatory Environment

Considering the inherent fire and human safety risks created by the transmission and distribution of electricity, the manufacturing of power cables is defined by local and international standards. These standards define manufacturing techniques, use of materials (conductors, sheathing, shielding, etc.) and technical specifications. A cable manufacturer needs to demonstrate locally that each of these products meets such standards. These tests are done in dedicated testing labs for pre-qualification, qualification, in-process and final testing. These standards are usually implemented by the concerned bodies that monitor cable manufacturers. The overall process for certifications for complex cables and higher voltage cables can last months and requires major investments into testing facilities. The main standards followed in the Middle East include BS (British Standard), IEC (International Electrotechnical Commission), SASO (the Saudi Standards, Metrology and Quality Organization), ESMA (the Emirates Authority for Standardization & Metrology), VDE (Association for Electrical, Electronic & Information Technologies), DIN (German Institute for Standardization), ASTM (American Society for Testing and Materials), etc.

## 3.4 KSA Market Assessment

### 3.4.1 Assessment of Macroeconomic, Demographic, and Emerging Trends

The KSA has the largest power cables market among the Gulf countries, thanks to an extensive construction market across key industry verticals that use cables extensively (power projects, infrastructure projects, industrial projects, residential projects).

The power cables market in the KSA is expected to grow in the coming years driven by key trends stimulating the amount of construction to be executed in the KSA:

- **Economy:** The Saudi economy has recovered in 2021G and is expected to exhibit growth in the coming years. This growth will be bolstered by high oil revenue and supported by the economic diversification of the Saudi industrial landscape.
- **Vision 2030:** Through Vision 2030, the Saudi government aims at transforming the KSA into a thriving economy based on sustainable growth and enabling a vibrant society.
- **Demographics:** Population growth, a higher rate of home purchases and the emergence of a more urban lifestyle are increasing the need for housing.
- **Power infrastructure:** The KSA has set up one of the world's most ambitious plans to transition to low carbon power generation.



### 3.4.1.1 Macroeconomy of the KSA

The KSA is among the world's largest economies, a member of G20, and the largest economic contributor in the Middle East, with a nominal GDP estimated at SAR 3.9 trillion in 2022G.

Revenues from the oil and energy sector have supported the economic growth in the KSA and have enabled significant development in the overall standards of living over the past 20-30 years. The KSA has remained one of the leading global exporters of oil and is among the top three oil producing nations with about 40.6% of the country's GDP being derived from the oil sector in 2021G. Seeking to diversify its economy, the KSA has become a major financial, industrial and manufacturing player in the region. In 2021G, the non-oil sectors accounted for 59.4% of the country's GDP – growing by 3.6% since 2018G.

After a period of limited growth, Saudi Arabia's economy declined by 4.1% in 2020G due to reduced international oil demand and restricted domestic economic activities as a result of the pandemic. In accordance with the global economic rebound, real GDP in Saudi Arabia grew by 3.2% in 2021G and is expected to grow by 3.7% on average between 2022G-2027G. Owing to a surge in oil demand, this growth could be higher, placing the KSA in even more favorable economic conditions.

Alongside all other factors, GDP growth is driving Domestic growth in the construction sector, which increases the demand for power cables.

**Table (8): KSA's National Accounts and Oil Price Indicators (2015G-2027G (F))**

Category	2015G	2016G	2017G	2018G	2019G	2020G	2021G	2022G (F)	2023G (F)	2024G (F)	2025G (F)	2026G (F)	2027G (F)
<b>KSA</b>													
Nominal GDP (SAR Bn)	2454	2419	2582	3062	3014	2638	3126	3901	3832	3852	3921	4022	4154
Real GDP (SAR Bn)#	2454	2495	2478	2540	2547	2443	2521	2713	2810	2886	2964	3044	3129
Real GDP growth rate	N/A	1.7%	-0.7%	2.5%	0.3%	-4.1%	3.2%	7.6%	3.6%	2.7%	2.7%	2.7%	2.8%
<b>Global</b>													
Average crude brent oil price (SAR)	198.8	169.1	205.1	267.4	241.1	157.5	265.1	365.3*	N/A	N/A	N/A	N/A	N/A

Source: IMF Data Mapper, Market Insider website

\* Average of January, February and March 2022G oil prices #GDP at constant price (2015)

### 3.4.1.2 Vision 2030

In 2016G, Saudi unveiled “**Vision 2030**” – a blueprint to diversify the economy and reduce dependency on oil to achieve sustainable growth in the Kingdom. The vision is structured on the pillars of three key themes: “**Vibrant Society,**” “**Thriving Economy,**” and “**Ambitious Nation.**” Under these themes, eleven Vision Realization Programs have been defined.

The success of each Vision 2030 program relies on the development of new infrastructure, construction, industries, and mega-projects enabling the further diversification of the KSA's economy, the transition to a more sustainable growth model, the development of the Saudi quality of life through access to high-quality services and anchoring of Saudi as a global powerhouse.

Major projects have been announced since the Vision's inception, many of which are reaching an accelerated construction phase driven by the Kingdom's leadership. Among them, the following flagship projects will drastically transform the Kingdom:

- **Public infrastructure:** Mecca public transport, Riyadh Airport, Saudi Landbridge Rail, Kingdom National Schools Program, King Hamad and King Fahd causeways, etc.
- **Smart cities and Economic cities:** NEOM, Jeddah Economic City, Medina Knowledge Economic City, etc.
- **Mega-projects:** Red Sea Project, Qiddiya, AlUla tourism region, King Salman Park, Diriyah Gate, Roshn real estate development, etc.

### 3.4.1.3 Demographics

The KSA's population is steadily growing, and the proportion of the youth population remains high. Between 2016G and 2020G, the population grew at a CAGR of 2.4%, and is expected to reach 39.9 million in 2027G, growing at a CAGR of 2.0% between 2022G and 2027G. From an age distribution standpoint, the KSA's population base is skewed towards younger age cohorts, with the largest segment being the 0–14-year-old segment, followed by the working age 25–44-year-old groups. 58% of population is estimated to be below the age of 35. The population distribution naturally indicates there is a strong need for housing for the coming generation of young adults.

**Table (9): KSA's Population (2015G-2027G (F), by Million)**

	2015G	2016G	2017G	2018G	2019G	2020G	2021G	2022G (F)	2023G (F)	2024G (F)	2025G (F)	2026G (F)	2027G (F)
Population	31.1	31.8	32.6	33.4	34.2	35.0	35.5	36.2	36.9	37.6	38.4	39.1	39.9

Source: IMF Data Mapper

**Table (10): KSA's Population Age Distribution (2020G)**

Age group	0-14 years	15-24 years	25-34 years	35-44 years	45-54 years	55-64 years	65+ years
Percentage	24.5%	14.6%	19.2%	20.5%	12.2%	5.7%	3.2%

Source: KSA General Authority for Statistics

### 3.4.1.4 Power infrastructure

The KSA has engaged one of the most ambitious green energy programs in the world, leading to a major transformation of the power infrastructure in the KSA. To realize this program, the KSA is targeting to build 58.7 GW of renewable energy capacity by 2030G, allowing production of 50% of its electricity with zero carbon emissions. The new capacity will mainly come from photovoltaic solar parks and onshore wind farms (respectively 68% and 27% of the new capacity), but also from innovative concentrated solar power plants (5% of the new capacity).

This objective will be further expanded as most of the mega-projects have the objective of sustainably producing their own energy with low carbon emissions.

In order to support this energy transition, the KSA will also have to take grid modernization initiatives. Saudi Electricity Company (SEC) and the Saudi National Grid are also aiming to add 5,400 circuit-kilometers of transmission lines and 86 transformer substations by 2030G.

The KSA is also continuing its grid interconnection efforts to ensure a resilient grid and is expected to become an exporter of green electricity.

## 3.4.2 Power Cable Market Overview

The macroeconomic, demographic, and emerging trends identified will lead to a major uptick in the amount of construction projects in the KSA. It is expected these projects will need diverse types of power cables during their execution.

Some of the cornerstone projects already engaged include:

- **Renewable energy projects**
  - 35 renewable energy parks are planned across the Kingdom, aiming to build 9 GW per year between 2025G-2030G.
  - 4 photovoltaic projects are planned to start by 2023G, totaling 3 GW capacity from Sudair (1.5 GW), Shuaibah (0.6 GW), Jeddah (0.3 GW), and Rabigh (0.25 GW).

- **Development of mega-projects**

- NEOM was born from the ambition of the KSA's Vision 2030 to elevate the Kingdom to become a pioneering and thriving model of excellence. Since its official announcement in 2017G, NEOM has completed its strategy and is currently in the development phase based on implementation of the construction work. The unprecedented budget of SAR 1.9 trillion will be used to develop the north-west of the Kingdom, which should be thirty-three times the area of New York upon completion. Considering that development will start almost from scratch, a complete set of innovative infrastructure and buildings will have to be constructed, including fully renewable power sources and the related power grids, an integrated mobility infrastructure including an airport and seaport, but also autonomous electric vehicle systems. Upon completion, the city should have developed the infrastructure and real estate to welcome 1 million habitants and be a major touristic hub.
- Tourism will constitute an important part of the KSA's economy and will be driven by major development capitalizing on the natural, cultural and entertainment potential of the different regions of the Kingdom. Between the development of cultural sites like AlUla and the development of mega resorts located on the Red Sea, more than 20,000 hotel rooms will be constructed in the short term and will be completed by major touristic infrastructures.
- Riyadh will be transformed to become one of the largest and most advanced cities in the world. Projects totaling more than SAR 180 billion have been announced, primarily through the King Salman Park, Al Qiddiya and the Diriyah Gate projects. These projects aim to build the infrastructure and real estate necessary to double the population of the city by 2030G, and significantly boost the tourism sector.
- The PIF is also investing in the development of affordable real estate complexes across the KSA through Roshn, a dedicated real estate investment company, which will build 150 million square meters of new residential areas in 9 cities across the KSA. It aims to deliver a broad range of homes starting from studios up to premium villas and shares the same Vision 2030 goal as the Housing Program, targeting 70% home ownership by 2030G.

- **Other major projects**

- The KSA is planning to develop infrastructure across the Kingdom to keep it in par with new mega developments. The Riyadh metro, Makkah Public Transport Program (MPTP), AlUla International Airport and Red Sea International Airport are planned to support the respective mega-projects.
- Large retail and leisure projects are also being developed, such as the Mall of Saudi, under the SAR 16 billion master-planned Riyadh North project, which is expected to house over 600 retail stores across in 300,000 square meters of leasable area, along with luxury hotels, branded residences and the Middle East's largest ski slope and snow park.
- Alongside infrastructural development, the KSA is also expanding the industrial sector through industrial projects such as the industrial complex in Ras Al Khair, RCJY LED factory, Waad Al Shamal Phosphate City, etc. and oil and gas projects such as Marjan offshore oil field expansion.
- Lastly, to accommodate increasing affordable housing needs, the Ministry of Housing has planned various residential suburbs across the country such as Al Dar suburb in Medina, Al Mayar and Al Jawhara suburbs in Jeddah, Al Dammam Waterfront, and Al Jawan suburb in Riyadh. The Ministry is currently planning the construction of 470,000 housing units in major suburbs and also has numerous smaller suburb development programs.

Considering these favorable demand conditions, the power cables market relevant to RCGC is expected to exhibit a high growth with a CAGR of 8.3% between 2022G and 2027G. The market is projected to achieve a scale of SAR 16.8-18.7 billion by 2027G.

These conditions are also favorable for the growth in markets of other products proposed by RCGC in the KSA such as telecom cables, special cables, engineering services, etc.

The forecast model has used conservative assumptions on increasing the KSA's capability to execute these projects in a timely manner. There may be a potential upside to the estimate if the KSA progresses well on its plan and confirms more projects needed to achieve its 2030G targets.

**Table (11): KSA Power Cable Market Size (2018G-2027G (F))**

Category	2018G	2019G	2020G	2021G	2022G (F)	2023G (F)	2024G (F)	2025G (F)	2026G (F)	2027G (F)
Wires and LV cables	5.9-6.6	6.3-7.0	5.8-6.4	6.1-6.8	6.7-7.5	7.9-8.8	8.6-9.6	9.3-10.3	9.9-11.0	10.1-11.3
MV cables	2.1-2.3	2.2-2.5	2.2-2.5	2.6-2.8	2.9-3.2	3.5-3.2	3.4-3.7	3.7-4.1	4.0-4.5	4.1-4.6
HV and EHV cables	0.9-1.0	1.0-1.1	1.1-1.2	1.4-1.6	1.7-1.8	1.7-1.9	1.9-2.2	2.2-2.4	2.5-2.7	2.6-2.8
KSA Power cable market size (SAR billion)	8.9-9.9	9.5-10.6	9.1-10.1	10.1-11.2	11.3-12.5	12.8-14.2	13.9-15.5	15.2-16.8	16.4-18.2	16.8-18.7

Source: ADL analysis

### 3.5 GCC Market Assessment

The GCC countries have been undergoing similar developments as the KSA, albeit at different rates. The UAE, Kuwait, Oman, and Bahrain all started as economies highly dependent on oil and gas revenues and have begun diversification and development programs with varying levels of success.

The UAE constitutes the most significant share in the overall Gulf economy after the KSA. The UAE has led and will continue to lead most of the advancement, development and growth trends in the region pertaining to the usage of power cables.

The next largest economy, Qatar, has undergone a major phase of development requiring major construction but is reaching a level of maturity which will lead to modest growth in the coming years.

Oman and Kuwait, with relatively smaller economies and a higher dependence on oil, will have higher growth rates as they set ambitious development plans under their national visions. Their overall market size will remain small compared to the UAE and Qatar.

Bahrain, the smallest of all the GCC economies, is expected to follow a growth path appropriate to its size and scale.

The power cables market in these GCC countries is expected to grow in the coming years driven by trends largely similar to the KSA:

- **Economy:** The economy has recovered in 2021G and is expected to exhibit GDP growth driving construction needs across sectors. The increase in oil prices is also expected to further support the economic recovery in the region.
- **National vision:** All GCC nations have laid out their visions for 2025G-2030G, which include plans for large scale development projects in the GCC region.
- **Demographics:** The region's population growth remains high with a substantial proportion of young people, thereby boosting residential demand and construction activity.
- **Power infrastructure:** The UAE is at the forefront of developing low carbon emission energy sources while the remainder of the GCC countries begin their energy transition. The shift results in a need to revamp and develop new power infrastructure.

### 3.5.1 Macroeconomic and Demographic Assessment

#### 3.5.1.1 Economy

GCC countries had a real GDP decline of 5.6% in 2020G. However, recovery from this decline began in 2021G and is expected to grow at over 3% for next four to five years. The UAE is already witnessing a boost in domestic spending and a recovery in tourism supported by World Expo 2020G. In Kuwait, real GDP is expected to expand in the medium term due to stronger oil exports, public spending and credit growth.

Dependence on hydrocarbons varies by country within the GCC but remains an important economic contributor in the region. With the recovery of global economic activity, global oil prices returned to pre-pandemic levels in 2021G after a tumultuous period. The increase in oil prices is furthermore compounded by geopolitical instability, further supporting the economic recovery of GCC economies.

**Table (12): GCC National Accounts and Oil Price Indicators (2015G-2027G (F))**

Indicator	2015G	2016G	2017G	2018G	2019G	2020G	2021G	2022G (F)	2023G (F)	2024G (F)	2025G (F)	2026G (F)	2027G (F)
<b>UAE</b>													
Nominal GDP (SAR Bn)	1343	1339	1446	1583	1565	1346	1537	1880	1898	1943	2009	2095	2199
Real GDP (SAR Bn)#	1343	1385	1418	1435	1484	1393	1425	1485	1542	1600	1662	1729	1802
Real GDP growth rate	N/A	3.1%	2.4%	1.2%	3.4%	-6.1%	2.3%	4.2%	3.8%	3.8%	3.9%	4.0%	4.2%
<b>Kuwait</b>													
Nominal GDP (SAR Bn)	430	410	453	518	511	397	508	700	677	662	662	672	687
Real GDP (SAR Bn)#	430	442	421	432	429	391	396	428	439	451	463	475	487
Real GDP growth rate	N/A	2.9%	-4.7%	2.4%	-0.6%	-8.9%	1.3%	8.2%	2.6%	2.6%	2.6%	2.6%	2.7%
<b>Qatar</b>													
Nominal GDP (SAR Bn)	607	569	604	688	661	542	673	846	856	865	893	927	963
Real GDP (SAR Bn)#	607	625	616	623	628	605	614	635	651	662	681	699	725
Real GDP growth rate	N/A	3.1%	-1.5%	1.2%	0.7%	-3.6%	1.5%	3.4%	2.5%	1.7%	2.8%	2.7%	3.8%
<b>Oman</b>													
Nominal GDP (SAR Bn)	258	246	265	299	286	270	314	413	413	409	414	422	434
Real GDP (SAR Bn)#	258	271	272	274	272	265	270	285	293	300	310	318	326
Real GDP growth rate	N/A	4.9%	0.3%	0.9%	-0.8%	-2.8%	2.0%	5.6%	2.7%	2.5%	3.4%	2.5%	2.5%
<b>Bahrain</b>													
Nominal GDP (SAR Bn)	116	121	133	142	145	130	146	166	170	177	184	192	200
Real GDP (SAR Bn)#	116	121	126	128	131	125	128	132	136	140	144	148	153
Real GDP growth rate	N/A	3.6%	4.3%	2.1%	2.2%	-4.9%	2.2%	3.3%	3.0%	3.0%	3.0%	3.0%	3.1%
<b>GCC</b>													
Real GDP growth rate**	N/A	3.3%	0.4%	1.4%	1.8%	-5.6%	2.0%	4.7%	3.2%	3.0%	3.4%	3.3%	3.7%
<b>Global</b>													
Average crude brent oil price (SAR)	198.8	169.1	205.1	267.4	241.1	157.5	265.1	365.3*	N/A	N/A	N/A	N/A	N/A

Source: Market Insider website and IMF Data Mapper

\* Average of January, February and March 2022G \*\*Weighted average based on share of GDP #GDP at constant price (2015G)

### 3.5.1.2 National visions

All GCC countries have laid out their vision for next 10-15 years and share the common themes of economic diversification and sustainable development. The success of each national vision relies on the development of new infrastructures, construction, industries, and mega-projects. The key highlights of the national visions of the GCC countries are:

- **UAE National Strategy:** The UAE has multiple national and emirates specific plans (Energy Strategy 2050, Abu Dhabi Vision 2030, Fujairah 2040 Plan, Dubai Industrial Strategy 2030, etc.), most of which will stimulate construction through the emirates. Specifically, the Energy Strategy 2050 plan targets to have 50% clean energy in the capacity-mix by 2050G in the Emirates. SAR 611 billion investment is planned to meet the demands for energy and ensuring sustainability in the UAE's economic growth. These initiatives affecting energy and non-energy industries and services sectors are expected to yield a return of over SAR 716 billion for the UAE in the long term.
- **Kuwait Vision 2035:** Kuwait's vision includes providing new infrastructure, appropriate legislation and enabling a business environment for development, as well as spurring private sector investment. SAR 12.8 billion of approved valued-added direct investments in sectors like ICT and renewable energy has been achieved since 2015G. An allocation of SAR 375 billion to key sectors like housing and energy is under plan by the Kuwaiti government. Kuwait is also building a smart city called South Saad Al Abdullah city, which is planned to be a home to 400k people and include places like artificial intelligence driven markets.
- **Qatar Vision 2030:** Qatar aims to have a reasonable and sustained rate of economic growth and stimulating business climate, with expanding industries and services having a competitive advantage.
- **Oman Vision 2040:** Oman is also aiming to build a diversified and sustainable economy that ensures competitiveness and embraces industrial revolution. The vision aims to empower the private sector to drive a competitive national economy.
- **Bahrain Vision 2030:** Bahrain aims to shift from an economy built on oil wealth to a productive and globally competitive economy driven by private sector growth.

### 3.5.1.3 Demographics

The population in the GCC countries considered is steadily growing and the proportion of the youth population remains high. During 2017G-2019G, the population grew at a CAGR of 1.4% to reach 23.2 million. The population slightly declined in 2020G with the outflow of expatriates from the KSA during the pandemic, but it is expected to grow, reaching 25.7 million in 2027G at a CAGR of 1.7% between 2022G and 2027G. Expatriates represent over half of the total population, with the largest proportion in Qatar with 86%, the UAE with 89%, and Kuwait with 70%. From an age distribution standpoint, the population base is skewed towards the young working adults' cohorts – with the largest segment being the 25–34-year-old segment, followed by age 35-44-year-old groups. More than 18% of the population is under 14 years of age and a total of 57% of the population is estimated to be below the age of 35. The population distribution indicates there is a need for accessible housing for the newer generation and affordable real estate for the foreign workforce.

**Table (13): GCC Countries' Population (2015G-2027G (F), by Million)**

Country	2015G	2016G	2017G	2018G	2019G	2020G	2021G	2022G (F)	2023G (F)	2024G (F)	2025G (F)	2026G (F)	2027G (F)
United Arab Emirates	8.9	9.1	9.3	9.4	9.5	9.3	9.6	10.0	10.2	10.3	10.5	10.6	10.8
Kuwait	4.2	4.3	4.4	4.6	4.8	4.7	4.7	4.8	4.9	5.0	5.1	5.1	5.2
Qatar	2.4	2.6	2.7	2.8	2.8	2.7	2.6	2.7	2.6	2.6	2.6	2.5	2.5
Oman	4.2	4.4	4.6	4.6	4.6	4.4	4.6	4.7	4.9	5.0	5.2	5.3	5.5
Bahrain	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.7
<b>Total</b>	<b>21.1</b>	<b>21.9</b>	<b>22.5</b>	<b>22.9</b>	<b>23.2</b>	<b>22.6</b>	<b>23.0</b>	<b>23.7</b>	<b>24.1</b>	<b>24.5</b>	<b>24.9</b>	<b>25.3</b>	<b>25.7</b>

Source: IMF Data Mapper

**Table (14): GCC Countries' Population Age Distribution (2020G, by Percentage)**

Age group	0-14 years	15-24 years	25-34 years	35-44 years	45-54 years	55-64 years	65+ years
Percentage	18.5%	11.5%	27.0%	22.9%	12.6%	4.9%	2.6%

Source: GCC-Stat

### 3.5.1.4 Power infrastructure

The transition to lower carbon emission energy sources and interconnection of power grids are leading to large power infrastructure projects.

All GCC countries have set their targets to increase their adoption of renewable energy in their power generation capacity:

- **The UAE** has committed to reduce 70% of its power industry carbon footprint by 2050G.
- **Kuwait** is striving towards achieving 15% renewable energy share by 2030G; however, the current project plan falls short of the target.
- **Qatar** aims to have 20% of non-gas energy by 2030G using photovoltaic and offshore renewable energy platforms.
- **Oman** has set a target of 30% of renewables by 2030G leveraging solar, wind and waste to energy sources.
- **Bahrain** aims to have 15% renewable energy by 2035G with decentralized solar parks and wind farms.

Beside these targets, there are grid interconnection efforts in the region. Kuwait has signed an interconnection deal with Iraq. The GCC Interconnection Authority aims to expand the GCC inter-connection grid towards Iraq, Egypt, and Jordan. RCGC is already a key supplier of power cables for the implementation of different phases of this regional-scale grid interconnection program.

### 3.5.2 Power Cable Market Overview

The macroeconomic, demographic, and emerging trends identified will lead to an uptick in the amount of construction projects in the GCC countries. These projects will all need diverse types of power cables during their execution.

Some of the cornerstone projects planned or already engaged include:

- **Renewable energy projects**
  - **The UAE** has 7.3GW of upcoming projects planned – Fujairah 3, a waste-to-energy project of 2.4GW, Al Dhafra, a solar energy project of 2GW in Abu Dhabi, and SP IV and V, solar energy projects of 2GW and 0.9GW in Dubai.
  - **Kuwait** has a plan for 2.9GW of projects under separate phases of the Shagaya project. The project is a mix of CSP and photovoltaic solar energy.
  - **Qatar** has two 800MW capacity solar projects – Siraj Energy and Mesaieed.
  - **Oman** has planned 4.5GW projects across different renewable energy sources. Solar projects are of 2.9GW, of which Manah 1 & 2 together account for 1GW. Waste-to-energy projects are of 911MW scale, of which the OESHC project accounts for 750MW. Lastly, the wind energy projects are of 650MW scale combined – Dhofar 1 & 3 of 450MW and DUQM of 200MW.
  - **Bahrain** has a plan of 125MW under Askar project, which is a mix of 100MW solar energy and 25MW waste-to-energy project.
- **Other upcoming mega scale projects (valued above SAR 18 billion project budget)**
  - **The UAE** has over 8 mega-scale projects. The projects are a mix of infrastructural (such as Kizad project phase 2, a seaport), industrial (such as Lower Zakum development, an oil field project), commercial (such as DIFC development, a commercial hub) and residential (such as Mina Rashid Development, a waterfront residential community) projects.
  - **Kuwait** has four mega-projects, which are also a mix of infrastructural (North Kuwait Airport), industrial (Al Zour, a petrochemical plant) and residential (Al Khiran City, a residential city development in Al Ahmadi governorate).
  - **Qatar** has limited large scale projects currently planned beyond Airport City in Doha and Ras Laffan petrochemical plants.
  - **Oman** has various mega industrial projects, mostly in the oil, gas, and chemicals sector, such as Sur refinery, Green Hydrogen and Green Ammonia facility in Dhofar, Habhab Oil field service, etc.
  - **Bahrain** has a number of planned projects. The only mega-project announced by Bahrain is a railway project to integrate the public transport network.

These large-scale upcoming projects across various sectors are expected to drive the demand for power cables in the region for the coming few years. The forecast of the power cables market suggests an annual growth of 6% from 2022G-2027G, increasing the market size from SAR 10.9-12.1 billion in 2022G to SAR 14.6-16.2 billion in 2027G. The growth is expected to be largely driven by the UAE, followed by Oman and Kuwait, while Qatar and Bahrain are expected to exhibit modest growth. Growth is expected across all the power cable types, given the multi-sectoral demand profile.

**Table (15): Total GCC Power Cable Market Size and Distribution by Product (2018G-2027G (F))**

Category	2018G	2019G	2020G	2021G	2022G (F)	2023G (F)	2024G (F)	2025G (F)	2026G (F)	2027G (F)
Power cable market size (SAR billion)	10.1-11.3	10.7-11.8	9.8-10.9	10.3-11.4	10.9-12.1	11.7-13.0	12.5-13.9	13.1-14.6	13.8-15.4	14.6-16.2

Source: ADL analysis

## 3.6 Iraq Market Assessment

### 3.6.1 Macroeconomic and Demographic Assessment

The past two decades have been tumultuous for Iraq with a prolonged period of war followed by the pandemic over the past two years. Iraq has started to regain its political stability and is getting back onto the path of development and growth.

The power cables market in Iraq is expected to grow in the coming years, driven by key trends stimulating the amount of construction needed to reconstruct and get Iraq's economic development back on track:

- **Economy:** Iraq's economy is showing positive signs of recovery from the pandemic in a climate of relative security stability. Iraq's economy remains highly dependent on oil revenue and thus should be bolstered by the high oil prices.
- **National vision:** Through the Iraq vision for Sustainable Development 2030, the Iraqi government lays out the plans for mega-projects and infrastructural development for the reconstruction and redevelopment of Iraq.
- **Demographics:** A high population growth as well as a high proportion of young people are expected to increase the need for affordable residential development.
- **Reconstruction:** A key focus of economic reforms and development in Iraq is on post-war reconstruction that includes improving infrastructure particularly in electricity, oil and gas, communication, industrial cities, etc.
- **Foreign investment:** Large economies, globally as well as within the region, have been supporting Iraq's redevelopment through aid and investment.

#### 3.6.1.1 Iraq's Economy

Iraq's economy is gradually recovering from the double shocks of the oil price drop and the repercussions of the pandemic. After a steep dip in real GDP of 15.7% during pandemic, Iraq exhibited signs of recovery with 5.9% real GDP growth in 2021G. It is expected grow at a strong rate of 9.5% in 2022G and will reach SAR 941 billion by 2027G.

Iraq is a heavily oil-dependent economy with over 99% of exports and 85% of government revenue accounted to oil revenues. Oil prices have increased since 2021G as global demand has recovered. The increase in oil prices has been further compounded by geopolitical instability impacting oil producers. Iraq's economy is forecasted to gradually recover due to rising oil prices, expecting to further improve debt-to-GDP ratio in the medium term.

A steady improvement in the security, political and institutional situation has allowed Iraq to stabilize and enable growth. Iraq's economy remains at risk due to its dependency on a sole source of income, and systemic deficiencies in law enforcement and public investment.

**Table (16): Iraq's National Accounts and Oil Price Indicators (2015G-2027G (F))**

Category	2015G	2016G	2017G	2018G	2019G	2020G	2021G	2022G (F)	2023G (F)	2024G (F)	2025G (F)	2026G (F)	2027G (F)
<b>Iraq</b>													
Nominal GDP (SAR Bn)	666	629	721	851	877	636	786	1115	1123	1132	1152	1187	1236
Real GDP (SAR Bn)#	666	767	741	776	821	692	733	803	848	871	894	917	941
Real GDP growth rate	N/A	15.2%	-3.4%	4.7%	5.8%	-15.7%	5.9%	9.5%	5.7%	2.7%	2.6%	2.6%	2.6%
<b>Global</b>													
Average crude brent oil price (SAR)	198.8	169.1	205.1	267.4	241.1	157.5	265.1	365.3*	N/A	N/A	N/A	N/A	N/A

Source: IMF Data Mapper and Market Insider website

\* Average of January, February, and March 2022G #GDP at constant price (2015)



### 3.6.1.2 Iraq's National vision

Under the initiative of the Ministry of Planning and with the support of the UNDP, Iraq has laid out 'Iraq vision for Sustainable Development 2030', comprised of 5 priority themes:

- **Human building:** Build physical and spiritual wellbeing, build a generation capable of innovation.
- **Good governance:** Have active administrative institutions ensuring rights, justice, and equality of all citizens before the law.
- **Diversified economy:** Generate jobs and provide economic welfare, management of the public and private sector.
- **Safe society:** Members enjoy peace, and the values of citizenship, solidarity and achievement are strengthened.
- **Sustainable environment:** Clean, safe, and sustainable environment, with sustainable production and consumption.

Each of the themes puts a strong focus on enabling access to basic public infrastructure and services, basic commodities and fulfilling citizens' basic needs. This plan then encourages investment of federal public funding in electricity, water, transportation, communication, industrial and affordable housing projects.

### 3.6.1.3 Demographics

Iraq's population has been increasing at 2.3% annually, which is significantly higher than the global average of 1%. Iraq's population is already young as 57% of the people are less than 25 years old. The steady rise in the young population in Iraq is expected to increase the need for affordable housing and thereby increase construction activity.

**Table (17): Iraq's Population (2015G-2027G (F), by Million)**

	2015G	2016G	2017G	2018G	2019G	2020G	2021G	2022G (F)	2023G (F)	2024G (F)	2025G (F)	2026G (F)	2027G (F)
Population	35.2	36.2	37.1	38.1	39.1	40.1	41.2	42.2	43.3	44.5	45.6	46.8	48.0

Source: IMF Data Mapper

**Table (18): Iraq's Population Age Distribution (2020G)**

Age group	0-14 years	15-24 years	25-54 years	55-64 years	65+ years
Percentage	37.0%	19.8%	35.6%	4.2%	3.3%

Source: US Central Intelligence agency, Iraq reconstructions plans

### 3.6.1.4 Iraq's reconstruction plans

The Iraqi government is strongly investing in economic reforms enabling Iraq to diversify and create a sustainable economy. One pillar of this approach is a key focus on improving basic infrastructure, particularly in electricity and telecommunications to enable the development of new industries. Iraq has stated in its official reform program that it aims to invest in key sectors including:

- **Electricity:** Increasing the effectiveness and improving the performance of all parts of Iraq's electricity sector.
- **Industrial infrastructure:** Developing industrial cities and free zones in Iraq.
- **Digital infrastructure:** Developing Iraq's digital infrastructure, including the introduction of advanced communication technology.

### 3.6.1.5 Foreign investment in Iraq

Iraq receives foreign aid and investment from major Gulf and global economies, which is expected to support the reconstruction of Iraq. Support and investments from Gulf economies include SAR 112.5 billion in investments and credit lines pledged by the participants of Kuwait International Conference for Reconstruction of Iraq, hosted by Kuwait in 2018G. Additionally, SAR 22.5 billion of investment in Iraq has been committed by the governments of the KSA and the UAE.

Iraq has signed Bilateral Investment Treaties (BITs) with eight countries (including France, Germany, and others). The most notable investments it has received from the rest of the world include:

- Russia has invested up to SAR 52.5 billion in the Iraq and Kurdistan region.
- USA's DFC signed a SAR 3.8 billion MoU to enable private sector investment in Iraq.
- UNDP Iraq and JICA (Japan International Cooperation Agency) partnership has been renewed and is accelerating Iraq's infrastructure projects.
- Egypt and Iraq signed oil-for-reconstruction agreement under which Egyptian firms are undertaking development projects in Iraq in return for oil.

### 3.6.1.6 Iraqi Power Cable Market Overview

The macroeconomic, demographic, and emerging trends identified will lead to an increase in the amount of construction projects in Iraq. It has over SAR 1.4 trillion of major projects which are planned or underway. These projects will all need diverse types of power cables during their execution.

Some of the cornerstone projects will include:

- **Power projects:** Iraq's power infrastructure from generation to distribution has been weak, and hence Iraq's focus has been to build the basic power infrastructure rather than transitioning to renewables, unlike GCC countries. To boost the power generation capacity of Iraq and reduce the power imports, Iraq has started a large-scale gas-fired power plant program of 11GW. In addition, Al Khairat thermal power plant of 3.2GW, Rumaila combined cycle power plant of 3GW, and a few solar power plants have also been planned. Additionally, Iraq has also planned the grid interconnection with Jordan, and various other grid modernization projects.
- **Infrastructure and industrial projects:** To support the economic growth, Iraq is focusing on expanding the oil and gas based industrial sector. It has planned projects such as crude oil export pipeline of 2,951 kilometers through Jordan and Al Faw refinery that includes a petrochemical plant for its industrial expansion. In addition, Iraq is expanding its public infrastructure through projects like the eastern high-speed railway.
- **Residential and commercial projects:** Residential and commercial development is a key focus of Iraq's post-war reconstruction. Through such efforts, various residential projects have been planned such as Rafeel city, a new city next to the capital, to provide housing to the residents of Baghdad, which is overpopulated. Similarly, other residential projects in Nahrawan, Nasr, Erbil etc. have been planned.

Driven by these post war re-construction and development projects, Iraq's power cable market value is expected to grow by 7.1% between 2022G and 2027G, from SAR 2.5-2.7 billion in 2022G to SAR 3.5-3.8 billion in 2027G. The forecast is based on conservative assumptions given the fundamental challenges faced by Iraq in terms of political stability, public funding management, and high administrative corruption.

**Table (19): Iraqi Power Cable Market Size (2018G-2027G (F))**

Category	2018G	2019G	2020G	2021G	2022G (F)	2023G (F)	2024G (F)	2025G (F)	2026G (F)	2027G (F)
Power cable market size (SAR Billion)	2.3-2.6	2.4-2.7	2.2-2.4	2.3-2.5	2.5-2.7	2.7-3.0	3.2-3.5	3.3-3.6	3.4-3.7	3.5-3.8

Source: ADL analysis

## 3.7 RCGC's Competitive Landscape

The competitive landscape for RCGC's products in the considered geographies comprises of:

- National manufacturers seeking to extend regionally. These companies are national players in their home country which benefit from preferential conditions when carrying out their activities in local markets. They also seek to increase their revenues by exporting higher value-added products in the region.
- Regional manufacturers. These companies are often part of larger groups and have manufacturing capabilities across a number of countries.

This assessment focuses on selected companies (as listed in Table 19) based on their similarities with RCGC's product portfolio, their geographical presence, and their market share (hence, Saudi Cables and MESC have not been included considering their low share in the power cable market).

**Table (20): RCGC's Key Competitors' Production Capacities**

Competitor	Production capacity (Metal MT)
RCGC	264,000
Al Fanar Group	60,000
Bahra Electric	150,000
Ducab	165,000
El Sewedy Electric	35,000#
Gulf Cables	50,000
Jeddah Cables	50,000
Oman Cables	120,000

Source: ADL analysis

# In the GCC

Brief descriptions of RCGC's key competitors are as follows:

- **Al Fanar Group:** Al Fanar is a Saudi electrical/electronic manufacturing company. This company developed local production capabilities out of Riyadh and can produce cables from building wires to HV cables. Al Fanar also offers EPC solutions and turnkey projects across multiple sectors (e.g., renewable energy, transmission and distribution)
- **Bahra Electric:** Bahra Electric produces wires, low, medium and high voltage power cables, overhead lines, control cables and instrumentation cables.
- **Ducab:** Ducab started as a joint venture between the UAE government and BICC under the impetus to develop local manufacturing capabilities. Ducab has developed capabilities to manufacture a complete range of power cables (with a unit dedicated to extra high voltage cables) and acquire IP for specialized cables.
- **El Sewedy Electric:** El Sewedy Electric is a MENA electrical product manufacturer with a presence in the Gulf countries owing to its plants in the KSA and Qatar (producing low, medium, and high voltage cables up to 132KV). El Sewedy Electric also offers other products such as electrical and cable accessories.
- **Gulf Cables:** Gulf Cable is the sole Kuwaiti cables manufacturer and is publicly listed on Kuwaiti stock market. Gulf Cable is benefiting from strong local positioning and thus naturally dominates the low voltage and medium voltage power cables market in Kuwait. Although it is an exporter in the Gulf countries, it has shown limited interest in expanding in the region. Gulf Cables has favored investing in the broader Middle East region, specifically in Jordan where it owns manufacturing assets.
- **Jeddah Cables:** Jeddah Cables is part of the Energya group, which is capable of producing high- and extra-high voltage cables locally as well as lower voltage cables. In addition, Jeddah Cables manufactures overhead lines and control and instrumentation cables.
- **Oman Cables SAOG:** Oman Cables Industry SAOG is an electrical manufacturer dominating the local Omani low voltage and medium voltage power cables market thanks to two local manufacturing plants with four factories. Oman Cables also holds 51% shareholding in Oman Aluminium Processing Industries LLC, which manufactures aluminum rods and overhead conductors. Oman Cables is also a manufacturer of instrumentation cables.

RCGC's key competitors' profiles are summarized in Table 20 and Table 21 based on their product portfolio and their manufacturing and sales geographical presence.

**Table (21): Comparison of RCGC's Key competitors' product portfolio**

Competitor	Product portfolio									
	Wires	LV power cables	MV power cables	HV power cables	EHV power cables	Over-head lines	Special and control cables	Communication cables	Rods	Fiber optic cables
RCGC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Al Fanar Group	✓	✓	✓	✓						
Bahra Electric	✓	✓	✓	✓		✓	✓			
Ducab	✓	✓	✓	✓	✓	✓	✓		✓	
Esewedy Electric	✓	✓	✓	✓		✓				
Gulf Cables	✓	✓	✓			✓	✓	✓		
Jeddah Cables	✓	✓	✓	✓	✓	✓	✓		✓	
Oman Cables	✓	✓	✓			✓	✓			

Source: Companies' websites

\* Manufacturing capabilities in the GCC

**Table (22): Comparison of RCGC's Key Competitors' Manufacturing Presence per Geography**

Competitor	Manufacturing presence						
	KSA	UAE	Oman	Kuwait	Qatar	Bahrain	Iraq
RCGC	✓	✓		✓*			✓**
Al Fanar Group	✓						
Bahra Electric	✓						
Ducab		✓					
Esewedy Electric	✓				✓		
Gulf Cables				✓			
Jeddah Cables	✓						
Oman Cables			✓				

Source: Companies' websites

\* From 2023G onwards

\*\* RCGC is the sole local manufacturer of MV cables in Iraq

### 3.8 RCGC's Competitive Positioning

Riyadh Cables Group Company has strong regional presence, making it one of the leading players in the Middle East. RCGC manufactures and supplies an extensive range of wires and cables from its latest state-of-the-art facilities in the KSA, United Arab Emirates, and Iraq. Given its strong technology capabilities and investments in R&D, RCGC has been a key supplier for several mega-projects and utility partners in the KSA. RCGC commands about 30% of the addressable market for various products in the KSA and continues to perform strongly by leveraging its unique strengths.

In order to have a strong competitive position and be successful in the market, a cable player needs to differentiate itself on several measures:

- **National brand:** National cable manufacturers benefit from easier access to public markets (e.g., SEC shares tenders between national manufacturers, the UAE incentivizes utilities to buy from national brands). RCGC has been the historical national cables manufacturer in the KSA since 1984G and has a formidable reputation in the Kingdom as well as the broader MENA region.
- **Local manufacturing capability:** Local manufacturing provides cost advantage in low margin products like LV cables. Further, Middle East countries have strong policies of localization which favor companies with local footprint. RCGC has manufacturing plants in the KSA, the UAE, Iraq and soon in Kuwait. RCGC is the sole local manufacturer of MV cables in Iraq. These capabilities allow RCGC to expand its presence and have a unique reach in the region.
- **Technology value chain:** Standard and highly commoditized lower voltages cables are not dependable to sustain growth. Mastering more complex cable types enables Middle East cable manufacturers to capture markets currently relying on imports. RCGC is one of the few Middle Eastern companies with a complete portfolio of wires and power cables and is also certified for the highest standards, making it a trusted supplier.
- **Services and complementary products:** Leading cable manufacturers should be able to provide turnkey projects and complex services for them to become true industrial partners of utilities and construction companies in their electrification needs. RCGC can design and produce complex special cables and has a network of manufacturing partners allowing it to provide turnkey end-to-end services meeting complex client needs.
- **Internal innovation:** Cable manufacturers should collaborate with the right partners to develop products in accordance with global trends such as the demand for more sustainable products. RCGC has developed R&D capabilities, labs and testing facilities enabling the company to innovate and propose products unique to the region (e.g., 100% recyclable cables, 525kV DC solutions, accessories, etc.).

## 4. Overview of The Company and Its Subsidiaries and Nature of Their Business

### 4.1 Overview of the Group

Riyadh Cables Group Company (“the Company”) was incorporated on 12/04/1404H (corresponding to 15/01/1984G) as a limited liability company and was converted into a joint stock company pursuant to Ministry of Commerce resolution No. 164/S dated 17/06/1435H (corresponding to 17/04/2014G) and registered in the Riyadh Commercial Register under No. 1010052927 dated 24/06/1435H (corresponding to 24/04/2014G) having its registered address as the New Industrial Area, Riyadh, P.O. Box 26862, Riyadh 11496, Kingdom of Saudi Arabia. Its current share capital is one billion, five hundred million Saudi Riyals (SAR 1,500,000,000) fully paid, divided into one hundred and fifty million (150,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per Share, all of which are in-kind shares (For further details regarding the changes to the Company’s capital since its incorporation, please see Subsection (4.6) “Changes in the Company’s Ownership From its Incorporation Until the Date of this Prospectus” of this Prospectus).

The Company has thirteen (13) subsidiaries owned directly and/or indirectly by the Company, of which five (5) subsidiaries are considered material and eight (8) are considered non-material (for further details regarding the subsidiaries, please see Subsection (4.8) “Group Subsidiaries and Branches”) of this Prospectus). For the purpose of measuring the materiality of the Company’s Subsidiaries, the Group and the Financial Advisor have taken into account the impact of the Subsidiaries on the decision to invest in the Company’s securities and their price, including, but not limited to, whether they constitute 5% or more of the Company’s total assets, liabilities, revenue, profits or contingent liabilities.

The Company and its Subsidiaries are considered leading companies specialized in the production of cables, electrical wires, communication cables and electrical conductors of various types in the Middle East and globally. The Company and its Subsidiaries are also considered leading suppliers of cables used in infrastructure developments in the Kingdom, GCC countries and the Republic of Iraq. The Group strives to keep its manufacturing facilities up to date with technical developments in the electrical cable and wire manufacturing sector. The Company and its Subsidiaries operate in an integrated manner as a single unit in terms of manufacturing operations, administrative and marketing operations and other technical aspects. The Company, in its capacity as the owner of the Subsidiaries, provides administrative, business, financial and information technology services, and manages operations, technical affairs, quality management and provides other supporting services to these companies (for further details, please see Subsection (4.17) “Departments and Divisions Supporting the Group’s Operational Activities” of this Prospectus).

The Group’s business is divided into four (4) key sections:

- 1- **Manufacturing activities:** The Group produces low, medium, high and extra-high voltage electrical cables and wires manufactured from copper or aluminum through the Company, RCM and NCI, as well as household electrical cables and wires through the Company, REW and NCI, copper communication cables through the Company and RTC, fiber optic cables through RTC, specialized cables through RCM and cables and overhead line (OHL) conductors through the Company and REW (collectively referred to as “the Products”). In addition, the Group produces raw materials used in manufacturing its products through RCM, including copper and aluminum rods, compounding polymers necessary for cable manufacturing such as medium-density polyethylene (MDPE) compound, fire-retardant low-smoke emission halogen-free polymer compound (LSHF), polyvinyl chloride (PVC) compound, cross-linked polyethylene (XLPE) compound and polypropylene yarn (PP). The Group also manufactures wooden and steel drum used in spooling electrical cables and wires through RCM (for further details, please see Subsection (4.10) “Group Factories and Manufacturing Activities” of this Prospectus).
- 2- **Sales activities:** The Company, RCM, REW, RTC and NCI sell the Group’s products through multiple sales channels including direct sales to Group customers and eighteen (18) sales and distribution centers of REW in different cities throughout the Kingdom.
- 3- **Electrical contracting projects:** The Group undertakes electrical contracting projects for high voltage (HV) cables inside and outside the Kingdom through RCC and RCM. Electrical contracting projects include the design and construction of electricity distribution networks, excavation, installation and connection works related to electrical cables and wires.
- 4- **Maintenance Activities:** Backed by a specialized team of engineers, SMC engages in construction and maintenance of industrial buildings and production lines. The Company also offers industrial services, including maintenance, repair and operation of industrial, electrical, telephone and computer machinery, as well as installation and operation of laboratory equipment.

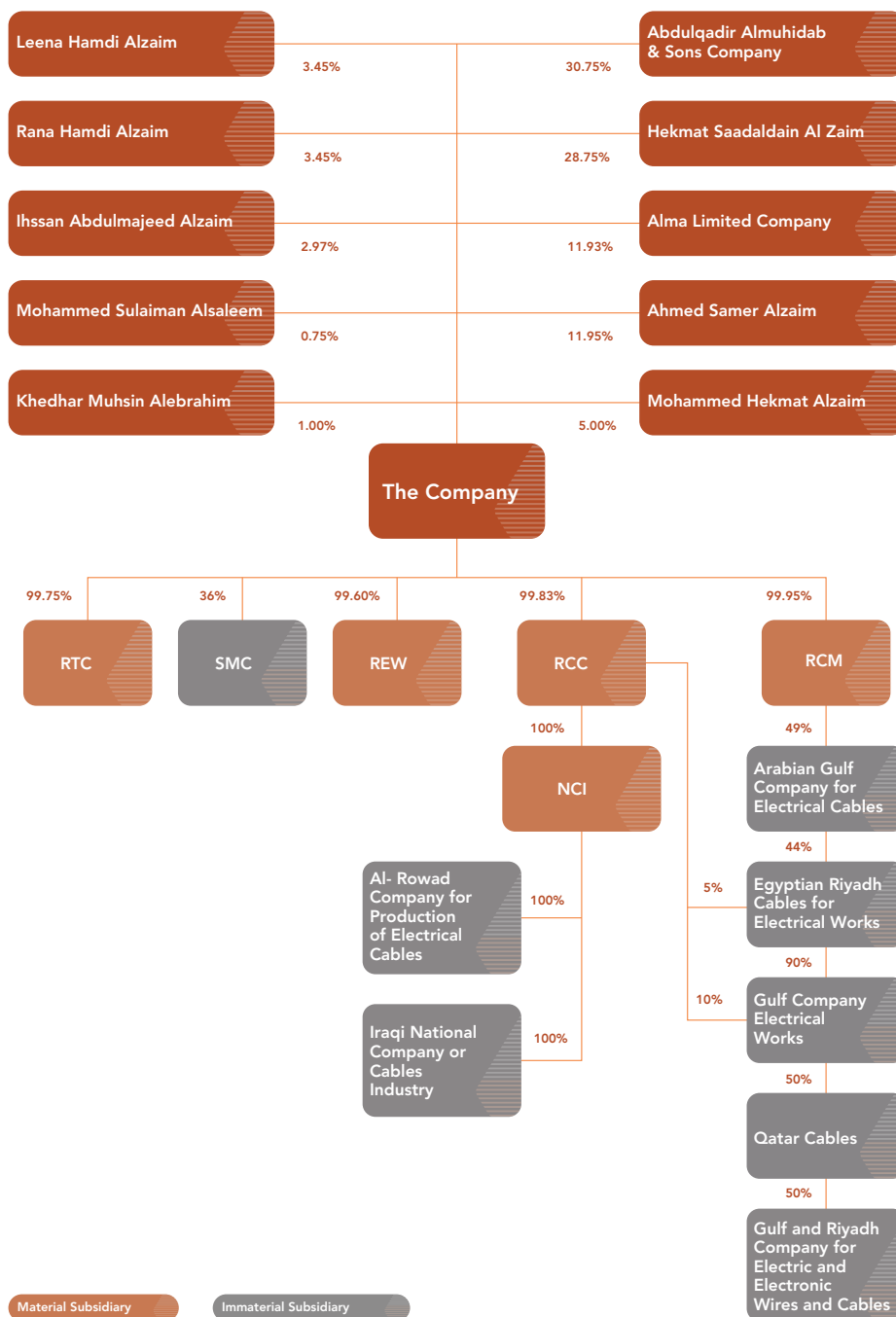
As the Group constantly strives to keep pace with modern trends in the field of power cables, as well as maintain its leading position in the markets in which it operates, increase its market share and expand in other markets, it constantly conducts studies and tests necessary to launch new products and services and improve its current products and services.

The Group has eighteen (18) branches engaged in the sale and storage of the Group's products in various major cities within the Kingdom, all of which are subsidiaries of REW. Outside the Kingdom, the Group has five (5) branches engaged in the sale and storage of the Group's products, four (4) of which are subsidiaries of RCM, divided into one (1) branch in Kuwait and three (3) branches in the UAE. In addition, the Group has one (1) branch of RCC in the UAE engaged in sale of the Group's products (for further details on the Group's subsidiaries and branches, please see Subsection (4.8) "Group Subsidiaries and Branches") of this Prospectus).

### 4.2 Organizational Structure of the Group

The following figure shows the organizational structure of the Group:

Figure (1): Organizational Structure of the Group



Source: The Company

## 4.3 The Group's Vision, Mission, Strengths, Competitive Advantages and Future Prospects

### 4.3.1 Vision

To be the leading and most efficient Group globally in providing products and services for the delivery and distribution of electricity and infrastructure.

### 4.3.2 Mission

To continue to grow by introducing new and specialized high-quality products and services to serve the energy and infrastructure sectors; to expand operations through development of and investment in resources and technologies; to depend on Saudi competencies and resources; and to promote exports in order to contribute effectively to GDP growth to achieve the best returns.

### 4.3.3 Strategy and Future Prospects

- **Regional and International Leadership in the Power Cables Market**

Power and communication cables are considered the backbone of the infrastructure for contemporary societies, as they are a pivotal component for energy and data transmission. Therefore, the Group, based on its experience spanning nearly four decades, its superior production capacity over its competitors and its long-term relationships with customers and suppliers, aims at maintaining leadership in the KSA market and raising its position to become one of the pioneers in the regional and global cable markets.

In numerical terms, the Group is the biggest manufacturer of cables in the KSA and ranks among the 15 largest cable manufacturers globally in terms of production. The Group's total design production capacity is approximately 264,000 tons of metal, with an estimated market share of 30% in the KSA.

The KSA is the biggest and most significant market for the Group's products (accounting for 65% of the Group's sales in 2021G). In light of the continuous population growth and efforts exerted by the visionary leadership to supply power throughout the KSA and expedite the implementation of the ambitious 2030 Vision, the Group believes that the KSA market size will continue to increase and its products will be vital during this historical phase. The Group aspires to enhance its market share in the KSA through:

- 1- Continuous observation of market trends and requirements to proactively provide customers with integrated solutions (products and services) and to continue to be the preferred provider of cable solutions in the KSA.
- 2- Relying on the Company's extensive sales and distribution network (which includes 18 branches throughout the KSA), through which the Group seeks to increase its share in urban projects and small and medium-sized infrastructure projects.
- 3- Obtaining the largest share in upcoming mega projects, due to the Group's possession of a wide portfolio of power cable products, compared to peer KSA manufacturers (ranging from 0.3 kV – 500 kV).

The Group also continues to pursue its track record of expanding its geographical influence and increasing its presence in neighboring markets (by benefiting from its regional experience, talent and relationships) by expanding and establishing factories in such markets, as is the case in:

- 1- **The United Arab Emirates (NCI):** Cable Factory No. 8, owned by the Group through NCI, was established in 2001G and produces wires and medium and high voltage cables. This has enabled the Group to enter the UAE market strongly and obtain a larger market share by benefiting from local expertise and the laws and legislation in force aiming at prioritizing local factories. Additionally, it has enabled the Group to become one of the leading companies in export operations to international markets by virtue of bilateral customs exemption agreements between the UAE and other countries.
- 2- **Iraq:** The Group seeks to make optimal use of its marketing and technical expertise and its integrated production capacity for expansion in the Iraqi market, owing to its position as the leading supplier in the Iraqi cable market since the Group's incorporation. Moreover, the Group expanded its operations in Iraq in 2017G by acquiring Al-Rowad Cables Company (through NCI), which is currently 100% owned by the Group. Its expansion of Cable Factory No. 9 increased production capacity fourfold and made it the most advanced cable factory in Iraq. It is worth noting that the Group's sales in Iraq increased between 2019G and 2021G with a CAGR of 19.26%. The Group continuously concentrates its efforts on being a key supplier of cables during the expansion and rehabilitation of the network and large-scale reconstruction currently underway in Iraq.



- 3- **Kuwait:** Based on the Group's expertise and ability to manufacture specialized products, it is in the process of launching its first industrial facility in Kuwait for the manufacture of high and extra-high voltage cables through a joint venture with Gulf Cable and Electrical Industries Company. A company was incorporated in Kuwait under the name "**Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires**", of which the Group (through RCM) holds 50% of the capital. It shall be the sole manufacturer of high and extra-high voltage cables in Kuwait, which will enable it to strengthen its position as a major supplier in the Kuwaiti market. Manufacturing operations in this industrial facility are expected to commence during 2023G.

The Group also continues to expand its sales activities in the neighboring markets through its sales centers, as is the case in:

- 1- **GCC Countries:** The Group also has a strong presence in these countries, as it enjoys well-established relations with customers. It supplies its products manufactured in the KSA and the UAE primarily by sales and distribution branches in such countries.
- 2- The Group is engaged in the execution and contracting of high voltage projects, particularly in the UAE, being one of the main suppliers and contractors approved by Dubai Electricity and Water Authority (DEWA), in addition to supplying cables and electrical contracting in Kuwait.
- 3- **Egypt:** The Company undertakes sales and high voltage projects through the Egyptian Riyadh Cables Company for Electrical Works, which it established in 2019G.

The Group gives emphasis to global export markets and will continue expanding into existing export markets through representative offices, clients and authorized distributors in countries such as Jordan, the Netherlands, Belgium, Luxembourg, New Zealand and Australia.

The Company, in line with the Group's proactive approach and in implementation of its strategic objectives to analyse global requirements, and depending on its production capabilities and the diversity of its products, aspires to become a supplier of cables in Europe and North America, where energy transition (from traditional to renewable) has created new demand for primary cables in such markets.

#### • Expansion and Development of the Group's Products and Services and Technological Advancement

Since its incorporation in 1984G, the Company's strategy has been to be a "**regional energy solutions provider**" to meet the needs of all customers. Since the Group is constantly working on development of its portfolio of products and services, it is capable of greatly expanding its core list of products (approximately 3,000 items), in addition to new specialized products that witness continuous growth with low market competition. This has helped the Group expand operations, increase sales and consolidate deep relationships with its customers. The Group's Management and technical team (the best among its competitors) grant it the ability to develop and expand its portfolio by concentrating on products, such as:

- Niche and more profitable specialized cables, such as extra-high voltage cables rated up to 500 kV. The Group has gained significant experience in designing, manufacturing, testing and supplying multiple extra-high voltage cable projects. Such achievement enhances the Group's competitive advantage as a "**turnkey solutions provider**" to the main market sectors of utilities and mega projects for such niche product. It has led to the Group securing a leading market share in the sectors for these products, which are expected to be the fastest growing sectors in the forthcoming period, particularly in light of orientation towards initiatives to convert overhead power lines in cities to underground extra-high voltage cables.
- Instrumentation and control cables that are successfully manufactured by the Group and have passed all necessary tests and approvals to qualify them for oil and gas sector customers (as they are used in prospecting, pumping and refining operations and are often imported from external parties), in addition to the industrial sector.
- Renewable energy cables, such as cables used in solar and wind power generation applications, as the Group expects demand to grow in line with increased focus on renewable energy generation in the GCC. It is worth mentioning that the products of the Group, as a supplier, have been qualified by many bodies in the field of renewable energy, and it has supplied products to several projects in the KSA, such as the power plants in Sudair and Sakaka.
- Overhead lines and conductors, such as 525-kV DC transmission lines and composite-core transmission lines (carbon fiber) resistant to sagging due to heat and capable of transmitting high currents in high temperatures, which are preferred and demanded by some markets, due to environmental awareness and application of regulations and policies that take into account environmental impact due to their low carbon emissions. The Group continues to make full use of its extensive technical expertise and invests in development of capabilities in this area.

- Integrated High and extra-high voltage cable and system solutions for AC cables: The Group recently succeeded in securing its first 400-kV turnkey project contract. It covers designing, manufacturing, supplying, installing, testing and commissioning cables in Makkah. In addition, it will work on expanding capabilities of executing turnkey projects in the GCC region. It is worth noting that the Group is active in bidding for more works, which will enable it to gain added value as being a one-stop shop for customers.
- Additional services, such as maintenance, monitoring, testing and repair of cables and active and backup systems in the power grid, are rapidly performed services with significant returns. Based on its experience, the Group believes that the services sector will continue to grow, particularly in light of the trend towards privatization of public utilities, with the increase of underground cables in the power grid.

- **Leadership in Cost Management and Excellence in Cash Management**

The Group seeks to increase its market share by managing its costs through two main factors: Enhancing operational efficiency and making use of high production capacity, which requires purchasing raw materials in bulk.

To enhance the Company's ability to maintain the efficiencies of resources, raw materials, and production processes and to control expenses in general, the Enterprise Resources Planning (ERP) system was updated to be in line with Company's strategy to raise efficiencies and continuously analyse activities.

In order to reduce costs and ensure continuity of raw material supply chains, the Group adopted a policy of in-house manufacturing and continuous integration of basic operations within the manufacturing chain to reduce dependence on external manufacturers, hence ensuring the highest quality and best efficiency. To achieve this goal, the Group added 6 Supporting Factories, rendering it one of the integrated manufacturing groups in the Middle East region (for further details, please see Subsection (4.10) "**Group Factories and Manufacturing Activities**" of this Prospectus).

The large volume of raw materials purchased annually by the Group has provided it with negotiating power and an opportunity to secure favorable payment terms with its suppliers. The Group was able to significantly improve its days payable outstanding with a CAGR of 50% from 2019G to 2021G, resulting from renegotiation of payment terms with its major suppliers.

Additionally, the Group launched a number of flexible manufacturing initiatives centered on cutting costs and increasing production efficiency, such as smart planning for the production and storage of semi-finished materials shared by many sorts of cables, based on the Group's accrued manufacturing experience over 38 years and its highly experienced administrative staff.

Lately, the Group launched a cash excellence initiative to improve working capital by reducing inventory and improving accounts payable.

The Group contributes to constantly drive updates to specifications and modern designs for products, not only for the purpose of increasing production efficiency, but also to provide customers with high-quality products and to serve them. For instance, it participated in high voltage testing with King Saud University and the specification for electrical wires approved by the Saudi Standards, Metrology and Quality Organization.

#### **4.3.4 Strengths and Competitive Advantages**

The Group's strengths and competitive advantages include the following:

- **Group Size**

The Group is the biggest cables manufacturer in the MENA Region and one of world's biggest power cables manufacturers with a total production capacity of 264,000 tons of metal. The Group produces more than 3,000 items. Over four decades it has manufactured enough cables to circle the globe nearly 2,000 times. Currently, the Group has full industrial operations in 3 countries (production in the fourth will commence by 2023G) and its products are available in 37 countries over 5 continents.

This scale of production capacity gives the Group a highly competitive advantage, in terms of rapid and prompt delivery times, the ability to fulfill large orders without subcontracting to other manufacturers (which usually results in breach of quality standards and high costs), in addition to reducing material costs by purchasing in bulk.

As a result of its extensive local spread throughout the KSA (through 18 branches) and regional presence in the GCC countries, it is distinguished in its ability to bring products close to customers and reach customers quickly. As such, the Company gained a significant market share in its key markets. In 2021G, it gained a market share of 30% in the KSA market and 22% in the UAE.

- **World-Class Integrated Industrial Facilities**

Operations and production of the Group's factories have been vertically integrated. It is one of the companies in the region which manufactures its own copper and aluminum rods (which are the main components of cable conductors). It is capable of producing and mixing polymers used in insulation, lining and packaging processes, and manufacturing metal and wooden drums necessary for packing and shipping the final product to its customers. This has provided the Group with competitive advantages in terms of production speed, cost-effectiveness and quality maintenance.

The Group owns six supporting factories to the nine main cable factories in the KSA, the UAE and Iraq (for further details, please see Subsection (4.10) "**Group Factories and Manufacturing Activities**" of this Prospectus).

The Group is keen on strengthening its position as the preferred supplier of energy solutions to its customers, as such, it has paid special attention to design and manufacturing details. It manages globally qualified facilities and factories. The Group has been awarded many compliance, quality systems and governance certifications, such as a Certificate of Conformity by Resource Inspections Canada Incorporated (RICI) and Pioneers of Quality Systems & Certifications, as well as accreditation certificates from BRE Global Ltd (for further details on the certificates and accreditations obtained by the Group, please see Subsection (4.12) "**Certificates and Accreditations**" of this Prospectus). As a result, the Group's facilities and products have been qualified by major regional service and utility companies, such as the Saudi Electricity Company (SEC), Dubai Electricity and Water Authority (DEWA), Sharjah Electricity and Water Authority (SEWA), Kuwait Ministry of Electricity, Water and Renewable Energy (MEW), Bahrain Electricity and Water Authority (EWA) and the Iraqi Ministry of Electricity, among many others. In addition, the Group's products have been qualified and used in mega projects such as the King Salman Energy Park project and ROSHN projects. The Group maintains distinguished relationships with its main customers.

- **Diversity of the Group's Products and Services**

The Group is distinguished in its ability to produce a variety of products with more than 3,000 high-quality cable and wire items (of various specifications and sizes) that are used in the energy, contracting, oil, gas, transportation, industry and communications sectors, giving it a significant competitive advantage in providing turnkey solutions.

The Group's product categories are classified as follows:

#### **Underground Power Cables**

This category includes:

- Armored and unarmored low-voltage, single- and multi-phase cables.
- Armored and unarmored medium-voltage, single- and multi-phase cables.
- High and extra-high voltage cables up to 500 kV.
- Fire-resistant cables, fire-retardant cables and halogen free low-smoke cables, in all medium- and low-voltage classes.
- Grounding cables.

#### **Wires and cables used in buildings and the industrial sector**

- Specialized Cables: These include control cables, instrumentation cables and renewable energy cables.
- Building wires.

#### **Communication cables and cables used in cloud computing and data center applications, including the following:**

- Fiber-optic cables: The Group is one of two companies in the KSA that manufacture fiber-optic cables.
- Data cables.
- Telephone cables.

## Overhead conductors

- All-Aluminum Conductor (AAC) cables.
- Aluminum Conductor Steel Reinforced (ACSR) cables.
- All-Aluminum Alloy Conductor (AAAC) cables.
- Aluminum Conductor Aluminum Reinforced (ACAR) cables.
- Composite Core (Carbon Fiber) High Temperature Low Sag Conductor (HTLS) cables.

Alongside the aforementioned range of products, the Group provides turnkey solutions services, such as consultancy and technical services, cable and systems design services, power circuit design, cable laying and installation systems design, site engineering, design, supply and installation of cable joints and terminations, testing and commissioning and monitoring, maintenance and repair services.

### • Technical Expertise, Quality Control, Research and Development

The Group has invested heavily in continuous research and development of products to maintain its position amongst regional competitors.

- 1- It has a dedicated research and development department responsible for evaluating and designing current products.
- 2- The Group proactively tests innovative products to meet customer needs and market trends.
- 3- The Group's laboratories are accredited by international bodies to provide third-party high and extra-high voltage cable testing services.
- 4- The Quality Control Department possesses exceptional experience and equipment. Each manufactured product is tested in the Group's laboratories to ensure product quality.
- 5- The Group owns and operates the most modern cable testing laboratories in the region, which are capable of testing extra-high voltage cables up to 800 kV.

### • Excellent and Firmly-Established Relationships with Major Customers

The Group has established strong relationships during the past decades with many of its customers through its diverse and high-quality product offering. As the Group is regional pioneer in the cable industry, it has been a regional reference for utility companies in improving and developing existing specifications and designs. In addition to providing a variety of consulting and technical services to its customers during projects, the Group is focused on continuous customer service and after-sale services.

### • Improvement of Metal Purchases to Reduce the Impact of Metal Price Fluctuations

As a result of its size, the Group is one of the largest regional consumers of copper, aluminum and other metals. As such, it has forged solid relationships with a variety of suppliers from different geographies. Consequently, the Group is capable of securing large quantities of metals when needed and negotiating the most competitive prices. Moreover, the Group has accrued experience spanning more than four decades and has a team experienced in the use of hedging instruments for protection against metal price fluctuations.

### • Environmental, Social and Corporate Governance Practices

The Group strives to recycle the materials used in the cable manufacturing process as it has state-of-the-art recycling facilities for reusing recyclable metals, polymers and cable reels, which effectively contribute to sustainability, minimizing waste and reducing carbon dioxide emissions. Additionally, the Group is gradually decreasing use of high carbon emission fuels in order to achieve net zero emissions.

Since its incorporation and throughout its continuous development over the past four decades, the Group has supported the local economy by providing local job opportunities, developing human resources and supporting families and the local economy through Saudization policies and reliance on local raw materials (such as aluminum and polymers) as much as possible.

- **Long-Term Record of Shareholders and their Representatives on the Board of Directors**

The Company has a shareholder base comprising leading companies in the KSA with multiple activities and highly experienced businessmen in the industry field in general and the cables industry in particular, with decades of experience in the industrial sector. The Board of Directors and its Committees consist of members with experience in the cable industry.

The Group's Management has experience in operations and business development and the Management team has proven its ability to maintain the Group's market share and increase its profit margins, even during periods of macroeconomic volatility, in addition to developing strong customer relationships, managing cash flows and growing profits. The Group's Management launched a number of successful strategic initiatives, including expansion into new geographies and the introduction of renewable products and services.

The Group has also implemented governance frameworks as a part of its growth strategy to ensure transparency and accountability, alongside governance structures to facilitate its growth strategy. The Company employs an effective system for measuring the general performance indicators of the Company and its employees.

- **Outlook and Future Prospects**

The Company continues its strategy to protect and increase its market share by focusing on increasing sales of its primary products in existing markets. As mentioned in Section (3) "**Market and Industry Overview**" of this Prospectus, the KSA and other target markets constitute attractive elements that will increase the demand for cables and services provided in the coming years.

During the financial year 2022G, the Group received a number of purchase orders in relation to the supply of approximately 136 thousand tons of its products with a total value of SAR 3.7 billion that have been confirmed and approved in accordance with the procedures agreed upon with the relevant clients. Part of these products will be delivered during the financial year 2022G, as per agreements/purchase orders concluded with such clients. The Group has also participated in various tenders and it is expected that it will confirm and approve additional purchase orders regarding the supply of approximately 50,000 tons of the Group's products.

Demand for cables and electrical wires is expected to increase in the KSA due to the hike in electricity consumption and residential ownership (the KSA aspires to achieve a Saudi ownership rate of 70% by 2030G). The expansion in the power transmission grid continues as a result of mega projects and continuous expansion of cities and electricity throughout the KSA. Moreover, the ongoing energy transition in the Saudi market will create additional demand for the Group's products. The KSA aims to reach a renewable energy generation capacity of 58.6 GW by 2030G, mostly from solar power. The UAE also seeks to generate 50% of its electricity from clean energy sources by 2030G.

In order to increase its market share and expand into other markets, the Company is currently working on development of new types of cables and products, focusing on key areas including the following:

- 1- Expanding its portfolio of extra-high voltage cables to keep pace with global energy market trends, such as high-voltage DC cables and accessories.
- 2- Concentrating on turnkey projects, particularly in the field of regional mega projects.
- 3- Expanding its product portfolio and launching new and specialized products to include cables used in special applications to keep pace with the requirements of industrial base growth in the KSA, such as products employed in defense systems applications, clean energy generation, mining, oil and gas and the automotive industry.
- 4- Launching specialized products, such as instrumentation and control cables, renewable energy cables and submersible pump cables.
- 5- Expanding communications projects to include cloud computing applications, data centers and communications networks (5G).
- 6- Expanding its product portfolio to include sustainable and recyclable cables.
- 7- Focusing on expansion in various sectors of the Iraqi market and relying on the advantages of local product prioritization.

#### 4.4 Ownership Structure of the Company's Shares pre- and post-Offering

The Company's current capital is one billion, five hundred million Saudi Riyals (SAR 1,500,000,000), divided into one hundred and fifty million (150,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, all of which are in-kind shares.

The following table shows the ownership structure of the Company's shares pre- and post-Offering.

**Table (23): Ownership Structure of the Company's Shares pre- and post-Offering**

Shareholder	Pre-Offering		Post-Offering	
	No. of Shares	Percentage	No. of Shares	Percentage
Abdulqadir Al-Muhaidib & Sons Co.	46,125,000	30.75%	35,977,500	23.99%
Hekmat Saadaldain Abdulhamid Al Zaim	43,125,000	28.75%	33,637,500	22.43%
Ahmad Samer Hamdi Saadaldain Al Zaim	17,923,982	11.95%	13,980,706	9.32%
Alma Limited	17,898,360	11.93%	13,960,721	9.31%
Mohamed Hekmat Saadaldain Al Zaim	7,500,000	5.00%	5,850,000	3.90%
Rana Hamdi Saadaldain Al Zaim	5,177,083	3.45%	4,038,125*	2.69%
Leena Hamdi Saadaldain Al Zaim	5,177,083	3.45%	4,038,125*	2.69%
Ihsan Abdulmajeed Al Zaim	4,448,492	2.97%	3,469,823*	2.31%
Khedhar Muhsin Muhammad Ali Ibrahim	1,500,000	1.00%	1,170,000*	0.78%
Mohammed Suleiman Alsaleem	1,125,000	0.75%	877,500	0.59%
The Public**	-	-	33,000,000	22%
<b>Total</b>	<b>150,000,000</b>	<b>100%</b>	<b>150,000,000</b>	<b>100%</b>

Source: The Company

\* It should be noted that the shares owned post-Offering by the following Shareholders: (i) Rana Hamdi Saadaldain Al Zaim; (ii) Leena Hamdi Saadaldain Al Zaim; (iii) Ihsan Abdulmajeed Al-Zaim; and (vi) Khedhar Muhsin Muhammad Ali Ibrahim will be considered as part of the public free-float shares in accordance with the CMA's regulations.

\*\* For the purposes of this table, the public field reflects the number and percentage of the shares to be offered to the public under the Offering, i.e., 33,000,000 shares representing 22% of the Company's share capital. This does not include the shares that shall be held post-Offering by some of the Current Shareholders to whom the definition of the public under the CMA's regulations applies. Those Shareholders are: (i) Rana Hamdi Saadaldain Al Zaim; (ii) Leena Hamdi Saadaldain Al Zaim; (iii) Ihsan Abdulmajeed Al-Zaim; and (vi) Khedhar Muhsin Muhammad Ali Ibrahim. Accordingly, the total public free-float shares post-Offering amount to 45,716,073 shares, representing 30.47% of the Company's share capital.

#### 4.5 Major Shareholders Owning 5% or More of the Company's Capital:

The table below shows the Major Shareholders who own 5% or more of the Company's capital pre- and post-Offering:

**Table (24): Overview of the Major Shareholders who own 5% or more of the Company's Capital pre- and post-Offering**

Shareholder	Pre-Offering				Post-Offering			
	Direct Ownership		Indirect Ownership		Direct Ownership		Indirect Ownership	
	No. of Shares	Percentage	No. of Shares	Percentage	No. of Shares	Percentage	No. of Shares	Percentage
Abdulqadir Al-Muhaidib & Sons Co.	46,125,000	30.75%	-	-	35,977,500	23.99%	-	-
Hekmat Saadaldain Abdulhamid Al Zaim	43,125,000	28.75%	-	-	33,637,500	22.43%	-	-
Ahmad Samer Hamdi Saadaldain Al Zaim	17,923,982	11.95%	-	-	13,980,706	9.32%	-	-
Alma Limited	17,898,360	11.93%	-	-	13,960,721	9.31%	-	-
Mohamed Hekmat Saadaldain Al Zaim	7,500,000	5.00%	-	-	5,850,000	3.90%	-	-
Amwal Al Ajyal Holding Company <sup>(1)</sup>	-	-	46,125,000	30.75%	-	-	35,977,500	23.99%
Emad Abdulqadir Al-Muhaidib <sup>(2)</sup>	-	-	12,453,750	8.30%	-	-	9,713,925	6.47%
Issam Abdulqadir Al-Muhaidib <sup>(2)</sup>	-	-	12,453,750	8.30%	-	-	9,713,925	6.47%
Suleiman Abdulqadir Al-Muhaidib <sup>(2)</sup>	-	-	12,453,750	8.30%	-	-	9,713,925	6.47%
Alma Bahaa El Din Raslan <sup>(3)</sup>	-	-	15,213,606	10.14%	-	-	11,866,613	7.91%

Source: The Company

- (1) Amwal Al Ajyal Holding Company owns 100% of the shares of Abdulqadir Al-Muhaidib & Sons Co., which in turn owns 30.75% of the Company's shares.
- (2) Emad Abdulqadir Al-Muhaidib, Issam Abdulqadir Al-Muhaidib and Suleiman Abdulqadir Al-Muhaidib own 27.00% of Amwal Al Ajyal Holding Company, which in turn owns 30.75% of the Company's shares.
- (3) Alma Bahaa El Din Raslan owns 85.00% of the shares of Alma Limited, which in turn owns 11.93% of the Company's shares.

## 4.6 Changes in the Company's Ownership from its Incorporation until the Date of this Prospectus

The following shows the changes in the Company's capital from its incorporation until the date of this Prospectus:

### 4.6.1 Incorporation of the Company (1984G)

The Company was incorporated on 12/04/1404H (corresponding to 15/01/1984G) with a share capital of seven million, five hundred thousand Saudi Riyals (SAR 7,500,000) divided into ten thousand (10,000) cash shares with a value of seven hundred and fifty Saudi Riyals (SAR 750) per share. The table below shows the ownership structure of the Company upon incorporation:

**Table (25): Ownership Structure of the Company's Partners in 1984G**

Partner	No. of shares	Value per share (SAR)	Total (SAR)	Ownership (%)
Saudi Modern Company for Metals, Cables and Plastic Industry Ltd.	7,500	750	5,625,000	75%
Abdullah Abdo Shamsan	1,300	750	975,000	13%
Mohammed Abdo Shamsan	1,200	750	900,000	12%
<b>Total</b>	<b>10,000</b>	<b>-</b>	<b>7,500,000</b>	<b>100%</b>

Source: The Company

### 4.6.2 Capital Increase of the Company (1985G)

On 13/09/1405H (corresponding to 01/06/1985G), the Company's partners decided to increase the Company's capital to twenty-nine million, four hundred and twenty-five thousand Saudi Riyals (SAR 29,425,000) divided into one hundred and seventeen thousand, seven hundred (117,700) cash shares of equal value and to reduce the value per share to two hundred and fifty Saudi Riyals (SAR 250). The increase of twenty-one million, nine hundred and twenty-five thousand Saudi Riyals (SAR 21,925,000) was covered through capitalization of the shareholders' current account. Shares were distributed among the partners as follows:

**Table (26): Ownership Structure of the Company's Partners in 1985G**

Partner	No. of shares	Value per share (SAR)	Total (SAR)	Ownership (%)
Saudi Modern Company for Metals, Cables and Plastic Industry Ltd.	88,275	250	22,068,750	75%
Abdullah Abdo Shamsan	15,301	250	3,825,250	13%
Mohammed Abdo Shamsan	14,124	250	3,531,000	12%
<b>Total</b>	<b>117,700</b>	<b>-</b>	<b>29,425,000</b>	<b>100%</b>

Source: The Company

### 4.6.3 Changes to Company Ownership and Capital Increase (1989G)

On 25/11/1409H (corresponding to 28/06/1989G), Abdullah Abdo Shamsan and Mohammed Abdo Shamsan transferred their shares to Khedhar Muhsin Ali Alebrahim and Ahmed Najdat Abdulqadir Al-Mahmoud Pazarbashi, and the Company's capital was increased to seventy-two million Saudi Riyals (SAR 72,000,000), divided into seven hundred and twenty thousand (720,000) shares of equal value. The value per share was reduced to one hundred Saudi Riyals (SAR 100). The increase of forty-two million, five hundred and seventy-five thousand Saudi Riyals (SAR 42,575,000) was covered through capitalization of the shareholders' current account. Shares were distributed among the partners as follows:

**Table (27): Ownership Structure of the Company's Partners in 1989G**

Partner	No. of shares	Value per share (SAR)	Total (SAR)	Ownership (%)
Saudi Modern Company for Metals, Cables and Plastic Industry Ltd.	540,000	100	54,000,000	75%
Khedhar Muhsin Ali Alebrahim	108,000	100	10,800,000	15%
Ahmed Najdat Abdulqadir Al-Mahmoud Pazarbashi	72,000	100	7,200,000	10%
<b>Total</b>	<b>720,000</b>	<b>-</b>	<b>72,000,000</b>	<b>100%</b>

Source: The Company



#### 4.6.4 Capital Increase (1990G)

On 21/04/1411H (corresponding to 08/11/1990G), the Company's partners agreed to increase the Company's capital to seventy-five million Saudi Riyals (SAR 75,000,000) divided into seven hundred and fifty thousand (750,000) shares of equal value. The increase of three million Saudi Riyals (SAR 3,000,000) was covered through the capitalization of retained earnings. Shares were distributed among the partners as follows:

**Table (28): Ownership Structure of the Company's Partners in 1990G**

Partner	No. of shares	Value per share (SAR)	Total (SAR)	Ownership (%)
Saudi Modern Company for Metals, Cables and Plastic Industry Ltd.	562,500	100	56,250,000	75%
Khedhar Muhsin Ali Alebrahim	112,500	100	11,250,000	15%
Ahmed Najdat Abdulqadir Al-Mahmoud Pazarbashi	75,000	100	7,500,000	10%
<b>Total</b>	<b>750,000</b>	<b>-</b>	<b>75,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.5 Changes to Company Ownership (1992G)

On 04/01/1413H (corresponding to 04/07/1992G), Abdulqadir Al-Muhaidib & Sons Co. purchased one hundred and fifty thousand (150,000) of the Company's shares from the Saudi Modern Company for Metals, Cables and Plastic Industry Ltd. and thirty-seven thousand, five hundred (37,500) shares from Ahmed Najdat Abdulqadir Al-Mahmoud Pazarbashi. Accordingly, the shares in the Company were distributed as follows:

**Table (29): Ownership Structure of the Company's Partners in 1992G**

Partner	No. of shares	Value per share (SAR)	Total (SAR million)	Ownership (%)
Saudi Modern Company for Metals, Cables and Plastic Industry Ltd.	412,500	100	41,250,000	55%
Abdulqadir Al-Muhaidib & Sons Co.	187,500	100	18,750,000	25%
Khedhar Muhsin Ali Alebrahim	112,500	100	11,250,000	15%
Ahmed Najdat Abdulqadir Al-Mahmoud Pazarbashi	37,500	100	3,750,000	5%
<b>Total</b>	<b>750,000</b>	<b>-</b>	<b>75,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.6 Changes to Company Ownership (1994G)

On 23/07/1414H (corresponding to 05/01/1994G), the Saudi Modern Company for Metals, Cables and Plastic Industry Ltd. transferred all of its shares in the Company amounting to 412,500 shares by selling one hundred and forty-two thousand, five hundred (142,500) shares to Hamdi Saadaldain Al Zaim, one hundred and thirty-five thousand (135,000) shares to Ziad Saadaldain Al Zaim and one hundred and thirty-five thousand (135,000) shares to Hekmat Saadaldain Al Zaim. Khedhar Muhsin Ali Alebrahim transferred one hundred and five thousand (105,000) of his 112,500 shares in the Company through the sale of thirty thousand (30,000) shares to Hamdi Saadaldain Al Zaim and thirty-seven thousand, five hundred (37,500) shares to Ziad Saadaldain Al Zaim and Hekmat Saadaldain Al Zaim. Ahmed Najdat Abdulqadir Al-Mahmoud Pazarbashi transferred twenty-two thousand, five hundred (22,500) of his shares in the Company through the sale of seven thousand, five hundred (7,500) shares to Hamdi Saadaldain Al Zaim, Ziad Saadaldain Al Zaim and Hekmat Saadaldain Al Zaim. Accordingly, the shares in the Company were distributed as follows:

**Table (30): Ownership Structure of the Company's Partners in 1994G**

Partner	No. of shares	Value per share (SAR)	Total (SAR million)	Ownership (%)
Abdulqadir Al-Muhaidib & Sons Co.	187,500	100	18,750,000	25%
Hekmat Saadaldain Al Zaim	180,000	100	18,000,000	24%
Hamdi Saadaldain Al Zaim	180,000	100	18,000,000	24%
Ziad Saadaldain Al Zaim	180,000	100	18,000,000	24%
Ahmed Najdat Abdulqadir Al-Mahmoud Pazarbashi	15,000	100	1,500,000	2%
Khedhar Muhsin Ali Alebrahim	7,500	100	750,000	1%
<b>Total</b>	<b>750,000</b>	<b>-</b>	<b>75,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.7 Changes to Company Ownership (1996G)

On 05/01/1417H (corresponding to 22/05/1996G), Ziad Saadaldain Al Zaim transferred all of his shares amounting to one hundred and eighty thousand (180,000) shares in the Company to Hekmat Saadaldain Al Zaim. Accordingly, the shares in the Company were distributed as follows:

**Table (31): Ownership Structure of the Company's Partners in 1996G**

Owner	No. of shares	Value per share (SAR)	Total (SAR million)	Ownership (%)
Hekmat Saadaldain Al Zaim	360,000	100	36,000,000	48%
Abdulqadir Al-Muhaidib & Sons Co.	187,500	100	18,750,000	25%
Hamdi Saadaldain Al Zaim	180,000	100	18,000,000	24%
Ahmed Najdat Abdulqadir Al-Mahmoud Pazarbashi	15,000	100	1,500,000	2%
Khedhar Muhsin Ali Alebrahim	7,500	100	750,000	1%
<b>Total</b>	<b>750,000</b>	<b>-</b>	<b>75,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.8 Changes to Company Ownership (1997G)

On 06/01/1418H (corresponding to 12/05/1997G), Hekmat Saadaldain Al Zaim transferred one hundred and forty-two thousand, five hundred (142,500) of his shares in the Company through the sale of thirty thousand (30,000) shares to Abdulqadir Al-Muhaidib & Sons Co., thirty-seven thousand, five hundred (37,500) shares to Ahmad Samer Hamdi Al Zaim, thirty-seven thousand, five hundred (37,500) shares to Saad Hamdi Saadaldain Al Zaim and thirty-seven thousand, five hundred (37,500) shares to Muhammad Hekmat Al-Zaim. Ahmed Najdat Abdulqadir Al-Mahmoud Pazarbashi transferred all of his shares to Abdulqadir Al-Muhaidib & Sons Co. Accordingly, the shares in the Company were distributed as follows:

**Table (32): Ownership Structure of the Company's Partners in 1997G**

Partner	Number of shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
Abdulqadir Al-Muhaidib & Sons Co.	232,500	100	23,250,000	31%
Hekmat Saadaldain Al Zaim	217,500	100	21,750,000	29%
Hamdi Saadaldain Al Zaim	180,000	100	18,000,000	24%
Saad Hamdi Saadaldain Al Zaim	37,500	100	3,750,000	5%
Ahmad Samer Hamdi Al Zaim	37,500	100	3,750,000	5%
Muhammad Hekmat Al-Zaim	37,500	100	3,750,000	5%
Khedhar Muhsin Ali Alebrahim	7,500	100	750,000	1%
<b>Total</b>	<b>750,000</b>	<b>-</b>	<b>75,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.9 Company's Conversion into a Joint Stock Company and Changes to Ownership (2014G)

On 05/05/1435H (corresponding to 06/03/2014G), Hamdi Saad Al-Din Al-Zaim transferred part of his shares in the Company's capital, amounting to two thousand, five hundred (2,500) shares in the Company in favor of Muhammad bin Abdulaziz Al-Tuwaijri, and Hekmat Saad Al-Din Al-Zaim transferred part of his shares in the Company's capital, amounting to two thousand, five hundred (2,500) shares in the Company to Mohammed bin Abdulaziz Al-Tuwaijri, and Abdulqadir Al-Muhaidib & Sons Co. transferred part of its shares in the Company's capital, amounting to two thousand, five hundred (2,500) shares in the Company to Mohammed bin Abdulaziz Al-Tuwaijri. Additionally, the Company's partners decided to convert it from a limited liability company to a closed joint stock company, and then into a closed joint stock company pursuant to the Ministry of Commerce resolution No. 164/Q on 17/06/1435H (corresponding to 17/04/2014G) with a capital of seventy-five million Saudi Riyals (SAR 75,000,000) divided into seven million, five hundred thousand (7,500,000) shares with a nominal value of ten Saudi Riyals (SAR 10) per share. Accordingly, the shares in the Company were distributed among the shareholders as follows:

**Table (33): Ownership Structure of the Company's Shareholders in 2014G**

Shareholder	No. of Shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
Abdulqadir Al-Muhaidib & Sons Co.	2,300,000	10	23,000,000	30.667%
Hekmat Saadaldain Al Zaim	2,150,000	10	21,500,000	28.667%
Hamdi Saadaldain Al Zaim	1,775,000	10	17,750,000	23.667%
Saad Hamdi Saadaldain Al Zaim	375,000	10	3,750,000	5%
Ahmad Samer Al Zaim	375,000	10	3,750,000	5%
Muhammad Hekmat Al-Zaim	375,000	10	3,750,000	5%
Khedhar Muhsin Ali Alebrahim	75,000	10	750,000	1%
Mohammed bin Abdulaziz Al-Tuwaijri	75,000	10	750,000	1%
<b>Total</b>	<b>7,500,000</b>	<b>-</b>	<b>75,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.10 Company's Capital increase and Name Change (2014G)

On 05/01/1436H (corresponding to 29/10/2014G), the Extraordinary General Assembly of the Company approved the increase of its share capital from seventy-five million Saudi Riyals (SAR 75,000,000) to nine hundred million Saudi Riyals (SAR 900,000,000) divided into ninety million (90,000,000) shares of equal value. The name of the Company was modified to become "Riyadh Cables Group Company." It should be noted that the increase of eight hundred and twenty-five million Saudi Riyals (SAR 825,000,000) was covered through the capitalization of thirty-seven million, five hundred thousand Saudi Riyals (SAR 37,500,000) from the statutory reserve account and the capitalization of seven hundred and eighty-seven million, five hundred thousand Saudi Riyals (SAR 787,500,000) from the retained earnings account. Accordingly, the shares in the Company were distributed among the shareholders as follows:

**Table (34): Ownership Structure of the Company's Shareholders in 2014G**

Owner	No. of Shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
Abdulqadir Al-Muhaidib & Sons Co.	27,600,000	10	276,000,000	30.667%
Hekmat Saadaldain Al Zaim	25,800,000	10	258,000,000	28.667%
Hamdi Saadaldain Al Zaim	21,300,000	10	213,000,000	23.667%
Saad Hamdi Saadaldain Al Zaim	4,500,000	10	45,000,000	5%
Ahmad Samer Hamdi Al Zaim	4,500,000	10	45,000,000	5%
Muhammad Hekmat Al-Zaim	4,500,000	10	45,000,000	5%
Khedhar Muhsin Ali Alebrahim	900,000	10	9,000,000	1%
Mohammed bin Abdulaziz Al-Tuwaijri	900,000	10	9,000,000	1%
<b>Total</b>	<b>90,000,000</b>	<b>-</b>	<b>900,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.11 Company's Capital Increase (2015G)

On 13/08/1436H (corresponding to 31/05/2015G), the Extraordinary General Assembly of the Company approved the increase of its share capital from nine hundred million Saudi Riyals (SAR 900,000,000) to one billion, five hundred million Saudi Riyals (SAR 1,500,000,000) divided into one hundred and fifty million (150,000,000) shares of equal value. The increase in the share capital of six hundred million Saudi Riyals (SAR 600,000,000) was covered through the capitalization of five hundred and seventy-nine million, nine hundred and sixty-six thousand, four hundred and thirty-five Saudi Riyals (SAR 579,966,435) from the retained earnings account and the capitalization of twenty million, thirty-three thousand, five hundred and sixty-five Saudi Riyals (SAR 20,033,565) from the statutory reserve account. Accordingly, the shares in the Company were distributed among the shareholders as follows:

**Table (35): Ownership Structure of the Company's Shareholders in 2015G**

Owner	No. of Shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
Abdulqadir Al-Muhaidib & Sons Co.	46,000,000	10	460,000,000	30.667%
Hekmat Saadaldain Al Zaim	43,000,000	10	430,000,000	28.667%
Hamdi Saadaldain Al Zaim	35,500,000	10	355,000,000	23.667%
Saad Hamdi Saadaldain Al Zaim	7,500,000	10	75,000,000	5%
Ahmad Samer Hamdi Al Zaim	7,500,000	10	75,000,000	5%
Muhammad Hekmat Al-Zaim	7,500,000	10	75,000,000	5%
Khedhar Muhsin Ali Alebrahim	1,500,000	10	15,000,000	1%
Mohammed Abdulaziz Abdullah Al-Tuwaijri	1,500,000	10	15,000,000	1%
<b>Total</b>	<b>150,000,000</b>	<b>-</b>	<b>1,500,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.12 Changes to Ownership (2016G)

On 02/04/1438H (corresponding to 31/12/2016G), the Company's ownership structure changed following the death of Hamdi Saadaldain Al Zaim. In addition, the shares of some of the shareholders at that time were transferred to new shareholders whose names are as follows: Mr. Muayyad Issa Suleiman Al Qirtas, Mr. Khalid Abdulrahman Abdullah Al Quwaiz, Mr. Tariq Mutlaq Abdullah Al Mutlaq, and Mr. Ziyad Fouad Fahd Al Saleh. Thus, the ownership structure of the Company was as follows:

**Table (36): Ownership Structure of the Company's Shareholders in 2016G**

Owner	No. of Shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
Abdulqadir Al-Muhaidib & Sons Co.	45,998,000	10	459,980,000	30.667%
Hekmat Saadaldain Al Zaim	42,999,000	10	429,990,000	28.667%
Heirs of Hamdi Saadaldain Al Zaim	35,499,000	10	354,990,000	23.67%
Saad Hamdi Saadaldain Al Zaim	7,500,000	10	75,000,000	5.00%
Ahmad Samer Hamdi Saadaldain Al Zaim	7,500,000	10	75,000,000	5.00%
Muhammad Hekmat Saadaldain Al-Zaim	7,500,000	10	75,000,000	5.00%
Mohammed Abdulaziz Abdullah Al-Tuwaijri	1,500,000	10	15,000,000	1.00%
Khedhar Muhsin Ali Alebrahim	1,500,000	10	15,000,000	1.00%
Muayyad Issa Suleiman Al Qirtas	1,000	10	10,000	0.0007%
Khalid Abdulrahman Abdullah Al Quwaiz	1,000	10	10,000	0.0007%
Tariq Mutlaq Abdullah Al Mutlaq	1,000	10	10,000	0.0007%
Ziyad Fouad Fahd Al Saleh	1,000	10	10,000	0.0007%
<b>Total</b>	<b>150,000,000</b>	<b>-</b>	<b>1,500,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.13 Changes to Ownership (2017G)

On 13/04/1439H (corresponding to 31/12/2017G), some changes occurred in the ownership of the Company, and accordingly, the Company's ownership structure was as follows:

**Table (37): Ownership Structure of the Company's Shareholders in 2017G**

Owner	No. of Shares	Value per share (SAR)	Total (SAR)	Ownership (%)
Abdulqadir Al-Muhaidib & Sons Co.	46,000,000	10	460,000,000	30.667%
Ajyal Al Hikma Investment Company	43,000,000	10	430,000,000	28.667%
Saad Hamdi Saadaldain Al Zaim	17,854,167	10	178,541,670	11.90%
Ahmad Samer Hamdi Saadaldain Al Zaim	17,854,167	10	178,541,670	11.90%
Mohamed Hekmat Saadaldain Al Zaim	7,500,000	10	75,000,000	5.00%
Rana Hamdi Saadaldain Al Zaim	5,177,083	10	51,770,830	3.45%
Leena Hamdi Saadaldain Al Zaim	5,177,083	10	51,770,830	3.45%
Ihsan Abdulmajeed Khalid Al Zaim	4,437,500	10	44,375,000	2.958%
Mohamed Abdulaziz Abdullah Al Tuwaijri	1,500,000	10	15,000,000	1.00%
Khedhar Muhsin Ali Alebrahim	1,500,000	10	15,000,000	1.00%
<b>Total</b>	<b>150,000,000</b>	<b>-</b>	<b>1,500,000,000</b>	<b>100%</b>

#### 4.6.14 Changes to Ownership (2019G)

On 24/07/1440H (corresponding to 31/03/2019G), the Company's ownership structure changed following the death of Saad Hamdi Saadaldain Al Zaim, and thus the Company's ownership structure was as follows:

**Table (38): Ownership Structure of the Company's Shareholders in 2019G**

Owner	No. of Shares	Value per share (SAR)	Total (SAR)	Ownership (%)
Abdulqadir Al-Muhaidib & Sons Co.	46,000,000	10	460,000,000	30.667%
Ajyal Al Hikma Investment Company	43,000,000	10	430,000,000	28.667%
Alma Limited	17,854,167	10	178,541,670	11.90%
Ahmad Samer Hamdi Saadaldain Al Zaim	17,854,167	10	178,541,670	11.90%
Mohamed Hekmat Saadaldain Al Zaim	7,500,000	10	75,000,000	5.00%
Rana Hamdi Saadaldain Al Zaim	5,177,083	10	51,770,830	3.45%
Leena Hamdi Saadaldain Al Zaim	5,177,083	10	51,770,830	3.45%
Ihsan Abdulmajeed Khalid Al Zaim	4,437,500	10	44,375,000	2.958%
Mohamed Abdulaziz Abdullah Al Tuwaijri	1,500,000	10	15,000,000	1.00%
Khedhar Muhsin Ali Alebrahim	1,500,000	10	15,000,000	1.00%
<b>Total</b>	<b>150,000,000</b>	<b>-</b>	<b>1,500,000,000</b>	<b>100%</b>

#### 4.6.15 Changes to Ownership (April 2022G)

On 09/09/1443H (corresponding to 10/04/2022G), some changes occurred in the Company's ownership, and accordingly the Company's ownership structure was as follows:

**Table (39): Ownership Structure of the Company as of 09/09/1443H (corresponding to 10/04/2022G)**

Shareholder	No. of Shares	Value per share (SAR)	Total (SAR)	Percentage
Abdulqadir Al-Muhaidib & Sons Co.	46,125,000	10	461,250,000	30.75%
Ajyal Al Hikma Investment Company	43,125,000	10	431,250,000	28.75%
Ahmad Samer Hamdi Saadaldain Al Zaim	17,923,982	10	179,239,820	11.95%
Alma Limited	17,898,360	10	178,983,600	11.93%
Mohamed Hekmat Saadaldain Al Zaim	7,500,000	10	75,000,000	5.00%
Rana Hamdi Saadaldain Al Zaim	5,177,083	10	51,770,830	3.45%
Leena Hamdi Saadaldain Al Zaim	5,177,083	10	51,770,830	3.45%
Ihsan Abdulmajeed Al Zaim	4,448,492	10	44,484,920	2.97%
Khedhar Muhsin Muhammad Ali Alebrahim	1,500,000	10	15,000,000	1.00%
Mohammed Suleiman Alsaleem	1,125,000	10	11,250,000	0.75%
<b>Total</b>	<b>150,000,000</b>	<b>-</b>	<b>1,500,000,000</b>	<b>100%</b>

Source: The Company

#### 4.6.16 Changes to Ownership (May 2022G)

On 25/10/1443H (corresponding to 26/05/2022G), some changes occurred in the Company's ownership, and thus the Company's ownership structure became as follows:

**Table (40): Ownership Structure of the Company as of 25/10/1443H (corresponding to 26/05/2022G)**

Shareholder	No. of Shares	Value per share (SAR)	Total (SAR)	Percentage
Abdulqadir Al-Muhaidib & Sons Co.	46,125,000	10	461,250,000	30.75%
Hekmat Saadaldain Abdulhamid Al Zaim	43,125,000	10	431,250,000	28.75%
Ahmad Samer Hamdi Saadaldain Al Zaim	17,923,982	10	179,239,820	11.95%
Alma Limited	17,898,360	10	178,983,600	11.93%
Mohamed Hekmat Saadaldain Al Zaim	7,500,000	10	75,000,000	5.00%
Rana Hamdi Saadaldain Al Zaim	5,177,083	10	51,770,830	3.45%
Leena Hamdi Saadaldain Al Zaim	5,177,083	10	51,770,830	3.45%
Ihsan Abdulmajeed Al Zaim	4,448,492	10	44,484,920	2.97%
Khedhar Muhsin Muhammad Ali Alebrahim	1,500,000	10	15,000,000	1.00%
Mohammed Suleiman Alsaleem	1,125,000	10	11,250,000	0.75%
<b>Total</b>	<b>150,000,000</b>	<b>-</b>	<b>1,500,000,000</b>	<b>100%</b>

Source: The Company

## 4.7 Overview of Companies Owning Shares in the Company

There are two (2) companies that own shares in the Company, namely Abdulqadir Al-Muhaidib & Sons Co. and Alma Limited. Below is a brief overview of these companies and Amwal Al Ajyal Holding Company, which owns 100% of Abdulqadir Al-Muhaidib & Sons Co.

### 4.7.1 Abdulqadir Al-Muhaidib & Sons Co.

Abdulqadir Al-Muhaidib & Sons Co. is a closed joint stock company registered under Commercial Registration No. 2050009333 dated 17/09/1400H (corresponding to 29/07/1980G) with a share capital of one billion Saudi Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares. Its main address is P.O. Box 30, Dammam 31411, KSA. The Company's activities, according to its Commercial Registration, are represented in the management and leasing of owned or leased (non-residential) properties; the wholesale of sugar and its byproducts; the purchase and sale of plots and property, subdivision thereof and off-plan sales activities; the retail sale of building materials (including cement, blocks, gypsum, cement tiles, etc.); management and leasing of owned or leased (residential) properties and wholesale of food and beverages. The table below shows the ownership structure of Abdulqadir Al-Muhaidib & Sons Co.:

**Table (41): Ownership Structure of Abdulqadir Al-Muhaidib & Sons Co.**

No.	Shareholder	No. of Shares	Nominal Value per Share (SAR)	Total Value of Shares (SAR)	Ownership (%)
1	Amwal Al Ajyal Holding Company	100,000,000	10	1,000,000,000	100%
<b>Total</b>		<b>100,000,000</b>	<b>-</b>	<b>1,000,000,000</b>	<b>100%</b>

Source: The Company

### 4.7.2 Amwal Al Ajyal Holding Company

Amwal Al Ajyal Holding Company is a limited liability Company registered under Commercial Registration No. 2050063825, dated 30/02/1430H (corresponding to 25/02/2009G) with a capital of five million Saudi Riyals (SAR 5,000,000) divided into five hundred thousand (500,000) ordinary shares. Its main address is Dammam Road, P.O. Box 30, Dammam 31411, KSA. The Company's activities, according to its Commercial Registration, are to manage its subsidiaries and participate in the management of other companies in which it has a shareholding, as well provide the necessary support to them; invest its funds in shares and other securities; own properties and movables necessary to conduct its activities; and to provide loans, guarantees and financing for its subsidiaries. The following table sets out the ownership structure of Amwal Al Ajyal Holding Company:

**Table (42): Ownership Structure of Amwal Al Ajyal Holding Company**

#	Partner	No. of Shares	Nominal Value per Share (SAR)	Total Value of Shares (SAR)	Ownership (%)
1.	Suleiman Abdulqadir Abdul Mohsen Al Muhaidib	135,000	10	1,350,000	27.00%
2.	Issam Abdulqadir Abdel Mohsen Al Muhaidib	135,000	10	1,350,000	27.00%
3.	Emad Abdulqadir Abdel Mohsen Al Muhaidib	135,000	10	1,350,000	27.00%
4.	Lulwa Suleiman Saleh Al-Mudaihim*	25,000	10	250,000	5.00%
5.	Awatef Abdulqadir Abdel Mohsen Al Muhaidib	17,500	10	175,000	3.50%
6.	Tamazer Abdulqadir Abdel Mohsen Al Muhaidib	17,500	10	175,000	3.50%
7.	Maryam Abdulqadir Abdel Mohsen Al Muhaidib	17,500	10	175,000	3.50%
8.	Haifa Abdulqadir Abdel Mohsen Al Muhaidib	17,500	10	175,000	3.50%
<b>Total</b>		<b>500,000</b>	<b>-</b>	<b>5,000,000</b>	<b>100%</b>

Source: The Company

\* It is worth noting that Lulwa Sulaiman Saleh Al Mudaihem passed away in August 2022G and the procedures for distributing her estate are under way. This will result in an amendment to the ownership structure of Amwal Al Ajyal Holding Company.

### 4.7.3 Alma Limited

Alma Limited is a limited liability company registered under Commercial Registration No. 1010934713, dated 28/05/1439H (corresponding to 14/02/2018G), with a capital of five hundred thousand Saudi Riyals (SAR 500,000). Its main address is located on Wadi Al Awsat Road, P.O. Box 12214, 12214 Riyadh, the Kingdom of Saudi Arabia. The company's activities, according to its Commercial Registration, are the purchase, sale and division of land and real estate, off-plan sales activities, management and leasing of owned or leased properties (residential), management and leasing of owned or leased properties (non-residential) and management and operation of hotel apartments. The below table shows Alma Limited's ownership structure:

**Table (43): Ownership Structure of Alma Limited**

No.	Partner	No. of Shares	Nominal Value per Share (SAR)	Total Value of Shares (SAR)	Ownership (%)
1.	Alma Bahaa El Din Rafeeq Raslan	42,500	10	425,000	85.00%
2.	Hamdi Saad Hamdi Al-Zaim	5,000	10	50,000	10.00%
3.	Omar Saad Hamdi Al-Zaim	2,500	10	25,000	5.00%
<b>Total</b>		<b>50,000</b>	<b>-</b>	<b>500,000</b>	<b>100%</b>

## 4.8 Group Subsidiaries and Branches

The following is an overview of each of the Group's Material and Non-Material Subsidiaries and their branches. For the purpose of measuring the materiality of the Company's Subsidiaries, the Group and the Financial Advisor have taken into account the impact of Subsidiaries on the decision to invest in the Company's securities and their price, including, but not limited to, whether they constitute 5% or more of the Company's total assets, liabilities, revenue, profits or contingent liabilities. Accordingly, the Company has five (5) Material Subsidiaries and eight (8) Non-Material Subsidiaries. It should be noted that four (4) of the Material Subsidiaries are Saudi companies, namely RCM, REW, RTC and RCC, and one of the Material Subsidiaries is an Emirati Company, namely NCI. The total book value of the assets owned by NCI and its subsidiaries in Iraq, which are Al Rowad Company for Production of Electrical Cables and Wires Limited and Iraqi National Company for the Manufacture of Cables amounted to SAR 787,610,617 as of 30 June 2022G. These assets are located in the United Arab Emirates and Iraq. It is also worth noting that the total book value of the Group's assets in the Kingdom amounted to SAR 3,636,731,462 as of 30 June 2022G.

Below are the details of each of the Company's Subsidiaries:

### 4.8.1 RCM and its subsidiaries and branches

#### 4.8.1.1 Overview of RCM

RCM is a closed joint stock company registered in Riyadh under Commercial Registration No. 1010081709 dated 24/06/1435H (corresponding to 24/04/2014G). Its main address is in the Second Industrial City, P.O. Box 6938, 14334 Riyadh, the Kingdom of Saudi Arabia. The company's activities, according to its commercial registration, are the manufacture of polyethylene, the manufacture of sheets, plates, tape rolls, bars, skewers, angles, wires and sections of all shapes, melting, rolling, drawing, purification and casting of copper and its alloys, manufacturing metal fasteners, including nails, staples, nuts and rings of all kinds and insulated wires and caps made of copper. RCM conducts its manufacturing business through seven (7) factories, including Cable Factory No. 2 located in Riyadh, and six (6) Supporting Factories producing raw materials used in the manufacture of electrical cables and wires for the Group's factories (for further details on RCM's factories please see Subsection (4.10) "Group Factories and Manufacturing Activities" of this Prospectus). RCM is one of the Material Subsidiaries of the Company.

The current capital of RCM is two hundred and fifteen million, one hundred thousand Saudi Riyals (SAR 215,100,000) divided into twenty-one million, five hundred and ten thousand (21,510,000) fully paid shares with a nominal value of ten Saudi Riyals (SAR 10) per share, all of which are in-kind shares. The table below shows the ownership structure of RCM.



**Table (44): Ownership Structure of RCM's Shareholders**

Shareholder	No. of Shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
The Company	21,500,000	10	215,000,000	99.95%
REW	2,500	10	25,000	0.01%
RTC	2,500	10	25,000	0.01%
RCC	2,500	10	25,000	0.01%
SMC	2,500	10	25,000	0.01%
<b>Total</b>	<b>21,510,000</b>	<b>-</b>	<b>215,100,000</b>	<b>100%</b>

Source: The Company

#### 4.8.1.2 Subsidiaries of RCM

RCM has a 49% stake in Arabian Gulf Company for Electrical Cables in Kuwait, as well as a 50% stake in Qatar Cables Company in Qatar, and a 90% stake in the Gulf Company for Electrical Works in Oman, while RCC owns the remaining 10% of Gulf Company for Electrical Works. In addition, RCM has a branch in Kuwait and two branches in the emirates of Dubai and Abu Dhabi within the UAE.

The following is an overview of the aforementioned companies and establishments owned by RCM.

##### A- Arabian Gulf Company for Electrical Cables

RCM operates its commercial and contracting business in Kuwait through the Arabian Gulf Company for Electrical Cables, a limited liability company registered in the Kuwaiti Commercial Register under No. M/1584/2003 dated 20/12/1435H (corresponding to 14/10/2014G). Its main address is located at Office No. Six (6), Third Floor (3), Building No. One (1), Youssef Al Muzaini Complex, District No. (170), Kuwait. The main activity of the company is electrical and electronic contracting. The Arabian Gulf Company for Electrical Cables was incorporated as a limited liability company on 22/04/1424H (corresponding to 22/06/2003G). The current capital of the Arabian Gulf Company for Electrical Cables is ten thousand Kuwaiti Dinars (KWD 10,000) divided into (100) fully paid shares with a nominal value of one hundred Kuwaiti Dinars (KWD 100) per share. RCM owns 49% of the shares of Arabian Gulf Company for Electrical Cables.

##### B- Qatar Cables Company

Qatar Cables Company is a limited liability company registered in Doha under Commercial Registration No. 26703 and was incorporated on 11/08/1424H (corresponding to 07/10/2003G). Its main address is located at Ibn Sina Road, No. Twenty-Four (24) Rawdat Al Khalil, Qatar. The company's main activity is the business of trading in electrical cables. The current capital of Qatar Cables Company is two hundred thousand Qatari Riyals (QAR 200,000) divided into two hundred (200) fully paid shares with a nominal value of one thousand Qatari Riyals (QAR 1,000) per share. RCM directly owns 50% of the shares of Qatar Cables Company.

##### C- Gulf Company for Electrical Works L.L.C.

Gulf Company for Electrical Works L.L.C. is a limited liability company registered in Muscat under Commercial Registration No. 1229581 dated 09/12/1436H (corresponding to 22/09/2015G). Its main address is Muscat, Oman. The Gulf Company for Electrical Works L.L.C. was incorporated as a limited liability company on 09/12/1436H (corresponding to 22/09/2015G) and its main activity is the import of electrical and communications cables. The current capital of Gulf Company for Electrical Works L.L.C. is twenty thousand Omani Riyals (OMR 20,000) divided into two thousand (2,000) fully paid shares with a nominal value of ten Omani Riyals (OMR 10) per share. RCM owns 90% of Gulf Company for Electrical Works L.L.C.

#### D- Egyptian Riyadh Cables Company for Electrical Works

Egyptian Riyadh Cables Company for Electrical Works is a Egyptian joint stock company registered at the Cairo Investment Commercial Register Office under Commercial Registration No. 141356 dated 23/02/1441H (corresponding to 22/10/2019G), and its main address is located at 33 Qasr El Nil Street, P.O. Box 11111, Abdeen, Cairo. The company's main activity is the import and export of all kinds of electrical cables. RCM owns 44% of Egyptian Riyadh Cables Company for Electrical Works, while RCC owns 5% of the Egyptian Riyadh Cables Company for Electrical Works.

#### E- Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires

Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires is a limited liability company registered in Kuwait under Commercial Registration No. 461039, dated 27/09/1443H (corresponding to 28/04/2022G). Its main address is Saadoun Al Jassim Al Yaqoub Building, Fahd Al Salem Street, Kuwait. The main activity of the company is the manufacture of electrical and electronic cables and wires. The capital of Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires is five million Kuwaiti dinars (KWD 5,000,000), divided into ten thousand (10,000) shares, with a nominal value of five hundred Kuwaiti dinars (KWD 500) per share. RCM owns 50% of Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires.

#### 4.8.1.3 Branches of RCM

The following table shows RCM branches in Kuwait and the United Arab Emirates:

**Table (45): RCM branches**

No.	Branch name according to the Certificate of Registration	Registration No.	Registration date	City and country of registration	Licensed business of the branch
1	Saudi Modern Company for Metals, Cables and Plastic Industry Ltd. Branch - Kuwait	362426	10/11/2015G	Kuwait, State of Kuwait	General trading
2	Saudi Modern Company for Metals, Cables and Plastic Industry branch, a closed joint stock company - Abu Dhabi	CN-1815448	26/08/1435H (corresponding to 24/06/2014G)	Abu Dhabi, UAE	Wholesale of wire and power cables Wholesale of electrical tools and supplies Installation and control of power transmission equipment Sale, transport and distribution of power generation equipment (wholesale)
3	Saudi Modern Company for Metals, Cables and Plastic Industry, a closed joint stock company – Dubai Branch	1022811	21/01/1429H (corresponding to 30/01/2008G)	Dubai, UAE	Electrical power transmission and control equipment installation works Wire and cable trade Electrical wiring tools trade Trading of electrical power generation, transmission and distribution equipment
4	Saudi Modern Company for Metals, Cables and Plastic Industry Ltd. branch, Riyadh Cables (Dubai Branch)	1383793	26/04/1440H (corresponding to 02/01/2019G)	Dubai, UAE	Installation and control of power transmission equipment Sale of wires and cables Sale of electrical wiring tools Sale, transport and distribution of power generation equipment

Source: The Company

## 4.8.2 REW and its Branches

### 4.8.2.1 Overview of REW

REW is a closed joint stock company registered in Riyadh under Commercial Registration No. 1010106953 dated 24/06/1435H (corresponding to 24/04/2014G). Its main address is located in the Second Industrial City, P.O. Box 6938, 14334 Riyadh, the Kingdom of Saudi Arabia. The company's activities, according to its Commercial Registration, are the manufacture of ordinary non-ferrous metal products, including wires, pipes, tubes, powders, papers, sheets, etc., and the manufacture of insulated copper wires and cables and insulated aluminum wires and cables. REW conducts its manufacturing work through Cable Factory No. 4 and Cable Factory No. 5 located in Riyadh (for further details on REW's factories, please see Subsection 4.10 "Group Factories and Manufacturing Activities") of this Prospectus). REW is considered a Material Subsidiary of the Company.

The current capital of REW is twenty-five million, one hundred thousand Saudi Riyals (SAR 25,100,000) divided into two million, five hundred and ten thousand (2,510,000) fully paid shares with a nominal value of ten Saudi Riyals (SAR 10) per share, all of which are in-kind shares. The following table shows the ownership structure of REW:

**Table (46): Ownership Structure of the Shareholders of REW**

Shareholder	No. of Shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
The Company	2,500,000	10	25,000,000	99.60%
RCM	2,500	10	25,000	0.09%
RTC	2,500	10	25,000	0.09%
RCC	2,500	10	25,000	0.09%
SMC	2,500	10	25,000	0.09%
<b>Total</b>	<b>2,510,000</b>	<b>-</b>	<b>25,100,000</b>	<b>100%</b>

Source: The Company

### 4.8.2.2 Branches of REW

The following table shows the branches of REW.

**Table (47): Branches of REW**

No.	Branch name according to the Certificate of Registration	Registration No.	Registration date	Registration expiry date	Location	Branch activity according to its Commercial Register
1	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	4030058021	29/11/1407H (corresponding to 26/07/1987G)	03/06/1448H (corresponding to 13/11/2026G)	Jeddah, Kingdom of Saudi Arabia	Selling electrical and communication cables
2	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	2051019493	16/06/1414G (corresponding to 30/11/1993G)	16/06/1444H (corresponding to 09/01/2023G)	Al Khobar, Kingdom of Saudi Arabia	Selling electrical and communication cables
3	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	1131006997	25/11/1407H (corresponding to 22/07/1987G)	29/05/1448H (corresponding to 09/11/2026G)	Buraidah, Kingdom of Saudi Arabia	Selling electrical and communication cables
4	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	5855007808	15/09/1408H (corresponding to 02/05/1988G)	14/08/1448H (corresponding to 22/01/2027G)	Khamis Mushait, Kingdom of Saudi Arabia	Selling electrical and communication cables
5	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	4650020980	28/06/1414H (corresponding to 12/12/1993G)	28/06/1444H (corresponding to 21/01/2023 G)	Medina, Kingdom of Saudi Arabia	Selling electrical and communication cables
6	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	4031030591	22/07/1414H (corresponding to 05/01/1994G)	21/07/1444H (corresponding to 12/02/2023G)	Makkah, Kingdom of Saudi Arabia	Selling electrical and communication cables
7	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	3350010912	17/09/1414H (corresponding to 28/02/1994G)	17/09/1444H (corresponding to 08/04/2023G)	Hail, Kingdom of Saudi Arabia	Selling electrical and communication cables

No.	Branch name according to the Certificate of Registration	Registration No.	Registration date	Registration expiry date	Location	Branch activity according to its Commercial Register
8	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	5900006835	14/04/1404H (corresponding to 18/01/1984G)	23/09/1444H (corresponding to 14/04/2023G)	Jizan, Kingdom of Saudi Arabia	Selling electrical and communication cables
9	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	3550014005	25/10/1417H (corresponding to 05/03/1997G)	14/08/1448H (corresponding to 22/01/2027G)	Tabuk, Kingdom of Saudi Arabia	Selling electrical and communication cables
10	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	2251024003	02/03/1416H (corresponding to 30/07/1995G)	03/02/1446H (corresponding to 07/08/2024G)	Al Hofuf, Kingdom of Saudi Arabia	Selling electrical and communication cables
11	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	5950005942	09/08/1418H (corresponding to 09/12/1997G)	08/08/1444H (corresponding to 28/01/2023G)	Najran, Kingdom of Saudi Arabia	Selling electrical and communication cables
12	Branch of Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	4032028067	14/11/1429H (corresponding to 12/11/2008G)	11/11/1444H (corresponding to 31/05/2023G)	Taif, Kingdom of Saudi Arabia	Selling electrical and communication cables
13	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	2511003648	04/07/1418G (corresponding to 05/11/1997G)	03/07/1448H (corresponding to 12/12/2026G)	Hafr Al Batin, Kingdom of Saudi Arabia	Selling electrical and communication cables
14	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	4700009035	17/11/1425H (corresponding to 29/12/2004G)	16/11/1445H (corresponding to 24/04/2024G)	Yanbu, Kingdom of Saudi Arabia	Selling electrical and communication cables
15	Branch of Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	5801010382	08/01/1430H (corresponding to 05/01/2009G)	08/01/1445H (corresponding to 26/07/2023G)	Baljurashi, Kingdom of Saudi Arabia	Selling and distributing electrical and communication cables
16	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	2055005735	20/03/1424H (corresponding to 21/05/2003G)	17/03/1449H (corresponding to 19/08/2027G)	Jubail, Kingdom of Saudi Arabia	Selling electrical and communication cables
17	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	3400011657	21/06/1429H (corresponding to 25/06/2008G)	20/06/1444H (corresponding to 13/01/2023G)	Sakaka, Kingdom of Saudi Arabia	Selling electrical and communication cables
18	Saudi Modern Company for Special Electric Wire & Cables Industry Ltd.	1010752924	22/03/1443H (corresponding to 28/10/2021G)	22/03/1448H (corresponding to 04/09/2026G)	Riyadh, Kingdom of Saudi Arabia	Selling electrical and communication cables

Source: The Company

#### 4.8.3 RTC

RTC is a closed joint stock company registered in Riyadh under Commercial Registration No. 1010107248 dated 24/06/1435H (corresponding to 24/04/2014G). Its main address is located in the Second Industrial City, P.O. Box 6938, 14334 Riyadh, the Kingdom of Saudi Arabia. The company's activities, according to its Commercial Registration, are the manufacture of wooden pallets, the manufacture of fiber optic cables and the manufacture of insulated wires and cables made from copper. RTC operates its manufacturing activities through Cable Factory No. 6 and Cable Factory No. 7 located in Riyadh (for further details on RTC's factories, please see Subsection (4.10) "Group Factories and Manufacturing Activities" of this Prospectus) RTC is considered a Material Subsidiary of the Company.

The current capital of RTC is forty million, one hundred thousand Saudi Riyals (SAR 40,100,000) divided into four million and ten thousand (4,010,000) fully paid shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The following table shows the ownership structure of RTC:

**Table (48): Ownership Structure of the Shareholders of RTC**

Shareholder	No. of Shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
The Company	4,000,000	10	40,000,000	99.75%
RCM	2,500	10	25,000	0.06%
REW	2,500	10	25,000	0.06%
RCC	2,500	10	25,000	0.06%
SMC	2,500	10	25,000	0.06%
<b>Total</b>	<b>4,010,000</b>	<b>-</b>	<b>40,100,000</b>	<b>100%</b>

Source: The Company

#### 4.8.4 RCC and its subsidiaries and branches

##### 4.8.4.1 Overview of RCC

RCC is a closed joint stock company registered in Riyadh under Commercial Registration No. 1010146019 dated 24/06/1435H (corresponding to 24/04/2014G). Its main address is located in the Second Industrial City, P.O. Box 6938, 14334 Riyadh, the Kingdom of Saudi Arabia. The company's activities, according to its Commercial Registration, are the laying of pipes of all kinds for electricity and communications, etc., the installation of electrical equipment and household appliances, including heating panels, and the installation, maintenance and repair of cooling and air conditioning systems. RCC is considered a Material Subsidiary of the Company.

The current capital of RCC is one hundred and twenty million, one hundred and twenty-five thousand Saudi Riyals (SAR 120,125,000) divided into twelve million, twelve thousand, five hundred (12,012,500) fully paid shares with a nominal value of ten Saudi Riyals (SAR 10) per share, all of which are in-kind shares. The following table shows the ownership structure of RCC:

**Table (49): Ownership Structure of RCC**

Shareholder	No. of Shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
The Company	11,992,500	10	119,925,000	99.83%
RCM	12,500	10	125,000	0.10%
REW	2,500	10	25,000	0.02%
RTC	2,500	10	25,000	0.02%
SMC	2,500	10	25,000	0.02%
<b>Total</b>	<b>12,012,500</b>	<b>-</b>	<b>120,125,000</b>	<b>100%</b>

Source: The Company

##### 4.8.4.2 Subsidiaries of RCC

As of the date of this Prospectus, RCC owns one company in Sharjah, UAE, which in turn owns two companies in the Republic of Iraq. The following is an overview of the companies and branches of RCC:

##### A- National Cables Industry (NCI)

NCI is a single shareholder limited liability company registered in the Industrial Registry under No. 28588 issued by the Sharjah Economic Development Department, dated 14/01/1421H (corresponding to 14/09/2000G). Its main address is located at Office No. 1, Plot No. 1, behind Al Dhaid Road, Sharjah, United Arab Emirates. The company's activities, according to its Industrial Registration, are the manufacture of cables and flame retardant metal tape, the manufacture and distribution of electrical power transmission equipment and the manufacture of electrical wiring and communication wires. NCI carries out its manufacturing activities through Cable Factory No. 8 located in Sharjah in the United Arab Emirates (for further details about NCI's factories, please see Subsection (4.10) "Group Factories and Manufacturing Activities" of this Prospectus). NCI is one of the Material Subsidiaries of the Company.

The current capital of NCI is eighty million UAE dirhams (AED 80,000,000), divided into one thousand (1,000) fully paid shares with a nominal value of eighty thousand UAE dirhams (AED 80,000) per share. The table below shows the ownership structure of NCI.

**Table (50): Ownership Structure of NCI's Partners**

Partner	No. of Shares	Value per Share (AED)	Total (AED)	Ownership (%)
RCC	1,000	80,000	80,000,000	100%
<b>Total</b>	<b>1,000</b>	<b>-</b>	<b>80,000,000</b>	<b>100%</b>

Source: The Company

**B- Al Rowad Company for Production of Electrical Cables and Wires Limited**

Al Rowad Company for Production of Electrical Cables and Wires Limited is a limited liability company incorporated in Baghdad Governorate under Certificate of Incorporation No. MH-02-000079844 dated 11/04/1433H (corresponding to 04/03/2012G), and its main address is located at Al Mahmoudiya, Al Askari District, Baghdad Governorate, Iraq. According to its memorandum of association, the main activities of the company are the manufacture of wires and electrical cables all types and sizes, including low, medium and high voltage wires, et cetera, and all works that fall within the civil, mechanical and electrical jurisdictions for the above-mentioned purpose, as a contribution to the development of this aspect of the national economy; the import and purchase of raw materials involved in the production of electrical wires and cables, whether manufactured or semi-manufactured, both inside and outside Iraq, including machines, laboratories and production lines related to the activities of the company. It also has the right to sell its wire and electrical cable products and export them outside Iraq and to undertake all kinds of business related to the company's activities. Al Rowad Company for Production of Electrical Cables and Wires Limited conducts its manufacturing activities through Cable Factory No. 9 located in the city of Baghdad Governorate.

The capital of Al Rowad Company for Production of Electrical Cables and Wires Limited is fifteen billion Iraqi dinars (IQD 15,000,000,000), divided into fifteen billion (15,000,000,000) fully paid shares with a nominal value of one Iraqi dinar (IQD 1) per share. NCI owns 100% of Al Rowad Company for Production of Electrical Cables and Wires Limited.

**C- Iraqi National Company for the Manufacture of Cables**

Iraqi National Company for the Manufacture of Cables is an Iraqi limited liability company established in Baghdad under Certificate of Incorporation No. M.H.A/02-8161 dated 08/01/1440H (corresponding to 18/09/2018G), with its main address located in Awiraj, Al-Askari District, Baghdad Governorate, Iraq. The activities of the company, according to its Memorandum of Association, is the manufacture of electrical wires and cables of all types and sizes, including low, medium and high voltage wires, et cetera, and all wires and cables that fall within the civil, mechanical and electrical jurisdictions for the above purpose, as a contribution to the development of this aspect of the national economy. The capital of Iraqi National Company for the Manufacture of Cables is five billion, five hundred million Iraqi dinars (IQD 5,500,000,000), divided into five billion, five hundred million (5,500,000,000) shares paid in full with a nominal value of one Iraqi dinar per share. NCI owns 100% of Al Rowad Company for Production of Electrical Cables and Wires Limited.

**4.8.4.3 Branches of RCC**

RCC has one branch in Dubai, UAE, under the name "Riyadh Cables Company, Dubai Branch," registered under Commercial Registration No. 1190764 dated 02/02/1436H (corresponding to 15/09/2015G). Its main address is Office No. 210 - Deira - Al Garhoud, Dubai, United Arab Emirates. Below is a detailed description of this branch:

**Table (51): Riyadh Cables Company Dubai Branch**

No.	Branch name according to the Certificate of Registration	Registration No.	Date of registration	Expiry Date	Location	Licensed activity of the branch
1	Riyadh Cables Company Dubai Branch	1190746	02/12/1436H (corresponding to 15/09/2015 G)	18/02/1444H (corresponding to 14/09/2022G)	Dubai, UAE	Trading of wires and cables, trading of safety and firefighting equipment

Source: The Company

#### 4.8.5 SMC

SMC is a limited liability company registered in Riyadh under Commercial Registration No. 1010143896 dated 01/07/1417H (corresponding to 13/11/1996G). Its main address is located in the Second Industrial City, P.O. Box 26862, 11496 Riyadh, the Kingdom of Saudi Arabia. The company's activities, according to its Commercial Registration, are the general construction of non-residential buildings, such as schools, hospitals and hotels, the construction of prefabricated buildings on sites and the laying of pipes of all kinds for electricity and communications, et cetera.

The current capital of SMC is five million Saudi Riyals (SAR 5,000,000) divided into fifty thousand (50,000) fully paid shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share. The following table shows the ownership structure of SMC:

**Table (52): Ownership Structure of the Partners in SMC**

Partner	No. of Shares	Value per Share (SAR)	Total (SAR)	Ownership (%)
The Company	18,000	100	1,800,000	36%
RTC	12,000	100	1,200,000	24%
RCM	10,000	100	1,000,000	20%
REW	10,000	100	1,000,000	20%
<b>Total</b>	<b>50,000</b>	<b>-</b>	<b>5,000,000</b>	<b>100%</b>

Source: The Company

#### 4.9 Overview of the Group's Business

The Group's activities are divided into three (3) main sections:

- 1- **Manufacturing activities:** The Group is engaged in the production of low, medium, high and extra-high voltage electrical wires and cables from copper and aluminum through the Company, RCM and NCI, as well as household electrical cables and wires through the Company, REW and NCI, copper communication cables through the Company and RTC, fiber optic cables through RTC, specialized cables through RCM, and cables and overhead line (OHL) conductors through the Company and REW (collectively referred to as "**the Products**"). The Group also produces the raw materials used in the manufacture of its products through RCM, which include copper and aluminum rods, and compounding polymers required in manufacturing such as medium density polyethylene (MDPE) compound, low smoke halogen free (LSHF) compound, and polyvinyl chloride (PVC) compound, cross-linked polyethylene (XLPE) compound and polypropylene (PP) yarns. The Group also manufactures wood and steel drums for spooling electrical cables and wires through RCM (for further details, please see Subsection (4.10) "**Group Factories and Manufacturing Activities**" of this Prospectus).
- 2- **Sales activities:** The Company, RCM, REW, RTC and NCI sell the Group's products through multiple sales channels, which include direct sales to clients contracting with the Group, in addition to sales through eighteen (18) sales and distribution centers of the REW in different cities within the Kingdom.
- 3- **Electrical contracting projects:** The Group, undertakes electrical contracting project work for high voltage cables inside and outside the Kingdom through RCC and RCM. Electrical contracting projects include the design and construction of electricity distribution networks, excavation, installation and connection works related to electrical cables and wires.
- 4- **Maintenance Activities:** Backed by a specialized team of engineers, SMC engages in the construction and maintenance of industrial buildings and production lines. The Company also offers industrial services, including maintenance, repair and operation of industrial, electrical, telephone and computer machinery, as well as installation and operation of laboratory equipment.

## 4.10 Group Factories and Manufacturing Activities

### 4.10.1 Overview of the Group's factories and main products

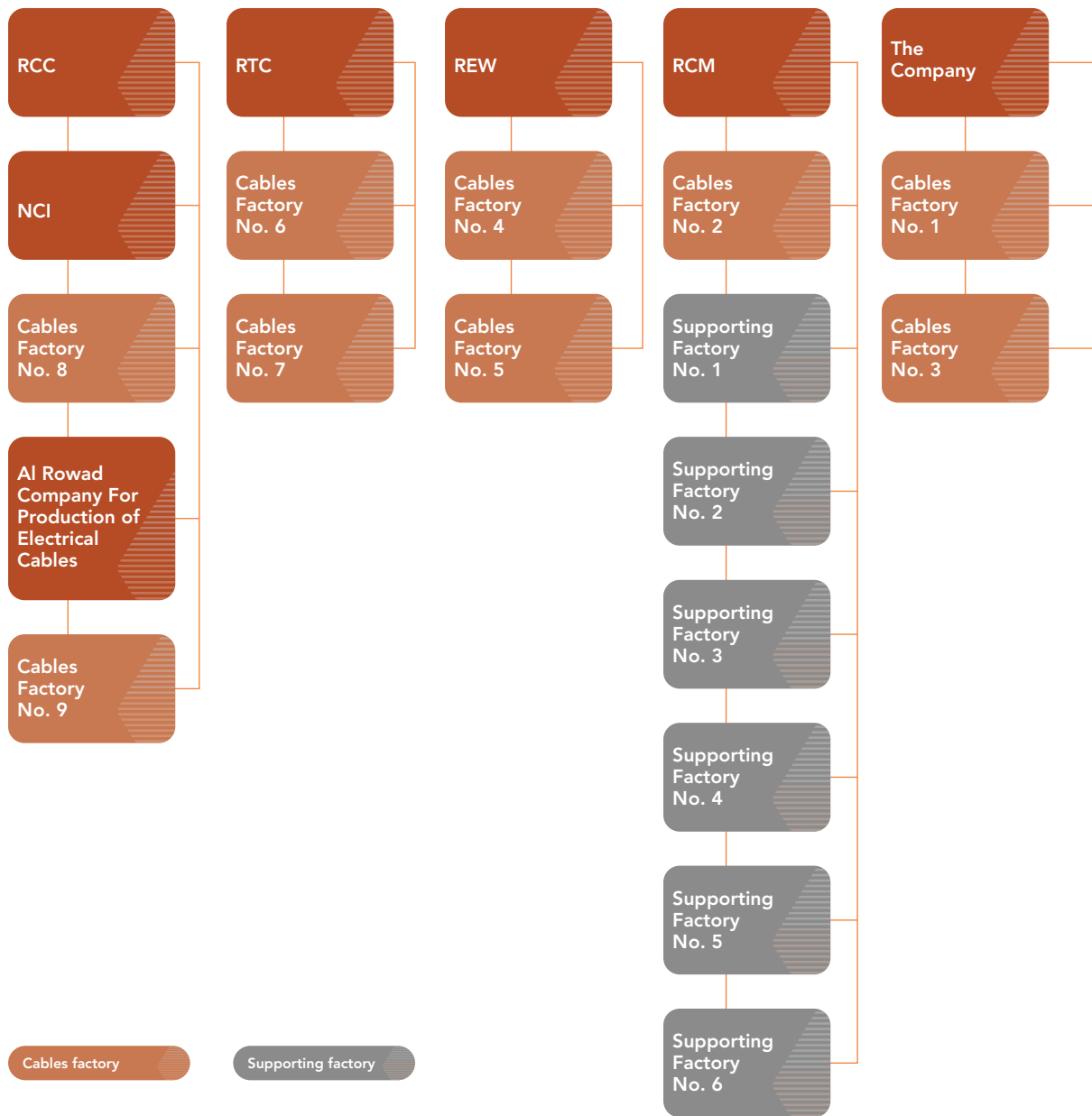
The Group carries out its manufacturing activities through fifteen (15) factories, all of which it owns, including thirteen (13) factories in the Kingdom, one in the Emirate of Sharjah in the United Arab Emirates and one in the Iraqi Republic. It should be noted that the fifteen (15) factories of the Group are in turn divided into nine (9) factories dedicated to the manufacture of electrical cables and wires of all kinds and communication cables made from copper and optical fibers ("**Cable Factories**"), and six (6) supporting factories working on the production of raw materials used in cable manufacturing ("**Supporting Factories**"). The Group's factories constitute an integrated manufacturing system; the Supporting Factories produce most of the raw materials used in the manufacture of electrical cables and wires including copper and aluminum rods, plastic derivatives, and wood and steel drums used in cable spooling, storage and transport. The Cable Factories also have an integrated production process; in many cases, production of some cables begins at one Cable Factory and is completed at another of the Group's factories.

From a regulatory point of view, the manufacturing activities carried out by the thirteen (13) factories owned by the Group and located in the Kingdom are licensed under four (4) industrial licenses issued by the Ministry of Industry and Mineral Resources (MIM). As for the factory located in the Emirate of Sharjah in the United Arab Emirates, referred to as Cable Factory No. (8) in Figure 4.2 below, it is licensed by the Economic Department of the Emirate of Sharjah, while the factory located in the governorate of Baghdad in the Iraqi Republic referred to as Cable Factory No. 9 in Figure 4.2 below is licensed by Baghdad Investment Commission (for further details about the industrial licenses obtained by the Company, please see Subsection (12.5) "**Key Licenses, Approvals and Permits Obtained by the Company and its Material Subsidiaries**" of this Prospectus).

The following figure shows the current ownership structure of the Group's fifteen (15) factories.



**Figure (2): Ownership Structure of the Group's Factories**



Source: The Company

The following table shows the main products produced by the Group, with a brief description of each of these products, their main use and the company or companies which manufacture the product within the Group.

**Table (53): A summary of the Main Products of the Group and their Manufacturers**

Product	Brief Product Description	Voltage	Size	Main Usage	Manufacturer
Household electrical wires and cables	These electrical wires and cables are made from copper and are insulated with either polyvinyl chloride (PVC) or a fire-retardant low smoke halogen free (LSHF) material.	Up to 750 volts	Ranging from 1.5 mm <sup>2</sup> to 50 mm <sup>2</sup>	Building extensions and home appliances	The Company, REW and NCI
Low voltage cables	These cables are made from copper or aluminum and are sheathed with polyvinyl chloride (PVC) or cross-linked polyethylene (XLPE) insulation. This type of cable is manufactured with several specifications, including single core cables or multi-core cables. In accordance with the customer's request, these cables may be armored or unarmored, with or without an outer sheathing of oil- and water-resistant lead, with normal or fire-retardant (FR) sheaths, and with fire-retardant, low smoke, halogen-free (LSHF) sheaths.	From 1 kV to 3.6 kV	1.5 mm <sup>2</sup> to 1,000 mm <sup>2</sup>	Power sub-distribution networks in cities as well as in low voltage circuits for oil and gas projects and power plant projects	The Company, RCM and NCI
Medium voltage cables	These cables are made from copper or aluminum and are insulated with pure cross-linked polyethylene (XLPE). The Group products of these cables are manufactured with several specifications, including single core and multi-core cables, and in at the customer's request, these cables may be armored or unarmored, and sheathed with an outer sheath of lead or aluminum that is resistant to oil and water or unsheathed. They can also be produced with PVC sheaths, fire retardant (FR) sheaths or fire-retardant low smoke halogen free (LSHF) sheaths, partially or completely watertight and oil resistant.	From 6 kV to 33 kV	35 mm <sup>2</sup> to 1,200 mm <sup>2</sup>	Secondary power distribution and interconnection between distribution stations in cities	The Company, RCM and NCI
High voltage cables	These cables are made from copper or aluminum, and then insulated with extra-pure cross-linked polyethylene (XLPE). The high voltage cables are single-core. The Group manufactures this type of cable with different specifications, some of which are covered with an outer sheath of high-density polyethylene (HDPE), and some of which are sheathed with an outer sheath of oil-resistant lead, which is completely waterproof.	From 33 kV to 230 kV	300 mm <sup>2</sup> to 3000 mm <sup>2</sup>	Transmission and distribution of electric energy within cities	The Company, RCM and NCI
Extra-high voltage cables	These cables are made from copper or aluminum, and then insulated with extra-pure cross-linked polyethylene (XLPE). The extra-high voltage cables are single core. The Group manufactures this type of cable with different specifications, some of which are covered with an outer sheath of high-density polyethylene (HDPE), and some of which are sheathed with an outer sheath of oil-resistant lead, which is completely waterproof.	From 230 kV to 500 kV	1,000 mm <sup>2</sup> to 2,500 mm <sup>2</sup>	Transmission and distribution of electric energy within cities	The Company, RCM and NCI

Product	Brief Product Description	Voltage	Size	Main Usage	Manufacturer
Overhead conductors	These are uncoated conductors, made from copper or aluminum in addition to an aluminum alloy and then reinforced with galvanized steel or aluminum-coated.	N/A – The bearing capacity of the overhead conductor depends on the insulators and towers in the network	35 mm <sup>2</sup> to 1000 mm <sup>2</sup>	Long-distance power transmission and inter-city interconnection	The Company and REW
Insulated overhead conductors	This type of cable is made from aluminum or copper and is insulated, single or multicore, and used for low voltage.	1.2 kV	10 mm <sup>2</sup> to 300 mm <sup>2</sup>	Rural power transmission and distribution	The Company and REW
Copper telephone cables	These cables are made from copper. The Group produces this type of cable with different specifications, including primary cables, which connect between communication booths and central communication switches, and secondary cables, which connect communication booths and homes, and are insulated with polyethylene (PE) in its solid or cellular forms, or both, with or without a metal shield, armored or unarmored, and may contain a filling consisting of a gel material which isolates them from any water leakage in case the cable is exposed to external strikes. They may also be sheathed with polyvinyl chloride (PVC) and fire retardant (FR) sheathing. or a low smoke halogen-free flame-retardant (LSHF) material and include service cables intended for aerial or underground installations. The number of wire pairs that these cables contain ranges from two to 3,600 pairs.	N/A	0.4 mm <sup>2</sup> to 0.9 mm <sup>2</sup>	Communication networks	The Company and RTC
Fiber optic cables	These cables are manufactured from optical fibers. The Group produces fiber-optic cables of normal or armed types and specifications, including internal and external, and manufactured with flame-retardant sheaths.	N/A	From 4 to 288 fiber optic units	Telephone networks and data transmission in the form of light waves	RTC
Specialized Cables	These cables are made of copper. The Group produces this type of cable with different specifications and it is used for control, measurement and renewable energy purposes. These cables are insulated with polyvinyl chloride (PVC) and polyethylene (PE). At the request of customers, these cables may be armored, non-armored or with a fire retardant sheath (FR). They also come in single-phase and multi-pair form.	Less than one kV	1.5 mm <sup>2</sup> to 16 mm <sup>2</sup>	Oil, gas and petrochemical sector, industrial sector, and connectors for electrical signal transmission to electrical sensors and control devices.	RCM.

Source: The Company

#### 4.10.2 Key Developments of the Group Since its Incorporation

The manufacturing work of the Group is carried out through the Company, RCM, REW, RTC and NCI. The table below shows a timeline of the main events witnessed by the Group's factories from the incorporation of the Company until the date of this Prospectus.

**Table (54): Significant Manufacturing Developments of the Group since its Establishment in 1984G until the Date of this Prospectus:**

Year	Significant developments
1984G	<ul style="list-style-type: none"> <li>The Company was founded in 1984G and established its first factory, Cable Factory No. 1, in collaboration with the German company AEG-Kabel, to manufacture low voltage cables with a production capacity of approximately 12,000 tons of copper cables and 5,400 tons of aluminum cables per year.</li> <li>Supporting Factory No. 1 was established to produce several PVC compounds with a production capacity of 900 tons per year.</li> </ul>
1987G	<ul style="list-style-type: none"> <li>Cable Factory No. 2 was established to produce medium and high voltage cables, as the manufacture of these cables requires different quality standards than the manufacture of low voltage cables.</li> <li>The production of medium and high voltage cables up to a voltage of 69 kV commenced under the supervision of the engineers of the German company AEG-KABEL.</li> <li>The production capacity of copper cables was increased from 12,000 tons per year to 19,000 tons per year.</li> <li>A number of industrial machines were added to the Cable Factory No. 1 to provide a greater diversity in cable products in terms of the shape of the conductors and the type of protection.</li> </ul>
1989G	<ul style="list-style-type: none"> <li>The production capacity of aluminum cables was increased in order to meet the needs of the Saudi Electricity Company and the needs of the local market for aluminum conductors and cables, bringing the production capacity from 5,400 tons per year to 9,600 tons per year.</li> <li>New lines were added for the production of cables coated with a lead sheath, by adding a new line for sheathing cables with a lead sheath.</li> <li>Adding a new line to raise the production capacity of Supporting Factory No. 1 for the production of polyvinyl chloride (PVC) compounds, increasing its production capacity from 900 tons per year to 1,650 tons per year.</li> <li>Supporting Factory No. 2 was established to produce copper rods, with a production capacity of 80,000 tons per year.</li> </ul>
1990G	<ul style="list-style-type: none"> <li>Supporting Factory No. 4 was established to produce wooden and steel cable drums.</li> </ul>
1992G	<ul style="list-style-type: none"> <li>The factories were reorganized to keep pace with the Group's expansions by combining Cable Factory No. 2, Supporting Factory No. 1 for the production of polyvinyl chloride (PVC) compounds and Supporting Factory No. 4 to the integrated factory complex of the Modern Saudi Company for the Manufacture of Metals, Cables and Plastics.</li> <li>Production lines were added to Cable Factory No. 2 to manufacture copper cables and raise the production capacity of the Group's factories to reach a combined production capacity of 31,000 tons of copper cables per year.</li> <li>The Group started production of high voltage cables for the first time with a size of 630 mm<sup>2</sup> and a voltage of 69 kV.</li> </ul>
1993G	<ul style="list-style-type: none"> <li>Cable Factory No. 6 was established to produce telephone cables to meet the needs of the Saudi Telecom Company for copper telephone cables, with a production capacity of 4,800 tons per year.</li> <li>A line was added to produce and insulate high-voltage cables with a voltage of 220 kV and a size of 2,000 mm<sup>2</sup>, along with the machines needed to produce these cables.</li> <li>The production lines were modernized and the production capacity of Supporting Factory No. 1 for the production of polyvinyl chloride (PVC) compounds was increased from 1,650 tons per year to 3,150 tons per year.</li> </ul>
1994G	<ul style="list-style-type: none"> <li>Cable Factory No. 4, which is specialized in the manufacture of household electrical cables and wires, was established to meet the local markets' needs for electrical wires, cables for residential buildings and specialized cables such as cables used in irrigation operations. The production capacity of the factory reached 12,000 tons per year of copper.</li> <li>The production capacity of the Group's factories reached 43,000 tons of copper wires and cables per year, while the production capacity of aluminum cables and conductors remained at 9,600 tons per year.</li> <li>A "technical know-how" agreement was signed with the Swiss company Brugg Kabel to start production of high voltage cables with a voltage of up to 132 kV and a size of 2,000 mm<sup>2</sup>.</li> <li>The first high-voltage cables with a voltage of 132 kV and a size of 1,600 mm<sup>2</sup> were produced.</li> <li>Cable Factory No. 7 was established to produce fiber-optic cables by contracting with the Finnish company, Nokia Mallifier, to purchase specialized machines and equipment for the production of fiber-optic cables, with a production capacity of 240,000 kms of optical fibers per year.</li> </ul>
1995G	<ul style="list-style-type: none"> <li>Cable Factory No. 5 was established to produce overhead conductors in order to meet the needs of the market and participate in their provision to support the electrical network of the Kingdom and the Gulf Cooperation Council countries, with a production capacity of 15,000 tons of aluminum and aluminum alloy conductors per year, thus increasing the production capacity from 9,600 tons per year to 24,600 tons of aluminum cables and conductors per year.</li> </ul>
1997G	<ul style="list-style-type: none"> <li>Commencement of the implementation of high voltage projects, which are electrical contracting projects that include the design, supply and installation of cables for transmission projects of up to 132 kV.</li> </ul>

Year	Significant developments
1998G	<ul style="list-style-type: none"> <li>The production capacity of the Group's factories of medium and high voltage cables increased from 43,000 tons of copper cables per year to 71,800 tons per year, while the production capacity of aluminum cables and conductors remained at 24,600 tons per year.</li> <li>The production capacity for pulling, twisting and external wrapping operations was increased in Cable Factories No. 1 and No. 2.</li> <li>The first nitrogen generation plant (CV Line) was added to meet the needs of medium and high voltage cable production lines of pure nitrogen.</li> <li>A new line for the production of polyvinyl chloride (PVC) raw materials was added to the Company's Supporting Factory No. 1, raising the production capacity of that factory from 3,150 tons per year to 24,000 tons per year.</li> </ul>
2000G	<ul style="list-style-type: none"> <li>A new line was added to the Company's Supporting Factory No. 1 for the production of raw polyvinyl chloride, with a production capacity of 36,000 tons per year.</li> <li>Additional production lines were added to the Group's factories, bringing the production capacity of the Group's factories to 98,200 tons of copper cables per year and 37,200 tons of aluminum cables and conductors per year.</li> </ul>
2001G	<ul style="list-style-type: none"> <li>Cable Factory No. 8 was established in the Emirate of Sharjah in the United Arab Emirates for the purpose of manufacturing low, medium and high-voltage cables and household electrical wires, with a production capacity of 21,000 tons of copper and aluminum cables per year.</li> </ul>
2003G	<ul style="list-style-type: none"> <li>Implementation of high voltage projects outside the Kingdom commenced, starting with Cyprus, followed by several projects in the United Arab Emirates.</li> </ul>
2005G	<ul style="list-style-type: none"> <li>The production lines were modernized to increase the production capacity of aluminum conductors for overhead conductors, with an additional capacity of 11,400 tons per year, bringing the production capacity of aluminum conductors to 48,600 tons per year.</li> <li>The lead-wrapping machines were increased in Cable Factory No. 2</li> </ul>
2008G	<ul style="list-style-type: none"> <li>New production lines were added to the Group's factories to raise the production capacity of medium-voltage and high-voltage cables.</li> <li>A second nitrogen generation plant (CV Line) was added.</li> </ul>
2009G	<ul style="list-style-type: none"> <li>Cable Factory No. 3 was established to produce all types of low, medium and high voltage cables, in addition to the manufacture of copper rods, and the establishment of state-of-the-art laboratories and equipment for testing products.</li> <li>The total production capacity of the Group's factories was increased from 98,200 tons of copper cables per year to 127,000 tons per year, and the production capacity of aluminum cables and conveyors was increased from 37,200 tons per year to 50,400 tons per year.</li> <li>Some machines were added to the fiber optic lines in the Cable Factory No. 7, bringing the production capacity to 1.1 million kms of fiber optic cables.</li> </ul>
2010G	<ul style="list-style-type: none"> <li>The production lines in the Group's factories were increased to raise the production capacity of medium and high voltage cables along with the machines necessary to complete the manufacture of these cables, including lead-coated cables.</li> <li>The production capacity of the Group's factories of copper cables remained at 127,000 tons per year, while the production capacity of aluminum cables increased from 50,400 tons per year to 64,800 tons per year.</li> <li>Supporting Factory No. 5 was established to produce cross-linked polyethylene materials for low voltage cables (LV-XLPE) and low smoke halogen free flame-retardant materials (LSHF) according to international specifications and to meet the market needs of safer cables against fires, with a production capacity of 13,200 tons per year.</li> <li>The old copper rod production line was replaced by a new production line in Supporting Factory No. 2 with a production capacity of 120,000 tons of copper rods per year.</li> </ul>
2012G	<ul style="list-style-type: none"> <li>The production lines in the Group's factories were modernized to raise the production capacity of medium and high voltage cables.</li> <li>Supporting Factory No. 6 was added to produce polypropylene (PP) filler yarn to meet the needs of low and medium voltage cables, with a production capacity of 4,020 tons per year.</li> </ul>
2014G	<ul style="list-style-type: none"> <li>A "technical know-how" agreement was signed with the Swiss company Brugg Kabel to produce extra-high voltage cables up to 500 kV, and production lines were added in the factories to raise the production capacity of high- and extra-high-voltage cables with a voltage of up to 500 kV and a size of 3,000 mm<sup>2</sup>.</li> <li>The Group produced the first extra-high voltage cable sample with a voltage of up to 500 kV.</li> <li>A new line was added to raise the production capacity of polyvinyl chloride (PVC) to the Company's Supporting Factory No. 1, increasing its production capacity from 36,000 tons annually to 60,000 tons annually.</li> <li>The production lines were modernized in Supporting Factory No. 6 for the manufacture of polypropylene (PP) yarn, and the production capacity was raised by 4,020 tons per year to meet the needs of low and medium voltage cables for filler yarn, bringing the total production capacity to 8,040 tons annually.</li> <li>Addition of a new line to Supporting Factory No. 2 and raising the production capacity of copper rods by 24,000 tons per year, bringing its production capacity to 144,000 tons annually.</li> <li>New production lines were added for drawing and braiding operations in Cable Factory No. 2.</li> <li>Supporting Factory No. 3 was established to produce aluminum rods and briquettes, with a production capacity of 36,000 tons per year.</li> <li>The drum factory was expanded to include the production of metal drums, in order to meet the Group's needs of steel drums used for spooling cables.</li> <li>The total production capacity of the Group's factories was increased from 127,000 tons of copper cables per year to 162,000 tons per year, and from 64,800 tons of aluminum cables and overhead conductors per year to 80,400 tons per year.</li> <li>Integrated laboratories of international specifications and equipped with the latest technical equipment were established and supplied to conduct extra-high voltage cable testing with a voltage of up to 500 kV, type testing and cable system type testing.</li> </ul>

Year	Significant developments
2015G	<ul style="list-style-type: none"> <li>A new line was added to Supporting Factory No. 3, increasing the production capacity by 24,000 tons per year, thus bringing the total production capacity to 60,000 tons per year.</li> </ul>
2016G	<ul style="list-style-type: none"> <li>A third line of aluminum rods was added with a production capacity of 30,000 tons per year, bringing the factory's production capacity to 90,000 tons of aluminum rods per year.</li> <li>A new line was added to manufacture copper rods, with a production capacity of 90,000 tons per year, bringing the total production capacity of copper rods to 234,000 tons per year.</li> <li>The total production capacity of the Group's factories was increased to 264.6 thousand tons of electrical cables and wires.</li> </ul>
2017G	<ul style="list-style-type: none"> <li>Developing the seventh and eighth production lines of Cable Factory No. 3 in preparation for the manufacture of high-voltage cables at higher speeds.</li> <li>Acquisition of Al Rowad Company for Production of Electrical Cables and Wires Limited.</li> <li>Opening a representative office in Jordan.</li> <li>Obtaining certificates of conformity from the Emirates Authority for Standardization and Metrology (ESMA) in the field of electrical cable manufacturing.</li> <li>The Group obtained a certificate of compliance issued from UL and certificates of conformity for American wires (600V).</li> </ul>
2018G	<ul style="list-style-type: none"> <li>Expansion of Cable Factory No. 9.</li> <li>Commencing exportation of the Group's products to Australia and South America.</li> <li>Establishment of the Iraqi National Company for the Manufacture of Cables.</li> <li>Obtaining BRE Global Ltd certification for fire retardant cables for single-core wires.</li> </ul>
2019G	<ul style="list-style-type: none"> <li>Operationalization of production lines for aluminum-clad steel (ACS) overhead conductors.</li> <li>Establishment of the Egyptian Riyadh Cables Company for Electrical Works.</li> <li>Testing of extra-high voltage cables (380 kV) through KEMA Laboratories and obtaining qualification from SEC for this product.</li> <li>Testing of high-voltage cables (improved with lower insulation thickness) for voltages of 110-115-132 kV up to 1,200 mm<sup>2</sup> through KEMA Laboratories and obtaining qualification from SEC for this product.</li> <li>Testing of medium-voltage cables (improved without armament) for voltages of 15 and 33 kV by the High Voltage Laboratory at King Saud University and obtaining qualification from SEC for this product.</li> <li>NCI obtained a qualification certificate for high-voltage cables in South Africa from SABS Commercial.</li> <li>Obtaining a certificate issued by UL for the qualification of solar panel cables.</li> <li>Obtaining an accreditation certificate from the British Approvals Service for Cables (BASEC) for electrical panel cables with a temperature of 105°C.</li> <li>Obtaining a certificate of conformity (ISO 37001:2016) for combating bribery and corruption from Perfection Commitment.</li> <li>NCI obtained a certificate of compliance with the European Union standards, since its products are free from hazardous substances.</li> </ul>
2020G	<ul style="list-style-type: none"> <li>Testing all of the products of Cable Factory No. 9 and obtaining qualification from the Iraqi Ministry of Electricity and all Iraqi electricity distribution companies.</li> <li>Obtaining qualification for high-voltage cables (66 kV) from the Egyptian Electricity Company.</li> <li>Qualification of new fiber optic cable products required in the Saudi market.</li> <li>Obtaining an accreditation certificate from the British Approvals Service for Cables (BASEC) for fire-retardant cables of all kinds.</li> </ul>
2021G	<ul style="list-style-type: none"> <li>Expansion of Cable Factory No. 9 to increase the production of overhead conductors.</li> <li>Addition of aluminum sheathing machines for high-voltage cables.</li> <li>Purchase of a high voltage laboratory (750 kV) and machinery to increase the production capacity of high-voltage cables.</li> <li>Expansion of the scope of conformity certificates from the Saudi Standards, Metrology and Quality Organization (SASO) to include American wires (600V) and flexible cables.</li> <li>Obtaining UL certification for the qualification of control cables for the oil and gas sector.</li> </ul>
2022G	<ul style="list-style-type: none"> <li>Establishment of the Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires in Kuwait.</li> <li>Obtaining accreditation from the Egyptian Accreditation Council (EGAC) as a third-party testing laboratory.</li> <li>Obtaining certificates of conformity from the British Approvals Service for Cables (BASEC) for low-voltage cables complying with British standards.</li> </ul>

Source: The Company

\* It should be noted that the production capacity of the factories depends on the type of the products manufactured by the Group (aluminum or copper), which are determined by customer demand.

### 4.10.3 Details of the Group's Manufacturing Facilities

#### 4.10.3.1 The Company's Factories

The Company performs its manufacturing activities through Cable Factory No. 1 and Cable Factory No. 3 detailed below.

- a- **Cable Factory No. 1:** Cable Factory No. 1 was established in 1984G in the Second Industrial City in Riyadh on a land area of 36,000m<sup>2</sup>. Cable Factory No. 1 produces low-voltage cables up to 3.6 kV, medium and high voltage cables up to 230 kV, and a production capacity of 54,865 tons per year. Through Cable Factory No. 1, the Group conducts experimental manufacturing of high voltage cables of up to 500 kV. Cable Factory No. 1 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 421102109727 dated 05/06/1442H (corresponding to 18/01/2021G) and an operating license issued by the Saudi Industrial Cities and Technical Zones Authority No. 5781444110027218 dated 10/01/1444H (corresponding to 07/08/2022G). In accordance with its Industrial License, Cable Factory No. 1 manufactures wooden pallets and ordinary non-ferrous metal articles, including wires, pipes, tubes, powders, sheets, plates, etc., in addition to insulated copper wires and cables.
- b- **Cable Factory No. 3:** Cable Factory No. 3 was established in 2009G in the Second Industrial City in Riyadh on a land area of 289,000m<sup>2</sup>. Cable Factory No. 3 produces low-voltage cables up to 3.6 kV, medium, high- and extra-high voltage cables, with a production capacity of 51,082 tons per year. Cable Factory No. (3) is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) under No. 421102109727 dated 05/06/1442H (corresponding to 18/01/2021G) and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones (Modon) under No. 135611444218028296 dated 18/02/1444H (corresponding to 14/09/2022G). According to its industrial license, Cable Factory No. 3 manufactures wooden pallets and ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera, as well as insulated wires and cables made of copper.

#### 4.10.3.2 RCM Factories

RCM conducts its manufacturing activities through Cable Factory No. 2 and six (6) Supporting Factories as detailed below.

- a- **Cable Factory No. 2:** Cable Factory No. 2 was established in 1987G in the Second Industrial City in Riyadh on a land area of 32,000 m<sup>2</sup>. Cable Factory No. 2 produces medium and high voltage cables and extra-high voltage cables up to 500 kV, with a production capacity of 34,800 tons per year. Cable Factory No. 2 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 421102111176 dated 04/08/1442H (corresponding to 17/03/2021G) and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones (Modon) No. 5781444110027232 dated 10/01/1444H (corresponding to 07/08/2022G). In accordance with its industrial license, Cable Factory No. 2 manufactures wooden pallets and ordinary non-ferrous metal products, including wires, pipes, tubes, powders, plates, sheets, etc. and manufactures sheets, plates, strip coils, rods, skewers, angles, wires and sections of all forms, and other activities for the manufacture of plastics, the manufacture of ordinary ropes made of textile fibers, the manufacture of finished and semi-finished metal products by forging, pressing, casting and rolling, other activities for the manufacture of machine tools, the manufacture of insulated wires and cables made of copper, smelting, rolling, drawing, refining and casting of copper and its alloys, ordinary non-ferrous metal articles, including wires, pipes, tubes, powders, plates, sheets, etc., manufacture of lifting, handling and loading machines, including elevators, fluid hoists, conveyors and cable cars, manufacture of metal fasteners, including nails, pins, nuts and rings of all kinds, manufacture of insulated wires and cables made of copper, manufacture of plastics in their primary forms and the manufacture of polyethylene.
- b- **Supporting Factory No. 1:** Supporting Factory No. 1 was established in 1984G in the Second Industrial City in Riyadh on a land area of 4,906 m<sup>2</sup>. Supporting Factory No. 1 produces polyvinyl chloride (PVC) granules, which are plastic granules used as an insulating material, as a filler, and as an outer sheath for wires and cables. It has a production capacity of 60,000 tons per year. Supporting factory No. 1 is licensed under an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 421102111176, dated 04/08/1442H (corresponding to 17/03/2021G), and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones under No. 5781444110027230, dated 10/01/1444H (corresponding to 07/08/2022G). According to its industrial license, Supporting Factory No. 1 engages in the manufacture of wooden pallets and ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of sheets, plates, rolls of tape, bars, skewers, angles, wires and sections in all forms; other plastic manufacturing activities; the manufacture of ordinary rope made of textile fibers; the manufacture of finished and semi-finished metal products by forging, pressing, casting and rolling, as well as other activities for the manufacture of machine tools; the manufacture of insulated wires and cables made of copper; smelting, rolling, drawing, refining and casting of copper and its alloys; the manufacture of ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of lifting, handling and loading machines, including elevators, fluid hoists, conveyors and cable cars; the manufacture of metal fasteners, including nails, pins, nuts and rings of all kinds; the manufacture of insulated wires and cables made of copper; the manufacture of plastics in their primary forms and the manufacture of polyethylene.

- c- **Supporting Factory No. 2:** Supporting Factory No. 2 was established in 1989G in the Second Industrial City in Riyadh on a land area of 15,184 m<sup>2</sup>. Supporting Factory No. 2 produces copper rods used in the manufacture of electrical cables and wires, with a production capacity of 144,000 tons per year. Supporting Factory No. 2 is licensed under an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 421102111176, dated 04/08/1442H (corresponding to 17/03/2021G), and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones under No. 135611444218028296, dated 18/02/1444H (corresponding to 14/09/2022G). According to its industrial license, Supporting Factory No. 2 engages in the manufacture of wooden pallets and ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of sheets, plates, rolls of tape, bars, skewers, angles, wires and sections in all forms; other plastic manufacturing activities; the manufacture of ordinary rope made of textile fibers; the manufacture of finished and semi-finished metal products by forging, pressing, casting and rolling, as well as other activities for the manufacture of machine tools; the manufacture of insulated wires and cables made of copper; smelting, rolling, drawing, refining and casting of copper and its alloys; the manufacture of ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of lifting, handling and loading machines, including elevators, fluid hoists, conveyors and cable cars; the manufacture of metal fasteners, including nails, pins, nuts and rings of all kinds; the manufacture of insulated wires and cables made of copper; the manufacture of plastics in their primary forms and the manufacture of polyethylene.
- d- **Supporting Factory No. 3:** Supporting Factory No. 3 was established in 2014G in the Second Industrial City in Riyadh on a land area of 14,018 m<sup>2</sup>. Supporting Factory No. 3 produces aluminum rods used in the manufacture of electrical cables and wires, with a production capacity of 60,000 tons per year. It is worth noting that Supporting Factory No. 3 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 421102111176, dated 04/08/1442H (corresponding to 17/03/2021G), and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones under No. 135611444218028296, dated 18/02/1444H (corresponding to 14/09/2022G). According to its industrial license, Supporting Factory No. 3 engages in the manufacture of wooden pallets and ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of sheets, plates, rolls of tape, bars, skewers, angles, wires and sections in all forms; other plastic manufacturing activities; the manufacture of ordinary rope made of textile fibers; the manufacture of finished and semi-finished metal products by forging, pressing, casting and rolling, as well as other activities for the manufacture of machine tools; the manufacture of insulated wires and cables made of copper; smelting, rolling, drawing, refining and casting of copper and its alloys; the manufacture of ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of lifting, handling and loading machines, including elevators, fluid hoists, conveyors and cable cars; the manufacture of metal fasteners, including nails, pins, nuts and rings of all kinds; the manufacture of insulated wires and cables made of copper; the manufacture of plastics in their primary forms and the manufacture of polyethylene.
- e- **Supporting Factory No. 4:** Supporting Factory No. 4 was established in 1990G in the Second Industrial City in Riyadh on a land area of 20,000 m<sup>2</sup>. Supporting Factory No. 4 produces wooden and steel drums used in transporting and storing electrical cables and wires, with a production capacity of 165,000 drums annually. It is worth noting that Supporting Factory No. 4 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No.421102111176, dated 04/08/1442H (corresponding to 17/03/2021G), and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones under No. 5781444110027222, dated 10/01/1444H (corresponding to 07/08/2022G). According to its industrial license, Supporting Factory No. 4 engages in the manufacture of wooden pallets and ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of sheets, plates, rolls of tape, bars, skewers, angles, wires and sections in all forms; other plastic manufacturing activities; the manufacture of ordinary rope made of textile fibers; the manufacture of finished and semi-finished metal products by forging, pressing, casting and rolling, as well as other activities for the manufacture of machine tools; the manufacture of insulated wires and cables made of copper; smelting, rolling, drawing, refining and casting of copper and its alloys; the manufacture of ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of lifting, handling and loading machines, including elevators, fluid hoists, conveyors and cable cars; the manufacture of metal fasteners, including nails, pins, nuts and rings of all kinds; the manufacture of insulated wires and cables made of copper; the manufacture of plastics in their primary forms and the manufacture of polyethylene.



- f- **Supporting Factory No. 5:** Supporting Factory No. 5 was established in 2014G in the Second Industrial City in Riyadh on a land area of 3,500 m<sup>2</sup>. Supporting Factory No. 5 produces cross-linked polyethylene (XLPE) granules used in the manufacture of electrical cables and wires, with a production capacity of 13,200 tons per year. Supporting Factory No. 5 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 421102111176, dated 04/08/1442H (corresponding to 17/03/2021G), and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones under No. 5781444110027230, dated 10/01/1444H (corresponding to 07/08/2022G). According to its industrial license, Supporting Factory No. 5 engages in the manufacture of wooden pallets and ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of sheets, plates, rolls of tape, bars, skewers, angles, wires and sections in all forms; other plastic manufacturing activities; the manufacture of ordinary rope made of textile fibers; the manufacture of finished and semi-finished metal products by forging, pressing, casting and rolling, as well as other activities for the manufacture of machine tools; the manufacture of insulated wires and cables made of copper; smelting, rolling, drawing, refining and casting of copper and its alloys; the manufacture of ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of lifting, handling and loading machines, including elevators, fluid hoists, conveyors and cable cars; the manufacture of metal fasteners, including nails, pins, nuts and rings of all kinds; the manufacture of insulated wires and cables made of copper; the manufacture of plastics in their primary forms and the manufacture of polyethylene.
- g- **Supporting Factory No. 6:** Supporting Factory No. 6 was established in 2012G in the Second Industrial City in Riyadh on a land area of 3,500 m<sup>2</sup>. Supporting Factory No. 6 produces polypropylene (PP) yarn used in the manufacture of electrical cables and wires, with a production capacity of 8,040 tons per year. Supporting Factory No. 6 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 421102111176, dated 04/08/1442H (corresponding to 17/03/2021G), and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones under No. 135611444218028296, dated 18/02/1444H (corresponding to 14/09/2022G). According to its industrial license, Supporting Factory No. 6 engages in the manufacture of wooden pallets and ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of sheets, plates, rolls of tape, bars, skewers, angles, wires and sections in all forms; other plastic manufacturing activities; the manufacture of ordinary rope made of textile fibers; the manufacture of finished and semi-finished metal products by forging, pressing, casting and rolling, as well as other activities for the manufacture of machine tools; the manufacture of insulated wires and cables made of copper; smelting, rolling, drawing, refining and casting of copper and its alloys; the manufacture of ordinary non-ferrous metal items, including wires, pipes, tubes, powders, papers, sheets, et cetera; the manufacture of lifting, handling and loading machines, including elevators, fluid hoists, conveyors and cable cars; the manufacture of metal fasteners, including nails, pins, nuts and rings of all kinds; the manufacture of insulated wires and cables made of copper; the manufacture of plastics in their primary forms and the manufacture of polyethylene.

#### 4.10.3.3 Factories owned by REW

REW conducts its manufacturing activities through Cable Factory No. 4 and Cable Factory No. 5 detailed below.

- a- **Cable Factory No. 4:** Cable Factory No. 4 was established in 1994G in the Second Industrial City in Riyadh on a land area of 27,000 m<sup>2</sup>. Cable Factory No. 4 produces household electrical cables and wires used in extensions and buildings with sections ranging between 1.5 mm<sup>2</sup> and 35 mm<sup>2</sup>, in addition to manufacturing control cables. The production capacity of Cable Factory No. 4 33,600 tons per year. It is worth noting that Cable Factory No. 4 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 421102110214 dated 25/06/1442H (corresponding to 07/02/2021G) and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones (Modon) No. 5781444110027228 dated 10/01/1444H (corresponding to 07/08/2022G). In accordance with the industrial license, Cable Factory No. 4 manufactures insulated copper wires and cables, insulated aluminum wires and cables and ordinary non-ferrous metal products, including wires, pipes, tubes, powders, plates, sheets, etc.
- b- **Cable Factory No. 5:** Cable Factory No. 5 was established in 1995G in the Second Industrial City in Riyadh on a land area of 5,900 m<sup>2</sup>. Cable Factory No. 5 produces uninsulated overhead conductors made of copper, aluminum or aluminum alloy with a voltage of up to 400 kV and reinforced with galvanized steel or sheathed in aluminum with sections ranging between 35mm<sup>2</sup> and 1,000mm<sup>2</sup>. Overhead conductors are used to transmit power over long distances and inter-city connection. The production capacity of Cable Factory No. 5 is 30,000 tons per year. Cable Factory No. 5 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 421102110214 dated 25/06/1442H (corresponding to 07/02/2021G) and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones (Modon) No. 5781444110027228 dated 10/01/1444H (corresponding to 07/08/2022G). In accordance with the industrial license, Cable Factory No. 5 manufactures insulated copper wires and cables, insulated aluminum wires and cables and ordinary non-ferrous metal products, including wires, pipes, tubes, powders, plates, sheets, etc.

#### 4.10.3.4 Factories owned by RTC

RTC conducts its manufacturing activities through Cable Factory No. 6 and Cable Factory No. 7 detailed below.

- a- **Cable Factory No. 6:** Cable Factory No. 6 was established in 1993G in the Second Industrial City in Riyadh on a land area of 24,000 square meters. Cable Factory No. 6 produces communication cables used in telephone networks and data transmission that are made of copper conductors, both armored and unarmored. The production capacity of Cable Factory 6 is 4,800 tons of copper telephone cables per year. Cable Factory No. 6 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 4211021109694 dated 04/06/1442H (corresponding to 17/01/2021G) and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones (Modon) No. 5781444110027236 dated 10/01/1444H (corresponding to 07/08/2022G). In accordance with its industrial license, Cable Factory No. 6 engages in the manufacture of wooden pallets, the manufacture of fiber optic cables and the manufacture of insulated wires and cables made of copper.
- b- **Cable Factory No. 7:** Cable Factory No. 7 was established in 1994G and an area of 5,000 square meters of land has been allocated for the establishment of Cable Factory No. 7 on it. Cable Factory No. 7 produces communication cables used in telephone networks and data transmission made of optical fibers, both armored and unarmored. The production capacity of Cable Factory No. 7 is 1,100,000 km of fiber-optic cables per year. Cable Factory No. 7 is licensed pursuant to an industrial license issued by the Ministry of Industry and Mineral Resources (MIM) No. 4211021109694 dated 04/06/1442H (corresponding to 17/01/2021G) and an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones (Modon) No. 5781444110027236 dated 10/01/1444H (corresponding to 07/08/2022G). In accordance with its industrial license, Cable Factory No. 7 engages in the manufacture of wooden pallets, the manufacture of fiber optic cables and the manufacture of insulated wires and cables made of copper.

#### 4.10.3.5 Factory owned by NCI

NCI owns Cable Factory No. 8 as detailed below.

##### **Cable Factory No. 8**

Cable Factory No. 8 was established in 2001G and is located in the Industrial City in the Emirate of Sharjah in the United Arab Emirates on an area of 56,712 square meters. This factory produces low voltage cables up to 1 kV, as well as medium and high voltage cables. The maximum production capacity of this factory is 24,000 tons per year. It is worth noting that Cable Factory No. 8 is licensed pursuant to an industrial license issued by the Department of Economic Development of the Government of Sharjah under No. 506877, dated 02/06/1444H (corresponding to 26/12/2022G). According to its industrial license, Cable Factory No. 8 engages in the manufacture of cables and metal tape (fire-retardant); the manufacture of electrical power transmission and distribution equipment; the manufacture of electrical connection wires and the manufacture of communications cables.

#### 4.10.3.6 Cable Factory owned by Al Rowad Company for Production of Electrical Cables and Wires Limited

Al Rowad Company for Production of Electrical Cables and Wires Limited owns Cable Factory No. 9 detailed below.

##### **Cable Factory No. 9**

Cable Factory No. 9 was established in 2011G and is located in Al Mahmoudiya, Al Askari District, Baghdad Governorate, Iraq, on an area of 75,000 square meters. This factory produces household electrical wires and cables, medium and low-voltage cables and overhead conductors. The maximum production capacity of this factory is 16,400 tons per year.

#### 4.10.4 Stages of the cable manufacturing process

The following is a detailed description of the cable manufacturing process of and the stages products go through to reach their final form, which applies to most cable types produced by the Group according to the specifications required by customers.

- 1- Manufacturing copper and aluminum rods by melting and rolling copper cathodes and raw aluminum ingots to form them in 8mm and 9.5mm diameters.
- 2- Testing the raw materials involved in the manufacturing processes: All raw materials are subject to quality tests to verify that their properties upon receipt from suppliers or supporting factories comply with the specifications listed in the production regulations
- 3- Drawing: Cables are manufactured by pulling the copper and aluminum rods (8mm and 9.5mm) to lower diameters according to the required measurements and technical specifications specified by customers.
- 4- Stranding: After obtaining wires with specific diameters, these wires are tightly layered in opposite directions and eventually form a copper or aluminum conductor with a sectoral or circular segment, which may be normal or compressed to reduce conductor dimensions.
- 5- Insulation: The stranded conductor is then taken directly to the insulation machines to be coated with a colored plastic insulation layer of polyvinyl chloride (PVC) or cross-linked polyethylene (XLPE) to be able to withstand the required voltage. Its insulation capacity is checked with sophisticated devices equipped with insulation machinery, in accordance with Saudi and international standards.
- 6- Screening: When producing high- or medium-voltage cables, wires and copper tape must be placed over the insulation. This process aims to reduce the impact of the electrical field on the cable, to make the electrical field uniform, and to help deliver the charging and discharging current, as well as to protect it in case the cable is touched.
- 7- Assembling: Insulated, colored conductors (conveyors) are assembled together on the bunching machine and are secured with polypropylene (PP) tape, and filler threads are placed to fill the resulting spaces when bunched.
- 8- Filling: Protects the conductors and makes the cable round.
- 9- Armoring: Sometimes after filling, in order to give the cable strength and mechanical protection against bumps and external factors, the cable is wrapped with two galvanized steel strips or a specified number of galvanized steel wires.
- 10- Lead sheathing: Sometimes, at the customer's request, the cable is sheathed with lead or a lead alloy (placed before the outer shell) to protect it from being affected by extreme humidity, chemicals and petrochemicals found in some areas.
- 11- Outer Sheath: The cable is injected and sheathed with plastic materials that are specific to the nature and location where the cable will be used and which can withstand all external influences such as humidity, fire and oil. Then, the Company name, specifications, cable measurement, and length in meters are printed on the outer packaging.
- 12- Inspection of electrically ready cables: All cables are tested and checked during the manufacturing process and when the product manufacturing is completed, in laboratories equipped with state-of-the-art devices and equipment according to international standards and specifications.
- 13- End sealing: To protect the ends of the produced cable from rain or moisture leaking into it, the ends are covered with a heat-shrink plastic cover to secure the ends of the cable.
- 14- Placing the necessary information card on the roller (TAG): In the final stage, the necessary information card is then fixed onto the drum (TAG) and displays all necessary product information.

#### 4.10.5 Production capacity, actual production volume and utilization rate of the Group's factories

The following table shows the Group factories, the main products they produce and their annual production capacities:

**Table (55): Group Factories, their Main Products and their Annual Production Capacities**

Factory Name	Factory Location	Factory Area	Cable type produced	Design capacity	Actual annual production capacity	Annual used production capacity	Company that owns the Factory
Cable Factory No. 1	Riyadh	36,000 m <sup>2</sup>	Low, Medium, High and Extra-High Voltage Cables	60,000 tons	54,865 tons	91%	The Company
Cable Factory No. 2	Riyadh	32,000m <sup>2</sup>	Low, Medium, High and Extra-High Voltage Cables	34,800 tons	33,048 tons	95%	RCM
Cable Factory No. 3	Riyadh	289,000 m <sup>2</sup>	Low, Medium, High and Extra-High Voltage Cables	55,200 tons	51,082 tons	93%	The Company
Cable Factory No. 4	Riyadh	27,000 m <sup>2</sup>	Household electrical wires and cables	33,600 tons	28,812 tons	86%	REW
Cable Factory No. 5	Riyadh	5,900m <sup>2</sup>	Overhead conductors	30,000 tons	28,327 tons	94%	REW
Cable Factory No. 6	Riyadh	24,000m <sup>2</sup>	Copper telephone cables	4,800 tons	2,984 tons	62%	RTC
Cable Factory No. 7	Riyadh	5,000m <sup>2</sup>	Fiber optic cables	1,100,000 kms	502,680 km	46%	RTC
Cable Factory No. 8	Sharjah, United Arab Emirates	56,712m <sup>2</sup>	Household electrical wires and cables	3,000 tons	22,760 tons	95%	NCI
			Low voltage cables	12,000 tons			
			Medium and High voltage cables	9,000 tons			
Cable Factory No. 9	Baghdad, Iraq	75,000m <sup>2</sup>	Household electrical wires and cables	2,000 tons	16,400 tons	30%	Al Rowad Company for Production of Electrical Cables and Wires Limited
			LV cables	3,600 tons			
			Overhead conductors	4,800 tons			
			MV cables	6,000 tons			
Supporting Factory No. 1	Riyadh	4,906m <sup>2</sup>	Polyvinyl chloride (PVC)	60,000 tons	55,296 tons	92%	RCM
Supporting Factory No. 2	Riyadh	15,184m <sup>2</sup>	Copper rods	144,000 tons	119,237 tons	83%	RCM
Supporting Factory No. 3	Riyadh	14,018m <sup>2</sup>	Aluminum rods	60,000 tons	38,795 tons	65%	RCM
Supporting Factory No. 4	Riyadh	20,000m <sup>2</sup>	Wooden and steel drums	165,000 drums	146,725 drums	89%	RCM
Supporting Factory No. 5	Riyadh	3,500m <sup>2</sup>	Polyethylene (PE) granules	13,200 tons	12,546 tons	95%	RCM
Supporting Factory No. 6	Riyadh	Part of Cable Factory No. 6	Polypropylene (PP) yarn	8,040 tons	6,400 tons	80%	RCM

Source: The Company

### **Raw materials involved in the manufacturing process and hedging policy against metal price fluctuations**

The Group procures most raw materials used in the cable manufacturing process, including polyvinyl chloride (PVC), polyethylene (PE), polypropylene (PP) yarn, copper rods, aluminum rods and wooden and steel drums from the Group's Supporting Factories. The Group also receives metals, polymers, and optical fibers from a number of local and external suppliers.

The Group adopts a conservative hedging policy against fluctuations in copper, aluminum and lead prices, which change globally on a daily basis, to protect against fluctuations in the prices of these metals and to maintain stability of profit, as this policy is applied based on sale contracts. Accordingly, the Group fixes product prices for customers based on the price of raw materials on the day they are requested from suppliers and enters into a hedging agreement in order to fix prices, thus reducing the risk of fluctuations in metal prices.

The Group has entered into a variety of future contracts to counteract the fluctuations in copper and aluminum prices in order to meet the Group's expected requirements for use in its manufacturing operations. The impact of closing these contracts, i.e., contracts to buy or sell non-financial instruments / or contracts for self-use that are not classified as hedging instruments, is recorded within the cost of production in the consolidated statement of profit or loss and other comprehensive income.

The Group deals in future contracts with the London Metal Exchange for the purpose of buying and selling copper, aluminum and lead, which can be bought and sold without physical delivery on a future date at market prices on that date. These contracts are matched with forward purchases and sales commitments, as they are concluded for the purpose of providing protection against metal price fluctuations. It is worth noting that the sole purpose of the Group's hedging instruments is to mitigate the effect of fluctuations in the global prices of metals. Such instruments are not used for trading in metals or future prices.

### **Overview of the factories' needs for electricity, industrial water, gas and diesel**

The Group's factories depend on electricity, water, gas, diesel and gasoline in their manufacturing operations. The Group procures such materials from the following sources:

#### **Electricity**

The Group procures electricity needed for the operations of its factories from the main public grid of the Saudi Electricity Company in addition to back-up diesel generators owned by RCC. The Group's factories consume approximately 194 million kW/h of electricity annually to operate their equipment and machinery.

#### **Industrial Water**

The operations of the Group's factories depend heavily on industrial water in their manufacturing operations, which is used for cooling during the stages of operation. The Company procures industrial water from the main grid of the National Water Company and by tankers from external sources when needed. The Company's annual water consumption is 772 thousand m3.

#### **Gas**

The operations of the Group's factories also depend on gas in their manufacturing operations. Gas is used in copper and aluminum smelting. The Company procures gas from the Natural Gas Distribution Company (NGDC). The Company's annually gas consumption is 191 thousand Btu.

#### **Diesel**

The operations of the Group's factories also depend on diesel in their manufacturing operations. Diesel is used in operating electrical generators and some machines used in the factories. The Company procures diesel from a number of local suppliers. The Company's diesel consumption is approximately 2 million liters as of 31 December 2021G.

## 4.11 Quality Control

The Group conducts various tests to determine the suitability of a product for the purpose for which it was made. This involves electrical and thermal tests at high stresses to cause rapid product consumption in order to verify whether the product will function adequately over its lifetime. Quality control also includes conducting special tests with respect to additional specifications for each product, such as verifying the product's resistance to oil, sunlight or fire and verifying whether it can withstand the required voltage and connection to electricity for certain periods. Testing also verifies that the product does not generate smoke or toxic substances such as chlorine and fluorine (halogens) for flame-retardant and low-smoke emission cables. This is done by exposing the final product to fire at specific temperatures to measure the density of light penetrating the fire output to verify that it is not lower than a certain percentage that would allow people to see clearly in case of a fire. Halogen is measured using special devices to ensure that cables are halogen-free.

The quality control process generally includes four (4) key stages:

### 1- Material Laboratories:

The Materials Laboratories develop specifications for raw materials imported for cable manufacturing and test them upon receipt in order to determine whether to accept the materials into the warehouses or refuse them.

### 2- Type Test Laboratories:

Type Test Laboratories test the types of all finished cables to determine their compliance with the international specifications in effect. This is a process integrated with the tests conducted by the Materials Laboratories. Type tests are also concerned with determining the suitability of a product to its purpose, including electrical tests at high stresses and thermal tests to ensure that the product will function adequately over its lifetime. Moreover, these laboratories also conduct special tests for additional product specifications, including testing the product's resistance to oil, sunlight and fire and tests to ensure that low smoke flame retardant cables do not generate smoke or toxic substances when exposed to fire.

### 3- In process testing during the production process:

At each production stage, the product's compliance with specifications is checked to verify its manufacturing quality and compliance with specifications to enable it to move to the next stage of the manufacturing process. Reports are given to the production department at each step to make the necessary corrections, if any. Tests also include electrical and non-electrical tests specified in the relevant standard specifications.

### 4- Final Testing:

All products of all kinds undergo final testing, which includes electrical and non-electrical tests to ensure compliance with the relevant standard specifications. When this stage is completed, the products are transported to the warehouses for storage.

The Group established the laboratories for testing the quality of high and extra-high voltage up to 500 kV cables in cooperation with a number of leading companies in the industry. These laboratories have advanced capabilities that cover their needs and the needs of other companies in the industry. Companies operating in the cables industry within the region have access to this equipment and the expertise of the Group's engineers to conduct the tests necessary to inspect high and extra-high voltage cables up to 500 kV.

## 4.12 Certificates and Accreditations

The following table shows the quality certificates and accreditations obtained by the Group.

**Table (56): Certificates and Accreditations**

Certificate	Certificate No.	Issuer	Details	Issue Date	Expiry Date
Certificate of Conformity ISO 14001:2015	SA190023	RICI	The Company obtained this certificate for meeting the necessary requirements under ISO 45001:2018 system in the design, construction, manufacturing and distribution of low-voltage cables, medium-voltage cables up to 45 kV, high-voltage cables up to 150 kV and extra-high-voltage cables up to 500 kV, as well as electrical wires, cable connectors, telephone cables, fiber optic cables, copper and aluminum rods and the following compounds: PVC, XLPE, LSHF, in addition to wooden and steel drums.	28/12/2019G	27/12/2022G
Certificate of Conformity ISO 45001:2018	SA190023	RICI	The Company obtained this certificate for meeting the necessary requirements under ISO 45001:2018 system in the design, construction, manufacturing and distribution of low-voltage cables, medium-voltage cables up to 45 kV, high-voltage cables up to 150 kV and extra-high-voltage cables up to 500 kV, as well as electrical wires, cable connectors, control cables, telephone cables, fiber optic cables, copper and aluminum rods and the following compounds: PVC, XLPE, LSHF, in addition to wooden and steel drums.	28/12/2019G	27/12/2022G
Certificate of Conformity ISO 9001:2015	SA190023	RICI	The Company obtained this certificate for meeting the necessary requirements under ISO 9001:2015 system in the design, construction, manufacturing and distribution of low-voltage cables, medium-voltage cables up to 45 kV, high-voltage cables up to 150 kV and extra-high-voltage cables up to 500 kV, as well as electrical wires, cable connectors, control cables, telephone cables, fiber optic cables, copper and aluminum rods and the following compounds: PVC, XLPE, LSHF, in addition to wooden and steel drums.	28/12/2019G	27/12/2022G
Licensing Certificate for use of the quality mark	1-00000101005292740708-1436	SASO	RCM was granted a license authorizing use of the quality mark on the following products: Power cables with extruded insulation and related accessories for rated voltages from 1 kV up to 30 kV and cables for rated voltages of 1 kV and 3 kV.	12/05/1994G (renewed on 08/04/2020G)	07/04/2023G

Certificate	Certificate No.	Issuer	Details	Issue Date	Expiry Date
Licensing Certificate for use of the quality mark	1-000001010106953-1436	SASO	The Company was granted a license authorizing use of the quality mark on certain products, including: PVC insulated cables and flexible cables.	08/11/2010G (renewed on 02/01/2022G)	01/01/2025G
Certificate of Conformity	20-05-11615 Q20-05-000384	ESMA	The Company obtained this certificate for fulfilling the directives issued by the UAE Ministry of Industry and Advanced Technology pertaining to electrical cables.	04/05/2020G	03/05/2023G
Certificate of Conformity ISO 20000-1:2018	PQS/C03/KSA011221	Al Rowad Quality Systems and Certifications Co.	The Company obtained this certificate for meeting the necessary requirements under ISO 20000-1:2018 system in the design, construction, manufacturing and distribution of low-voltage cables, medium-voltage cables up to 45 kV, high-voltage cables up to 150 kV, extra-high-voltage cables up to 500 kV, as well as electrical wires, cable connectors, control cables, telephone cables, fiber optic cables, copper and aluminum rods and PVC, XLPE, LSHF, in addition to wooden and steel drums.	01/12/2021G	01/12/2024G
Certificate of Conformity ISO 20000-1:2018	PQS/C02/KSA011221	Al Rowad Quality Systems and Certifications Co.	The Company obtained this certificate for meeting the necessary requirements under ISO 22301:2019 system in the design, construction, manufacturing and distribution of low-voltage cables, medium-voltage cables up to 45 kV, high-voltage cables up to 150 kV, extra-high-voltage cables up to 500 kV, as well as electrical wires, cable connectors, control cables, telephone cables, fiber optic cables, copper and aluminum rods and PVC, XLPE, LSHF, in addition to wooden and steel drums.	01/12/2021G	01/12/2024G
Certificate of Conformity ISO 20000-1:2018	PQS/C01/KSA011221	Al Rowad Quality Systems and Certifications Co.	The Company obtained this certificate for meeting the necessary requirements under the ISO 27001:2013 system in the design, construction, manufacturing and distribution of low-voltage cables, medium-voltage cables up to 45 kV, high-voltage cables up to 150 kV, extra-high-voltage cables up to 500 kV, as well as electrical wires, cable connectors, control cables, telephone cables, fiber optic cables, copper and aluminum rods and PVC, XLPE, LSHF, in addition to wooden and steel drums.	01/12/2021G	01/12/2024G



Certificate	Certificate No.	Issuer	Details	Issue Date	Expiry Date
Certificate of Conformity ISO 14001:2015	PQS/C01/UAE220522	Al Rowad Quality Systems and Certifications Co.	NCI obtained this certificate for meeting the necessary requirements under ISO 14001:2015 system in the design, manufacture and distribution of low voltage cables, medium voltage cables and extra-high voltage cables using XLPE and PVC compounds and low voltage fire-resistant cables.	22/05/2022G	22/05/2025G
Certificate of Conformity ISO 45001:2018	PQS/C02/UAE220522	Al Rowad Quality Systems and Certifications Co.	NCI obtained this certificate for meeting the necessary requirements under ISO 45001:2018 system in the design, manufacture and distribution of low voltage cables, medium voltage cables and extra-high voltage cables using XLPE and PVC compounds and low voltage fire-resistant cables..	22/05/2022G	22/05/2025G
Certificate of Commitment	20170509-E482882	UL	The Group obtained this certificate for meeting the necessary requirements based on the UL 83 - Thermoplastic-Insulated Wires standard.	09/05/2017G	N/A
Accreditation Certificate	1482a	BRE Global Ltd	The Company obtained this certificate for single-core fire-retardant cables.	09/08/2018G	N/A
Qualification Certificate	11294/17636	SABS Commercial	The Company obtained a qualification certificate for high-voltage cables in South Africa.	09/12/2020G	08/12/2023G
Certificate of Conformity ISO 37001:2016	EUAC/ABMS/1001-2019	Perfection Commitment	The Company obtained a certificate of conformity for meeting the necessary requirements based on ISO 37001:2016.	08/11/2019G	07/11/2022G
Certificate of Compliance	19.07.518-RoHS	Inspect, a Turkish company	The Company obtained certificate for compliance with the European Union standards, since its products are free of hazardous substances.	14/11/2019G	13/11/2022G
Accreditation Certificates	1482c	BRE Global Ltd	The Company obtained these certificates in relation to fire-resistant cables of all kinds.	16/07/2020G	N/A
	1482d			24/11/2020G	N/A
	1482e			13/04/2021G	N/A
Accreditation Certificate	022147 A	Egyptian Accreditation Council (EGAC)	The Company obtained the approval of the body for certain electrical, mechanical, chemical and physical tests conducted on electrical cables and wires.	18/02/2022G	17/02/2026G
Certificate of Compliance	PCR-154	British Approvals Service for Cables (BASEC)	The Company obtained a certificate of compliance in designing, manufacturing and distributing electrical wires and cables, low and medium-voltage cables and fiber optic cables.	04/04/2022G	19/02/2025G

Source: The Company

### 4.13 Environmental Sustainability

The Group complies with the applicable environmental laws in the Kingdom by complying with a number of procedures for sewage treatment and waste disposal. The Group's factories located in the regions falling under the Saudi Authority for Industrial Cities and Technology Zones (MODON) treat sewage through the MODON sewage network. At the Group's factories not connected to a sewage network, waste water is transported by a specialized company that transports sewage water to locations specified by the official bodies.

With regard to industrial waste, which is waste resulting from manufacturing processes at the Group's factories, materials are sorted by type into metals, woods and plastics and are recycled. The disposal of the Group's non-recyclable waste is collected daily into collection receptacles provided by a contractor that disposes of it at proper locations determined by statute. The Group also monitors water, air quality and waste management through a consultant specializing in environmental affairs, who records all readings and prepares and submits the necessary reports to the environmental protection authorities. The Group has obtained a number of environmental certificates.

### 4.14 Safety and Security

The Group applies safety and risk protection standards with respect to its employees through compliance with all applicable safety laws in the Kingdom, and by applying other international laws and regulations applicable to the industry such as the American Occupational Safety and Health Standards developed by the United States Occupational Safety and Health Administration (OSHA) to maintain the readiness of the Group's facilities and to safeguard against accidents.

The Group applies environmental, health and safety regulations in the workplace through continuous monitoring to enforce safety regulations and raise the awareness of the Group's employees on the importance of health and safety and ensuring that the Group's production processes do not affect workers' safety. In order to ensure the required levels of health and safety in the workplace, the Group observes the following compliance standards:

- Trains and provides employees with the tools they need to undertake their tasks safely and follow best practices in equipment operation and maintenance;
- Develops and applies accident protection programs;
- Provides a safe working environment by reducing the sources of risk;
- Complies with proper health and safety techniques and methods;
- Educates and informs employees of potential hazards in their work and informs them about the best safety techniques;
- Ensures the availability of first-aid kits and emergency response plans throughout the Group's workplaces;
- Ensures that employees perform their tasks under the best conditions, following the best possible safety techniques in that regard;
- Ensures the accuracy and completeness of data recorded in the incident reporting system; and
- Conducts regular reviews and submits reports on the results of such reviews to the Executive Management to ensure compliance with the Group's Health and Safety Policy and Regulations, ensures the existence of mechanisms to increase employee engagement in developing and preparing the standard levels and measures and ensures that employees fulfil their responsibilities in the areas of health and safety.

Additionally, the Group develops plans and implements programs necessary to guarantee the safety of its employees and visitors in all of its buildings and locations to prevent and reduce the risk of fire by:

- Ensuring the readiness of automated sprinkler systems and fire extinguishers, providing mobile fire-extinguishing equipment and training the personnel needed for the use of such equipment;
- Reducing fire risks by ensuring the safety of storage techniques and methods of dealing with flammable materials;
- Ensuring the safety of passageways and exits in anticipation of fires or emergency situations and developing safe evacuation plans for all of the Group's locations, if necessary;
- Providing devices and early warning systems such as smoke detectors and fire alarm systems;
- Performing periodic inspections, checking and maintaining fire alarm systems as per the United States National Fire Protection Association (NFPA) codes and standards;
- Informing the Group's employees and visitors of emergency protection and evacuation procedures; and
- Training employees on evacuation plan procedures and informing them of their roles and raising awareness of the types of hazardous substances and risks related to fires.

## 4.15 Research and Development

Since 1984G, the Group has been working with foreign and Saudi authorities to develop and improve the efficiency of the Group's products, compete on price and find practical and technical solutions for its customers. For this purpose, it has dedicated specialized staff and advanced laboratories to conduct such research. This has allowed the Group to cover all the cable needs of the Kingdom and neighboring countries. The Group has also made special efforts to further develop and modernize machinery to improve its efficiency and productivity by following continuous line monitoring systems, which in turn have carefully adjusted the weight of raw materials to conform to specifications, thereby reducing the actual product cost and enhancing the Group's competitive position in the markets in which it operates.

The following is a list of the most important research carried out by the Group from its inception to the date of this Prospectus:

- The Group, in cooperation with King Saud University, has carried out research aimed at identifying the cables specifications and characteristics that are appropriate to the circumstances and specifications of the Kingdom and neighboring countries. The result of this research was the production of high-quality, efficient cables with positive financial returns.
- The Group, in collaboration with specialists, has developed new tests to measure the quality and qualification of cables.
- The Group examined the phenomenon of water-afforestation in cables and the effect of salts in the Kingdom's soil and other areas on this phenomenon and worked to reduce its negative effects on cables.
- The Group studied the carrying capacity of cables and how to improve them.
- The Group, through its studies, has made adjustments to some of the international standards such as the International Electrotechnical Commission (IEC) to be more accurate in the expression and measurement of high-voltage cable properties.
- The Group has undertaken various studies to develop its cables by adding specific characteristics that make them suitable for different site requirements. These include sun-resistance, insect-resistance, oil-resistance, and fire resistance and delay.
- Through its studies, the Group has produced fiber optic cables, as well as extra-high voltage cables.

The Company's Management has adopted a Research and Development Policy which aims to make innovation a tool for distinguishing the Group's products and focuses on it to meet the needs of the Group's strategic business, benefit from internal resources and talents, as well as document and enforce research and development procedures according to the requirements of the international standard ISO 9001:2015. The Group obliges its employees to comply with the Research and Development Policy and apply it in their areas of activity

## 4.16 Social Responsibility

The Group's responsibility towards society is always at the forefront of its concerns; it is an objective the Group seeks to achieve through direct contribution by supporting a number of charities in the Kingdom, including the Disabled Children's Association, the Charitable Society for the Care of Orphans, the Anti-Smoking Charitable Association and other associations that contribute to strengthening the role of the private sector in serving society. The Group supports individuals and communities by investing in university graduates through employing and training young people at the Group's training center by providing training and educational courses in cable manufacturing and electricity projects. It also participates in sponsoring Career Day, along with universities and industrial institutes inside the Kingdom. The Group supports and sponsors a number of programs for young people such as the Industrial Excellence Award.

## 4.17 Departments and Divisions Supporting the Group's Operational Activities

### 4.17.1 Finance Department

There are three (3) divisions which fall under this Department, namely the Treasury Division, the Accounting Division, and the Budget and Financial Control Division.

#### 4.17.1.1 Treasury Division

The tasks of this division include the following:

- Managing the liquidity of the Company and its Subsidiaries and securing their needs.
- Arranging and securing credit facilities for the Company and its Subsidiaries with commercial banks and managing the relationships and daily dealings with them.

#### 4.17.1.2 Accounting Division

The tasks of this division include the following:

- Applying accounting procedures and maintaining all books, records and accounts of the Group.
- Issuing periodic financial reports and key performance indicators.
- Coordinating with external auditors and Zakat advisors in order to issue the audited financial statements.

#### 4.17.1.3 Budget and Financial Control Division

The tasks of this division include the following:

- Preparing and controlling the estimated budget.
- Preparing and updating the Group's future plans.
- Preparing monthly reports to monitor actual performance with estimated budget.
- Following up on the actions taken to address the differences between the actual performance and the estimated budget.

### 4.17.2 IT Department

The IT Department caters to the needs of all activities and departments in the Group for IT services, including software and hardware used in various departments and sections of the Group. The Group currently uses the SAP ERP system to manage information, financial data and its flow between different departments, as well as control production processes. All of the Group's departments are linked to the main data center through an advanced communications network. The tasks of this department include:

- Technical supervision and control of all IT services provided to the Company and its Subsidiaries.
- Provision of ongoing IT support to the Company and its Subsidiaries.
- Ensure timely and continuous availability of information system data.
- Ensure data and network protection.
- Ensure compliance with the terms and conditions of software licenses throughout the Group.

### 4.17.3 Technical and Quality Department

The Technical and Quality Department has two (2) divisions, the Technical Division and the Quality Control Division.

#### 4.17.3.1 Technical Division

The Technical Division performs a number of tasks related to the development and manufacture of electrical cables and wires as well as working with the Commercial Administration and the Group's Manufacturing departments in determining the requirements and needs of customers in terms of product specifications and features. The Technical Division also develops new designs and features for electrical cables and wires in cooperation with the Research and Development Division, in addition to providing technical support regarding the quality of raw materials used in various products of the Group.

#### 4.17.3.2 Quality Control Division

The Quality Control Division seeks to control and guarantee the quality of all the Company's products according to international standards, including those set by the International Electrotechnical Commission (IEC) and the American Society for Testing of Materials (ASTM International). In addition, the Company, through the Quality Control Division, conducts multiple tests to determine the suitability of the product for its intended purpose, including high-stress electrical tests and high-stress thermal tests to cause accelerated product consumption, thus ensuring the required performance of product over its lifespan. The quality control process also involves conducting special tests related to the additional specifications of each product, such as ensuring its resistance to oil, sunlight or fire, for example by exposing it to fire at specific temperatures, ensuring that it withstands the required electrical voltage and it continues to conduct electricity for a specified period, as well as ensuring that the product does not emit fumes or toxic substances, such as chlorine and fluorine (halogen) for low-smoke fire-retardant cables. This is done by exposing the final product to fire in accordance with certain specifications to ensure the level of light transmittance while the product is on fire is not less than a specific percentage that allows people to see clearly in the event of a fire. Halogen content is also measured in special devices to ensure that cables are free of them.

#### 4.17.4 Operations Management Department

Under this Department are three (3) divisions, namely, the Production Division, the Design and Maintenance Division and the Planning Division.

##### Production Division

The main tasks of the Production Division include the following:

- Preparing, reviewing and approving strategic plans and annual budgets in connection with the Group's factories and divisions of the Production Department;
- Analyzing and examining purchase orders, equipment and materials required for the Group's factories, along with approval of the same;
- Monitoring, controlling and adjusting the production processes of the Group's factories based on the respective objectives and plans set for them;
- Studying and analyzing the daily and periodic reports sent by the Group's factories, commenting on them and ensuring that they achieve the desired goals, including goals related to productivity and consumption of damaged raw materials, et cetera, as well as determining the size of deviations and working to solve the same;
- Reducing costs in the Group's factories within the established and adopted mechanism;
- Managing purchase and consumption expenses and materials required in factories within the approved annual budget;
- Determining the daily incentive amounts for operators and assistants who achieve the intended productivity and desired goals;
- Supporting and implementing the Saudization project of employing local labor in the Group's factories, as well as achieving the objectives required by the Executive Management;
- Preparing the required periodic reports of the Production Department divisions and submitting them to the Senior Management;
- Determining the cadres required for the Production Department divisions at the Group's factories, as well as creating cooperation and understanding among the individuals working in those divisions; and
- Evaluating the performance of employees, supporting them and developing their technical and administrative skills as needed, in coordination with Human Resources Department.

##### Civil Engineering and Maintenance Division

The main tasks of the Civil Engineering and Maintenance Division include:

- Setting the general and specific goals and annual budgets for the Group's maintenance departments.
- Adjusting spare parts consumption on machinery and production lines within the approved budget.
- Meeting weekly with production managers to discuss the overall performance of factories and identify and resolve obstacles and problems they face.
- Providing the necessary improvement studies to improve and develop machines and thus increase production capacity.
- Implementing the necessary periodic maintenance programs to ensure the operation of the production lines at all times.
- Contributing to the preparation of plans and studies for the Group's expansion projects.
- Providing support services for factories, monitoring and maintenance of all their equipment, generators, machinery, air compressors, and so on.
- Preparing the required periodic reports from the divisions of the Maintenance Department and submitting them to senior management.
- Identifying the personnel required for the maintenance departments of the factories and working to create an atmosphere of cooperation and understanding among personnel working in the maintenance departments of the factories.
- Assessing and supporting staff performance and developing their technical and managerial skills as needed and in coordination with human resources.
- Implementing Executive Management plans for Group-wide expansions and improvements.
- Discussing prices with machine suppliers, delivery dates, and technical specifications in line with plans.
- Fitting machines and production lines and following up on their final receipt from suppliers and delivering them to production.

## Planning Division

The tasks assigned to the Planning Division include:

- Setting the general and specific objectives of the Planning Divisions of the Group, preparing the monthly and daily production plans of factories, supervising their implementation and adjusting them where necessary in line with reality and demand.
- Studying, analyzing, and commenting on daily and periodic reports from factories that meet the desired objectives such as those related to productivity, consumption of raw materials, damaged materials, and others, and determining the scale of deviations and working to resolve them.
- Coordinating with the Procurement Division through periodic meetings to secure monthly plan requirements of raw materials.
- Reducing costs in factories within the established and followed mechanism.
- Preparing the required periodic reports from the divisions of the Planning Department and submitting them to senior management.
- Identifying the required staff for the Planning Divisions in factories and working towards an atmosphere of cooperation and understanding among the personnel working in the departments.
- Evaluating the performance of employees, supporting them and developing their technical and administrative skills as needed, in coordination with Human Resources Department.

### 4.17.5 Transformation Department

The Transformation Department manages development initiatives for business processes and outputs throughout all divisions of the Group, by coordination with the concerned departments and the creation of harmonic efficiency to achieve the goals of such initiatives within the specified period and with the required quality.

### 4.17.6 Supply Chain Department

This Department includes the Procurement Division and the Warehouse and Logistics Division.

#### 4.17.6.1 Procurement Division

The core functions of the Division include:

- Securing the needs of the Group's factories of raw materials according to approved plans, either through long-term contracts for items with fixed consumption rates, or through direct purchases of materials with variable consumption rates.
- Maintaining the inventory stock assigned to each item and studied based on consumption rates and supplier supply periods.
- Obtaining the necessary customs exemptions for imported raw materials.
- Supplier follow-up from the moment the order is issued and until the raw materials reach the Company's warehouses.
- Addressing factory complaints about raw materials with suppliers.
- Searching for new suppliers of raw materials at cheaper prices and with the desired quality.
- Executing purchase orders in financial terms such as issuing credits, payment orders, discounts, etc.

#### 4.17.6.2 Warehouse and Logistics Division

The Warehouse and Logistics Division is concerned with all activities related to the receipt and preservation of raw materials, finished products, spare parts and other materials received from the Procurement and Production Departments, as well as the planning, organization and control of storage procedures. The Warehouse and Logistics Division also manages the inventory based on the quantities and quality of production processes and ensures the required materials are available, thereby ensuring that production processes run and meet customer requirements.

It should be noted that the Group implements a "first-in-first-out" (FIFO) system for handling products and materials stored in their warehouses to avoid expiration of any of the materials in the warehouses. Several indicators have also been adopted to measure the performance of the Warehouse and Logistics Division in terms of its ability to complete its tasks in transporting and receiving materials, storing goods in the Company's warehouses and delivering them to customers in accordance with distribution plans. The cost of storage, quantities of products and damaged articles and the period of time for the documentary cycle are also calculated. This information then is analysed to optimize handling of inventory.

The Warehouses and Logistics Department is also concerned with supervising the appropriate handling of materials and products, monitoring loading and unloading operations, classifying finished products, and providing all transport vehicles required to transport raw and finished materials between the Group's factories and warehouses. The transportation of the Group's materials and products to and from its warehouses and branches is coordinated through the company's ERM system.

#### **4.17.7 Marketing Department**

The main tasks of the Marketing Department include:

- Developing Group sales and marketing plans and policies and continuously supervising and training sales officials.
- Identifying the best-selling areas to leverage as many customers as possible and achieve the best financial returns.
- Planning selling activities in terms of product development, introduction of new products and identifying products with high financial returns.
- Following-up on strategic operations related to Group sales, such as the Group's procurement and contracting projects implemented by it.
- Following up on competitors' strategies and developments in the markets in which the Group operates.
- Searching for and connecting with new customers and developing customer retention plans.
- Monitoring the performance of the Group's sales and the extent to which it achieves the Group's sales objectives and continuously monitoring and evaluating the implementation of the Group's marketing plan.
- Establishing practical foundations for pricing and discount policies in accordance with market conditions and changes.
- Developing cash and deferred collection policies in relation to the sale of the Group's products.
- Coordinating with the Production Department to comply with the supply of products according to contracts concluded with the Group's customers and following up on customer complaints with the relevant departments.

All divisions of the Commercial Department have experienced administrative, technical and environmental personnel who implement the management action plan in marketing and selling the Company's products of all types of cables and wires required in the Kingdom and neighboring countries.

#### **4.17.8 Administrative Affairs Department**

There are three (3) divisions which fall under this Department, namely the Human Resources Division, the Support Services Division and the Legal Division.

##### **4.17.8.1 Human Resources Division**

The Human Resources Division meets the staffing, training and other personnel requirements of the Group. Among the main tasks of this Division is:

- Developing policies and regulations on the organization and management of employees and creating a suitable working environment for them.
- Reviewing and updating the career ladder, as well as implementing operational management policies and guidelines.
- Implementing human resource policies and regulations, calculating employee salaries, vacations and end of service, and coordinating with the Public Relations Division to complete employee services such as renewal of residence permits, medical insurance and social insurance.
- Following up with all government departments and contracting with contractors to provide or recruit the required labor for the Company.
- Complying with the labor regulations and laws in force in the Kingdom.

##### **4.17.8.2 Legal Division**

The Legal Division provides legal advice services to the Company's Management, either directly or through the offices of law firms and external legal advisers. Among the responsibilities of the Legal Division is:

- Personnel issues.
- Providing legal opinions to Management regarding agreements and contracts, if necessary.
- Providing legal opinions in respect of any lawsuits or claims to which the Company or any of its Subsidiaries is a party.

#### 4.17.8.3 Support Services Division

The Administrative Affairs Department assists many other departments of the Group through the Support Division as follows:

- **Site Security:** The Support and Logistical Services Division, through the Security Guard and Monitoring Branch, maintains the security and protection of the Company's facilities and factories from the risk of theft, monitors the entry and exit of materials to and from factories and controls the entry of vehicles and persons authorized to enter the sites.
- **Housing:** The Company provides its employees with residential complexes equipped with all amenities, whether owned or leased, and also provides catering to employees through contracting with a number of local catering companies.
- **Employee Transportation:** The Company also provides 24-hour transportation to and from all locations of the Company through a number of modern buses and vehicles, as well as a shuttle service to the international airport in Riyadh and to all districts of Riyadh.
- **Occupational Health and Safety:** The Company shall endeavor to maintain the readiness of the Company's facilities and prevent accidents by applying safety standards, protecting against hazards, protecting the environment and complying with the laws and regulations of the competent environmental protection authorities. The Company also implements EHS systems in the workplace through continuous monitoring and raising awareness of Group's employees to ensure that EHS values and objectives are not compromised. In terms of occupational health and safety, the Company:
  - Provides training to employees and provides them with the tools they need to perform their tasks safely.
  - Makes use of the best practices for operating and maintaining equipment.
  - Complies with the laws and regulations in force in the Kingdom regarding occupational health and safety.
  - Adheres to sound health and safety techniques and methods.
  - Provides a safe working environment by reducing and eliminating hazards, if possible.
  - Educates workers and makes them aware of potential hazards in their area of work and informs them of best safety practices.
  - Develops accident protection programs and ensures that they are applied.
  - Ensures that first aid and emergency response plans are in place at all Group worksites.

#### 4.17.9 Sales Department

Under this Department are four (4) divisions, namely the Domestic Sales Division, Local Branches Division, Export and Overseas Branches Division and High Voltage Projects Division (Turnkey Projects):

##### A- Domestic Sales Division

The Domestic Sales Division is concerned with sales to Governmental and semi-Governmental companies and institutions within the Kingdom, such as SEC, the Saudi Arabian Oil Company (Saudi Aramco), the Royal Commission for Jubail and Yanbu, Saudi Basic Industries Corporation (SABIC), Saline Water Conversion Corporation and all electrical contractors for large and small projects within the Kingdom, in addition to oil and gas companies.

##### B- Local Branches Division

The Local Branches Division is concerned with sales to distributors and general dealers of electrical materials for low-voltage cables, household cables and wires. There are eighteen (18) branches which fall under the Local Branches Division, in addition to a sales office covering all parts of the Kingdom. These branches comprise administrative and sales staff, as well as cable and wire warehouses, which provide services and handle direct delivery to customers.

##### C- Export and Overseas Branches Division

The Export and Overseas Branches Division is concerned with sales outside the Kingdom to the GCC states and other countries. This Division mainly receives requests from the Group's customers outside the Kingdom, follows up on manufacturing and export with the relevant divisions within the Group and delivers the required products on time to the customer. This Division also communicates with the Group's customers through the Group's branches outside the Kingdom to provide sales, assistance and technical support services.

##### D- High Voltage Projects Division (Turnkey Projects)

The High Voltage Projects Division (turnkey projects) is concerned with the execution of high-voltage projects (turnkey projects) and the construction of high-voltage electricity transmission networks (132 kV) of SEC, the Saudi Arabian Oil Company (Saudi Aramco) and Saudi Basic Industries Corporation (SABIC), which include design work, excavation, laying and installation of cable accessories. This Division also performs on-site cable inspection services for high-voltage cables through mobile inspection devices mounted on specialized trucks and provides maintenance and repair services when needed.



## 4.18 Employees

As of 30 June 2022G, the number of the Group's employees totalled 2,981, comprising 591 employees of the Company, 655 employees of SMC, 436 employees of RCM, 348 employees of RTC, 360 employees of REW and 398 employees of NCI.

The Group has concluded employment contracts with all of the Group's employees, including the Senior Executives, in which their salaries and remuneration are specified in accordance with their qualifications and experience. Such contracts include a number of benefits such as a monthly transportation allowance and/or a housing allowance. These contracts are renewable and subject to the Saudi Labor Law (for further details regarding employment contracts with the CEO and CFO, please see Subsection (5.5.3) "Employment Contracts with the CEO and CFO" of this Prospectus).

### 4.18.1 Number of Employees of the Company and its Material Subsidiaries

Below is a table setting out the number of employees of the Company, RCC, RCM, SMC, RTC, REW and NCI, by sector, as of 31 December 2019G, 31 December 2020G, 31 December 2021G and 30 June 2022G.

#### A- The Company

**Table (57): Number of Employees of the Company, by Sector, as of 31 December 2019G, 2020G and 2021G and 30 June 2022G**

Department	As of 31 December 2019G				As of 31 December 2020G				As of 31 December 2021G				As of 30 June 2022G			
	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage
Human Resources & Administration	12	12	24	50%	18	14	32	56%	42	19	61	69%	39	26	65	60.0%
Financial Affairs	2	4	6	33%	1	2	3	33%	2	2	4	50%	2	1	3	66.7%
Information Technology	2	0	2	100%	1	0	1	100%	0	1	1	0%	0	2	2	0.0%
Management	0	2	2	0%	3	3	6	50%	3	4	7	43%	3	5	8	37.5%
Marketing	0	0	0	0%	0	0	0	0%	0	0	0	0%	0	0	0	0%
Mineral and Raw Material Purchases	0	0	0	0%	0	1	1	0%	0	1	1	0%	0	1	1	0.0%
Operations	55	242	297	19%	46	232	278	17%	76	211	287	26%	104	274	378	27.5%
Quality Assurance	0	0	0	0%	0	0	0	0%	0	0	0	0%	0	0	0	0%
Sales	18	19	37	49%	17	22	39	44%	17	24	41	41%	21	36	57	36.8%
Supply Chain	3	29	32	9%	3	31	34	9%	3	28	31	10%	3	31	34	8.8%
Technical Affairs and Quality	2	25	27	7%	2	24	26	8%	1	26	27	4%	1	42	43	2.3%
<b>Total</b>	<b>94</b>	<b>333</b>	<b>427</b>	<b>22%</b>	<b>91</b>	<b>329</b>	<b>420</b>	<b>22%</b>	<b>144</b>	<b>316</b>	<b>460</b>	<b>31%</b>	<b>173</b>	<b>418</b>	<b>591</b>	<b>29.3%</b>

Source: The Company

## B- RCM

**Table (58): Number of Employees of RCM, by Sector, as of 31 December 2019G, 2020G and 2021G and 30 June 2022G**

Department	As of 31 December 2019G				As of 31 December 2020G				As of 31 December 2021G				As of 30 June 2022G			
	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage
Human Resources & Administration	18	20	38	47%	14	20	34	41%	21	27	48	44%	21	26	47	44.7%
Financial Affairs	-	10	10	0%	1	8	9	11%	2	6	8	25%	2	5	7	28.6%
Information Technology	-	4	4	0%	-	2	2	0%	2	4	6	33%	3	4	7	42.9%
Management	-	1	1	0%	-	7	7	0%	-	6	6	0%	0	4	4	0.0%
Marketing	-	8	8	0%	-	6	6	0%	1	5	6	17%	2	5	7	28.6%
Mineral and Raw Material Purchases	-	-	-	-	-	2	2	0%	-	3	3	0%	0	3	3	0.0%
Operations	56	162	218	26%	59	165	224	26%	61	164	225	27%	56	166	222	25.2%
Quality Assurance	-	-	-	-	-	1	1	0%	-	-	-	-	-	-	-	-
Sales	20	97	117	17%	16	86	102	16%	22	79	101	22%	23	67	90	25.6%
Supply Chain	1	14	15	7%	-	14	14	0%	-	17	17	0%	2	16	18	11.1%
Technical Affairs and Quality	3	32	35	9%	5	28	33	15%	4	28	32	13%	0	3	3	0.0%
<b>Total</b>	<b>98</b>	<b>348</b>	<b>446</b>	<b>22%</b>	<b>95</b>	<b>339</b>	<b>434</b>	<b>22%</b>	<b>113</b>	<b>339</b>	<b>452</b>	<b>25%</b>	<b>109</b>	<b>299</b>	<b>408</b>	<b>26.7%</b>

Source: The Company

## C- REW

**Table (59): Number of Employees of REW, by Sector, as of 31 December 2019G, 2020G and 2021G and 30 June 2022G**

Department	As of 31 December 2019G				As of 31 December 2020G				As of 31 December 2021G				As of 30 June 2022G			
	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage
Human Resources & Administration	7	13	20	35%	7	10	17	41%	12	9	21	57%	13	9	22	59.1%
Financial Affairs	-	1	1	0%	1	-	1	100%	-	-	-	-	0	1	1	0.0%
Information Technology	-	2	2	0%	-	2	2	0%	1	2	3	33%	1	1	2	50.0%
Management	-	-	-	-	-	1	1	0%	-	1	1	0%	-	-	-	-
Marketing	-	1	1	0%	-	1	1	0%	-	1	1	0%	0	1	1	0.0%
Mineral and Raw Material Purchases	-	-	-	-	-	2	2	0%	-	2	2	0%	0	3	3	0.0%
Operations	63	254	317	20%	57	236	293	19%	69	207	276	25%	66	200	266	24.8%
Quality Assurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales	7	13	20	35%	5	13	18	28%	5	12	17	29%	5	12	17	29.4%
Supply Chain	15	33	48	31%	6	28	34	18%	-	26	26	0%	0	24	24	0.0%
Technical Affairs and Quality	6	20	26	23%	6	19	25	24%	6	19	25	24%	6	18	24	25.0%
<b>Total</b>	<b>98</b>	<b>337</b>	<b>435</b>	<b>23%</b>	<b>82</b>	<b>312</b>	<b>394</b>	<b>21%</b>	<b>93</b>	<b>279</b>	<b>372</b>	<b>25%</b>	<b>91</b>	<b>269</b>	<b>360</b>	<b>25.0%</b>

Source: The Company

## D- RTC

**Table (60): Number of Employees of RTC, by Sector, as of 31 December 2019G, 2020G and 2021G and 30 June 2022G**

Department	As of 31 December 2019G				As of 31 December 2020G				As of 31 December 2021G				As of 30 June 2022G			
	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage
Human Resources & Administration	13	21	34	38%	10	21	31	32%	19	22	41	46%	18	22	40	45.0%
Financial Affairs	-	1	1	0%	1	1	2	50%	-	1	1	0%	0	1	1	0.0%
Information Technology	-	7	7	0%	-	6	6	0%	-	6	6	0%	0	6	6	0.0%
Management	-	-	-	-	-	-	-	-	-	1	1	0%	-	-	-	-
Marketing	-	1	1	0%	-	1	1	0%	-	2	2	0%	0	2	2	0.0%
Mineral and Raw Material Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operations	51	205	256	20%	51	207	258	20%	60	199	259	23%	52	186	238	21.8%
Quality Assurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales	7	16	23	30%	6	14	20	30%	6	12	18	33%	7	12	19	36.8%
Supply Chain	5	26	31	16%	2	23	25	8%	-	24	24	0%	2	23	25	8.0%
Technical Affairs and Quality	7	9	16	44%	6	9	15	40%	6	11	17	35%	6	11	17	35.3%
<b>Total</b>	<b>83</b>	<b>286</b>	<b>369</b>	<b>22%</b>	<b>76</b>	<b>282</b>	<b>358</b>	<b>21%</b>	<b>91</b>	<b>278</b>	<b>369</b>	<b>25%</b>	<b>85</b>	<b>263</b>	<b>348</b>	<b>24.0%</b>

Source: The Company

## E- SMC

**Table (61): Number of Employees of SMC, by Sector, as of 31 December 2019G, 2020G and 2021G and 30 June 2022G**

Department	As of 31 December 2019G				As of 31 December 2020G				As of 31 December 2021G				As of 30 June 2022G			
	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage	Saudi employees	Non-Saudi employees	Total	Saudization percentage
Human Resources & Administration	24	62	86	28%	20	59	79	25%	20	59	79	25%	23	57	80	28.8%
Financial Affairs	1	4	5	20%	1	5	6	17%	2	2	4	50%	4	2	6	66.7%
Information Technology	-	6	6	0%	-	4	4	0%	1	4	5	20%	1	3	4	25.0%
Management	-	-	-	-	-	1	1	0%	-	1	1	0%	0	1	1	0.0%
Marketing	1	4	5	20%	1	4	5	20%	-	3	3	0%	0	3	3	0.0%
Mineral and Raw Material Purchases	-	-	-	-	-	2	2	0%	-	1	1	0%	-	-	-	-
Operations	45	357	402	11%	68	382	450	15%	80	367	447	18%	73	364	437	16.7%
Quality Assurance	-	1	1	0%	-	2	2	0%	-	2	2	0%	0	2	2	0.0%
Sales	7	57	64	11%	7	52	59	12%	10	46	56	18%	9	38	47	19.1%
Supply Chain	-	57	57	0%	-	53	53	0%	-	47	47	0%	1	42	43	2.3%
Technical Affairs and Quality	3	30	33	9%	4	30	34	12%	5	28	33	15%	4	28	32	12.5%
<b>Total</b>	<b>81</b>	<b>578</b>	<b>659</b>	<b>12%</b>	<b>101</b>	<b>594</b>	<b>695</b>	<b>15%</b>	<b>118</b>	<b>560</b>	<b>678</b>	<b>17%</b>	<b>115</b>	<b>504</b>	<b>654</b>	<b>21.6%</b>

Source: The Company

## F- NCI

**Table (62): Number of Employees of NCI, by Sector, as of 31 December 2019G, 2020G and 2021G and 30 June 2022G**

Department	As of 31 December 2019G*	As of 31 December 2020G*	As of 31 December 2021G*	As of 30 June 2022G*
Human Resources & Administration	28	28	28	26
Finance	6	5	6	6
Information Technology	5	2	2	2
Management	1	1	1	2
Marketing	0	0	0	0
Mineral and Raw Material Purchases	6	6	6	0
Operations	212	217	209	227
Quality Assurance	0	0	0	0
Sales	22	21	21	37
Supply Chain	41	38	43	51
Technical Affairs and Quality	40	39	42	49
<b>Total</b>	<b>361</b>	<b>357</b>	<b>358</b>	<b>400</b>

Source: The Company

\* It should be noted that NCI is an Emirati Company and therefore Saudization requirements do not apply to it. Currently all its employees are non-Saudis.

#### 4.18.2 Saudization and Nitaqat

The Saudization program “**Nitaqat**” was approved by Minister of Human Resources and Social Development Resolution No. 4040 dated 12/10/1432H (corresponding to 10/09/2011G) pursuant to Council of Ministers’ Resolution No. 50 dated 21/05/1415H (corresponding to 27/10/1994G). The “**Nitaqat**” program was implemented on 12/10/1432H (corresponding to 10/09/2011G). MHRSD has started the implementation of the “**Nitaqat**” program in order to encourage enterprises to employ Saudi nationals. Through the “**Nitaqat**” program, a company’s performance is evaluated based on specific categories (Nitaqat), namely: platinum, green (divided into sub-categories, i.e., low green, medium green, and high green), and red. Companies within the platinum or green categories are deemed to be compliant with the Saudization requirements, and are therefore entitled to a number of benefits, such as: obtaining and renewing work visas or otherwise changing the professions of expatriate workers (except for professions reserved exclusively for Saudi nationals). Companies within the red category (based on the extent of their non-compliance with the specified requirements) are deemed to have violated the Saudization requirements and may be subject to certain punitive measures, such as limiting their ability to renew work visas for foreign employees or complete inability to obtain or renew work visas for foreign employees.

The Company, RCM, RCC, REW and RTC have obtained the following certificates from MHRSD, under which MHRSD certifies that the Saudization requirements for the aforementioned companies have been met.

- Saudization Certificate No. 17979142-123628 dated 15/11/1443H (corresponding to 14/06/2022G) of the Company.
- Saudization Certificate No. 48719803-207385 dated 26/12/1443H (corresponding to 25/07/2022G) of RCM.
- Saudization Certificate No. 12825572-337000 dated 28/12/1443H (corresponding to 27/07/2022G) of RCC.
- Saudization Certificate No. 10704230-549171 dated 28/12/1443H (corresponding to 27/07/2022G) of REW.
- Saudization Certificate No. 72758699-209321 dated 28/12/1443H (corresponding to 27/07/2022G) of RTC.

In addition, under the Nitaqat program implemented by MHRSD, the Company, RCM, RCC, REW and RTC are in compliance with the applicable Saudization requirements.

The following table sets out summary details of the employees of the Company, RCM, RCC, REW and RTC, by nationality, Saudization percentage and Nitaqat categories issued on 28/08/1443H (corresponding to 31/03/2022G).

**Table (63): Saudization Details of the Company, RCM, RCC, REW and RTC**

Entity	Saudi	Non-Saudi	Total	Saudization percentage and Nitaqat category*	"Range"	Range Classification
The Company	172	455	627	28.79% Large	Medium Green	Industries
RCC	118	539	657	17.84% Large	Low Green	Operations & Maintenance
RCM	111	332	443	25.39% Medium (Category C)	Low Green	Industries
RTC	88	272	360	24.97% Medium (Category C)	Low Green	Industries
REW	92	269	361	25.48% Medium (Category C)	Low Green	Industries

Source: The Company

## 5. Organizational Structure and Governance of The Company

### 5.1 Ownership Structure of the Company

The following table sets out the ownership structure of the Company pre- and post-Offering:

**Table (64): Ownership Structure of the Company's Shares Pre- and Post-Offering**

#	Shareholder	Pre-Offering		Post-Offering	
		Number of Shares	Percentage	Number of Shares	Percentage
1	Abdulqadir Al-muhidib & Sons Co.	46,125,000	30.75%	35,977,500	23.99%
2	Hekmat Saadaldain Abdulhamid Al Zaim	43,125,000	28.75%	33,637,500	22.43%
3	Ahmad Samer Hamdi Saadaldain Al Zaim	17,923,982	11.95%	13,980,706	9.32%
4	Alma Limited	17,898,360	11.93%	13,960,721	9.31%
5	Mohammed Hekmat Saadaldain Al Zaim	7,500,000	5.00%	5,850,000	3.90%
6	Rana Hamdi Saadaldain Al Zaim	5,177,083	3.45%	4,038,125*	2.69%
7	Leena Hamdi Saadaldain Al Zaim	5,177,083	3.45%	4,038,125*	2.69%
8	Ihssan Abdulmajeed Al Zaim	4,448,492	2.97%	3,469,823*	2.31%
9	Khedhar Muhsin Muhammad Ali Alebrahim	1,500,000	1.00%	1,170,000*	0.78%
10	Mohammed Suleiman Mousa Alsaleem	1,125,000	0.75%	877,500	0.59%
	The Public**	-	-	33,000,000	22%
	<b>Total</b>	<b>150,000,000</b>	<b>100%</b>	<b>117,000,000</b>	<b>78.00%</b>

\* It should be noted that the shares owned post-Offering by the following Shareholders: (i) Rana Hamdi Saadaldain Al Zaim; (ii) Leena Hamdi Saadaldain Al Zaim; (iii) Ihssan Abdulmajeed AlZaim; and (vi) Khedhar Muhsin Muhammad Alebrahim will be considered as part of the public shares in accordance with the CMA's regulations.

\*\* For the purposes of this table, the row dedicated to the Public reflects the number and percentage of Shares that will be offered to the Public under the Offering which is 33,000,000 shares, representing 22% of the Company's share capital. This does not include the Shares that will be held by some of the Existing Shareholders post-Offering, to whom the definition of the Public applies under the CMA's Regulations, namely: (i) Rana Hamdi Saadaldain Al Zaim; (ii) Leena Hamdi Saadaldain Al Zaim; (iii) Ihssan Abdulmajeed AlZaim; and (vi) Khedhar Muhsin Muhammad Ali Alebrahim. Accordingly, the total public shares post-Offering amount to 45,716,073 shares, representing 30.47% of the Company's share capital.

Source: The Company

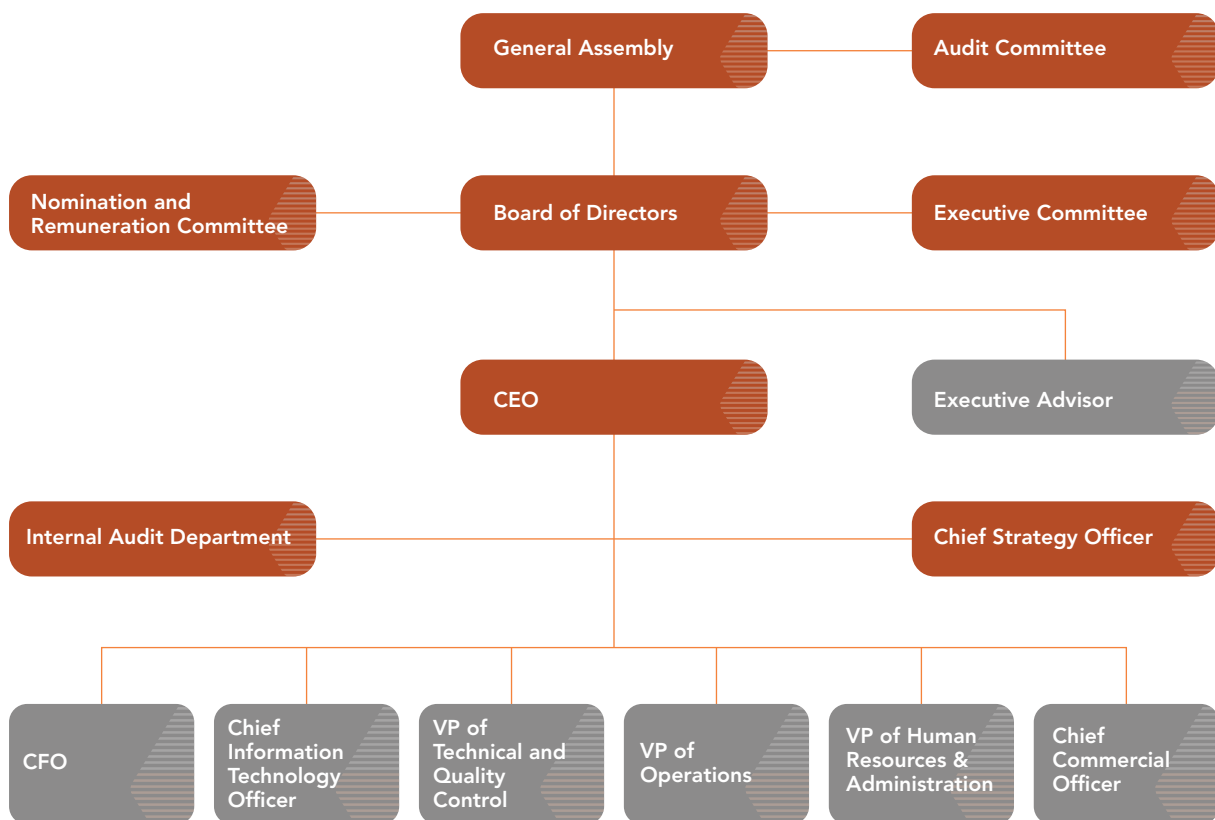


## 5.2 Organizational Structure

The organizational structure of the Company consists of the Board of Directors (the “Board of Directors” or the “Board”) together with the committees of the Board and of the General Assembly, which are the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee. The overall direction, supervision and monitoring of the Company and its executive management team are the ultimate responsibility of the Board.

The below figure shows the organizational structure of the Company as at the date of this Prospectus

**Figure (3): Organizational structure of the Company as of the date of this Prospectus**



Source: The Company

## 5.3 Board of Directors

Pursuant to the Company’s Bylaws, the Board of Directors consists of seven (7) Directors appointed by the Shareholders’ Ordinary General Assembly for a maximum period of three (3) years. The duties and responsibilities of the Board of Directors are set out under the Companies Law, the Corporate Governance Regulation, the Company’s Bylaws and the Company’s Internal Governance Regulations. The membership term of each Director shall not exceed three (3) years.

As at the date of this Prospectus, the Board of Directors consists of seven (7) Directors, whose names and other relevant information are set out in the table below:

**Table (65): Company's Board of Directors**

#	Name	Position	Nationality	Age	Membership Status	Direct Ownership (%)		Indirect Ownership (%)		Membership Date*
						Pre-Of-fering	Post-Of-fering	Pre-Of-fering	Post-Of-fering	
1	Khalid Abdulrahman Abdullah Al Gwaiz	Chairman	Saudi Arabian	65 years	Independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)
2	Mohamed Hekmat Saadaldain Al Zaim	Deputy Chairman	Saudi Arabian	43 years	Non-independent Non-executive	5.00%	3.90%	-	-	28/07/1443H (corresponding to 01/03/2022G)
3	Ahmad Samer Hamdi Saadaldain Al Zaim	Director	Saudi Arabian	56 years	Non-independent Non-executive	11.95%	9.32%	-	-	28/07/1443H (corresponding to 01/03/2022G)
4	Ziad Fouad Fahd Al Saleh	Director	Saudi Arabian	40 years	Non-independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)
5	Abdulwahab Abdulkareem Abdulrahman Albtairi	Director	Saudi Arabian	43 years	Independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)
6	Fahad Mahmoud Zuhdi Malhas	Director	Saudi Arabian	46 years	Independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)
7	Raed Ibrahim Suleiman Al Modaihim	Director	Saudi Arabian	59 years	Non-independent Non-executive	-	-	-	-	28/07/1443H (corresponding to 01/03/2022G)

Source: The Company

\* Dates listed in this table are the dates of appointment of Directors to the current positions in the Board. The biographies of the Directors describe the dates of their appointment, whether to the Board of Directors or to any other position (for further details, please see Subsection (5.3.6.) "Biographies of the Board Members and Board Secretary" of this Prospectus).

The Secretary of the Board of Directors is Mr. Mohammed Suleiman Mousa Alsalem, who was appointed by the Board to this position in 2019G. It should be noted that Mr. Mohammed owns 0.75% of the Company's Shares (for further details on the Secretary, please see Subsection (5.3.6) "Biographies of the Board Members and Board Secretary" of this Prospectus).

### 5.3.1 Responsibilities of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board shall have the broadest powers and authorities to manage the Company and its affairs inside and outside the Kingdom. The Board shall, without limitation, have the power to sign, before the notary public and official authorities, the articles of incorporation of companies in which the Company has shares and other types of contracts and deeds. The Board shall carry out all actions necessary to achieve the Company's objectives and shall perform all its duties and functions in accordance with the Company's Bylaws, provided that such acts do not fall within the powers of the Shareholders' General Assemblies pursuant to the Company's Bylaws and the Companies Law. The responsibilities of the Board of Directors primarily include:

- Developing plans, policies, strategies and the main objectives of the Company, supervising their implementation and reviewing them periodically, and ensuring the availability of human and financial resources necessary to achieve them, including:
  - Developing, reviewing and guiding the Company's overall strategy, master business plans, risk management policies and procedures.
  - Determining the optimal capital structure for the Company, its financial strategies and objectives, and approving all kinds of estimated budgets.
  - Supervising the main capital expenditures of the Company and ownership and disposal of assets.
  - Setting performance goals and monitoring implementation and overall performance of the Company.
  - Period review and approval of the organizational and functional structures in the Company.

- Establishing and supervising internal control policies and regulations, including:
  - Developing a written policy to address actual and potential conflicts of interest of Directors, Senior Management and Shareholders, including the misuse of the Company's assets and facilities and the misconduct resulting from dealings with Related Parties.
  - Ensuring the integrity of financial and accounting systems, including those related to the preparation of financial reports.
  - Ensuring that appropriate control systems are in place to measure and manage risks that the Company may encounter, creating an environment well-informed about the Company-wide risk management culture, and presenting it transparently.
  - Annual review of the effectiveness of internal control procedures in the Company.
- Preparing specific and explicit policies, standards and procedures for membership in the Board and putting them into effect after approval by the General Assembly.
- Developing a written policy regulating the relationship with stakeholders in accordance with the provisions of the Corporate Governance Regulations.
- Developing policies and procedures that ensure the Company's compliance with laws and regulations and its obligation to disclose material information to Shareholders and stakeholders, and verifying the compliance of Senior Management with them.
- Supervising the management of the Company's finances and cash flows, its financial and credit relations with third parties.
- Presenting proposals to the Extraordinary General Assembly as to what it deems appropriate regarding the following:
  - Increasing or decreasing the capital of the Company.
  - Dissolution of the Company before the term assigned to it in the Company's Bylaws or deciding its continuation.
- Recommending to the Ordinary General Assembly the following as it deems appropriate:
  - Using the consensual reserve of the Company in the case of its formation by the Extraordinary General Assembly and provided it has not been allocated for a specific purpose.
  - Forming additional financial allocations or reserves for the Company.
  - The method of distributing the net profits of the Company.
- Preparing the Company's interim and annual financial statements and approving them before their publication.
- Preparing and approving the report of the Board of Directors before its publication.
- Ensuring the accuracy and integrity of the data and information to be disclosed in accordance with the applicable disclosure and transparency policies and laws.
- Establishing effective communication channels that allow Shareholders to be informed on an ongoing and periodic basis about the various aspects of the Company's activities and any material developments.
- Forming specialized committees of the Board emanating from it through resolutions that specify the term of the committee, its powers and responsibilities, and how it will be supervised by the Board provided that the formation resolution specifies the names of the members, their duties, rights and obligations and evaluates the performance and work of such committees and their members.
- Determining the types of remuneration granted to the Company's employees, such as fixed remuneration, performance-related bonuses, and bonuses in the form of shares, in a manner that does not contradict the regulatory controls and procedures issued based on the Companies Law for Listed Joint Stock Companies.
- Setting the values and standards that govern work in the Company.

### 5.3.2 Responsibilities of the Chairman

The Chairman of the Board shall be responsible for leading the Board and supervising its operations and the effective performance of its duties. The Chairman shall represent the Company in its relationships with third parties and before courts and may delegate any of these powers to others. Without prejudice to the powers of the Board, the Chairman shall be responsible for leading the Board, supervising its operations and ensuring the effective performance of its duties. The competencies and duties of the Board Chairman shall include, in particular, the following:

- Ensuring members of the Board have timely access to complete, clear, accurate and non-misleading information.
- Verifying that the Board discusses all fundamental issues effectively and in a timely manner.
- Representing the Company before third parties or authorizing, in writing, his/her powers to other directors or third parties to perform certain action(s) in accordance with the Companies Law and Its Implementing Regulations as well as the Company's Bylaws.

- Encouraging members of the Board to exercise their duties effectively and in a manner that achieves the interests of the Company.
- Ensuring there are channels for effective communication with Shareholders and conveying their opinions to the Board.
- Encouraging constructive relationships and effective engagement between both the Board and Senior Management and between executive, non-executive and independent members, and creating a culture that encourages constructive criticism.
- Preparing the agenda of the Board of Directors' meetings, taking into account any issues raised by a member of the Board of Directors or by the Auditor and consulting with the Directors and the CEO when preparing the agenda of the Board.
- Holding regular meetings with the non-Executive Directors without the presence of any executives of the Company.
- Informing the Ordinary General Assembly, when it is convened, of the business and contracts in which a Director has a direct or indirect interest. The notification shall include the information provided by the Director to the Board and shall be accompanied by a special report from the Company's external auditor.

### 5.3.3 Responsibilities of the Secretary

The responsibilities of the Secretary include:

- Documenting the meetings of the Board of Directors and preparing minutes for them that include the discussions and deliberations, indicate the place and date of the meetings and the time of its beginning and end, document the Board's decisions and voting results, keep them in a special and organised register, record the names of the attending Directors and the reservations they made (if any), and ensure these minutes are signed by all attending Directors.
- Maintaining reports submitted to the Board and reports prepared by the Board.
- Providing members of the Board of Directors with the agenda, working papers, documents, information and any additional documents or information requested by any member of the Board of Directors related to the topics covered in the meeting agenda.
- Verifying compliance of members of the Board of Directors with the procedures approved by the Board.
- Notifying members of the Board of the dates of Board meetings with sufficient notice prior to the specified date.
- Presenting the draft meeting minutes to the Directors to express their views thereon before signing them.
- Verifying that Directors have full and prompt access to a copy of minutes of the Board meetings and information and documents related to the Company.
- Coordination between the members of the Board of Directors.
- Regulating the disclosure register of the Board and Executive Management.
- Acting as an interface between the Board and the Executive Management by communicating with the CEO in order to obtain the requirements of the Board, materials and meeting presentations, provided that communication with the Executive Management shall be through the senior officer or deputy concerned with such activity.
- Notifying the Executive Management of the decisions and directives of the Board and coordinating and following up on access to the materials required to be presented to the Board.
- Providing assistance and advice to the Directors.

### 5.3.4 Responsibilities of the Vice Chairman

The Vice Chairman shall assume the role of the Chairman in his absence. In such case, the Vice Chairman shall be vested with full powers to manage the Company in order to achieve its objectives and direct its affairs inside and outside the Kingdom in accordance with the Company's Bylaws, regulations, and internal policies.

### 5.3.5 Employment and Service Contracts with the Directors

There are no employment or service contracts entered into between the Company and the members of the Board of Directors.

### 5.3.6 Biographies of the Board Members and Board Secretary

The following is a summary of the biographies of the Directors and the Secretary:

#### 5.3.6.1 Summary Biography of Mr. Khalid Abdulrahman Abdullah Al Gwaiz

Khalid Abdulrahman Abdullah Al Gwaiz	
<b>Age</b>	65 years
<b>Nationality</b>	Saudi
<b>Current Positions in the Company</b>	<ul style="list-style-type: none"> <li>Member of the Nomination and Remuneration Committee, since 2022G.</li> <li>Chairman of the Board of Directors, since 2017G.</li> <li>Chairman of the Executive Committee, since 2017G.</li> </ul>
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>Fellowship, Chartered Insurance Institute, United Kingdom, 1992G.</li> <li>Bachelor's degree in Urban Planning, University of Washington, Seattle, USA, 1980G.</li> </ul>
<b>Other Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>Member of the Nomination and Remuneration Committee, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2022G to date.</li> <li>Member of the Nomination and Remuneration Committee, REW, a Saudi closed joint stock company operating in the wire and cable industry, from 2022G to date.</li> <li>Member of the Nomination and Remuneration Committee, RTC, a Saudi closed joint stock company operating in the manufacturing industry of telephone and fiber-optic cables, from 2022G to date.</li> <li>Member of the Nomination and Remuneration Committee, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2022G to date.</li> <li>Director, Bawan, a Saudi listed joint stock company operating in the field of manufacturing various metal, wood, concrete, electrical and plastic products, from 2019G to date.</li> <li>Director, Saudi Pharmaceutical Industries &amp; Medical Appliances Corporation (SPIMACO), a listed joint stock company operating in the healthcare and medical industry, from 2019G to date.</li> <li>Director, Al Rajhi Bank, a listed joint stock company operating in the banking services sector, from 2014G to date.</li> <li>Director, Unique Solutions for Chemical Industries (USCI), a limited liability company operating in the specialty chemicals industry, from 2015G to date.</li> <li>Director, Saudi Emcor Company, a limited liability company operating in the operation and maintenance of facilities, from 2015G to date.</li> </ul>

### Khalid Abdulrahman Abdullah Al Gwaiz

#### Past Professional Experience

- Chief Executive Officer, Binladin International Holding Group, a closed joint stock company operating in contracting and investments, from 2020G to February 2022G.
- Chairman of the Nomination and Remuneration Committee, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2017G to 2022G.
- Chairman of the Nomination and Remuneration Committee, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2017G to 2022G.
- Chairman of the Nomination and Remuneration Committee, REW, a Saudi closed joint stock company operating in the wire and cable industry, from 2017G to 2022G.
- Chairman of the Nomination and Remuneration Committee, RTC, a Saudi closed joint stock company operating in the manufacturing industry of telephone and fiber-optic cables, from 2017G to 2022G.
- Chairman of the Nomination and Remuneration Committee, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2017G to 2022G.
- Director, Member of the Audit Committee and the Nomination and Appointment Committee, Swicorp, a Saudi closed joint stock company providing financial services and solutions in the sphere of investment, from 2008G to 2018G.
- Director, RCC, a Saudi closed joint stock company operating in the cable manufacturing industry and general contracting for electrical projects, from 2014G to 2017G.
- Chairman of Audit Committee, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2014G to 2017G.
- Chairman of the Audit Committee, RCM, a Saudi closed joint stock company operating in the metal, cable and plastic manufacturing industry, from 2014G to 2017G.
- Chairman of the Audit Committee, REW, a Saudi closed joint stock company operating in the wire and cable manufacturing industry, from 2014G to 2017G.
- Chairman of the Audit Committee, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2014G to 2017G.
- Chairman of the Audit Committee, RTC, a Saudi closed joint stock company operating in the telephone and fiber-optic cables manufacturing industry, from 2014G to 2017G.
- Managing Director, Board Member and Executive Committee Member, Arabian Company for Water and Power Development (currently known as Global Vision), a closed joint stock company operating in the infrastructure development and operational sector, from 2013G to 2017G.
- Director, RTC, a Saudi closed joint stock company operating in the telephone and fiber-optic cables manufacturing industry, from 2014G to 2015G.
- Chief Executive Officer, Astra Industrial Group, a listed joint stock company operating in the industrial sector, from 2007G until 2013G.
- Several leadership positions, the most recent of which being the General Manager of Samba Financial Group (currently known as the Saudi National Bank), a listed joint stock company operating in the banking services sector, from 1998G to 2007G.
- Several positions, the most recent of which being the General Manager of the Credit Group, Arab National Bank, a listed joint stock company operating in the banking services sector, from 1993G to 1998G.
- Several positions in underwriting, claims and business development departments, the most recent of which being the Director of the Financial and Administrative Affairs division at the National Company for Cooperative Insurance (currently known as the National Insurance Company), a listed joint stock company operating in the insurance field, from 1988G to 1993G.
- Several positions, the most recent of which being Head of the Lending Team responsible for chemical, petrochemical and textile projects at The Saudi Industrial Development Fund (SIDF), a Government entity operating in the finance sector, from 1981G to 1988G.

### 5.3.6.2 Summary Biography of Mr. Mohamed Hekmat Saadaldain Al Zaim

Mohamed Hekmat Saadaldain Al Zaim	
<b>Age</b>	43 years
<b>Nationality</b>	Saudi Arabian
<b>Current Positions in the Company</b>	<ul style="list-style-type: none"> <li>• Vice Chairman of the Board of Directors, since 2019G.</li> <li>• Member of the Nomination and Remuneration Committee, since 2014G.</li> <li>• Member of the Executive Committee, since 2014G.</li> </ul>
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>• Bachelor's degree in Electrical Engineering, King Saud University, KSA, 2002G.</li> </ul>
<b>Other Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>• Member of the Nomination and Remuneration Committee, Al-Madinah Cement Company, a public joint stock company operating in the cement industry, from 2022G to date.</li> <li>• Director, Green Solutions Company, a single shareholder limited liability company operating in environmental services, from 2021G to date.</li> <li>• Director, Dar Akal Real Estate Development Company, a limited liability company operating in real estate development, from 2020G to date.</li> <li>• Member of the Executive Committee, Al-Madinah Cement Company, a public joint stock company operating in the cement industry, from 2019G to date.</li> <li>• Vice Chairman, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2019G to date.</li> <li>• Vice Chairman, RTC, a closed joint stock company operating in the telephone fiber-optic cables manufacturing industry, from 2019G to date.</li> <li>• Director, Ajyal Al Hekma Investment Company, a limited liability company operating in the field of investments, from 2017G to date.</li> <li>• Chairman, NCI, a UAE single shareholder limited liability company operating in the cable and wire industry, from 2017G to date.</li> <li>• Director, Madinah Cement Company, a public joint stock company operating in the cement industry, from 2016G to date.</li> <li>• Vice Chairman and Member of the Executive Committee, Future Ceramics Company, a Saudi closed joint stock company operating in the manufacture of ceramics, porcelain and earthenware, from 2016G to date.</li> <li>• Chairman of RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2015G to date.</li> <li>• Member of the Executive Committee and the Nomination and Remuneration Committee, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2014G to date.</li> <li>• Member of the Executive Committee and the Nomination and Remuneration Committee, REW, a Saudi closed joint stock company operating in the wire and cable manufacturing industry, from 2014G to date.</li> <li>• Member of the Executive Committee and the Nomination and Remuneration Committee, RTC, a Saudi closed joint stock company operating in the manufacturing industry telephone and fiber-optic cables, from 2014G to date.</li> <li>• Member of the Executive Committee and the Nomination and Remuneration Committee, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2014G to date.</li> <li>• Director, Al Afaq Development Company, a Saudi limited liability company operating in the field of diversified investments, from 2014G to date.</li> <li>• Director, Afaq Al-Hikmah Company, a closed joint stock company operating in the field of diversified investments, from 2013G to date.</li> <li>• Chief Executive Officer, International Trading and Contracting Company, a Saudi limited liability company operating in industrial and commercial investments and real estate development, from 2013G to date.</li> <li>• Director, Al Afaq Development Company, a Saudi limited liability company operating in diversified investments, from 2011G to date.</li> <li>• Director, Jasmine Agricultural Meadows Company, a Saudi limited liability company operating in the field of agriculture and project development, from 2011G to date.</li> <li>• Director, International Trading &amp; Contracting Company, a Saudi limited liability company operating in industrial and commercial investments and real estate development, from 1997G to date.</li> <li>• Director, SMC, a limited liability company operating in the fields of general construction and maintenance, from 1996G to date.</li> </ul>

<b>Mohamed Hekmat Saadaldain Al Zaim</b>	
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>• Director of the Audit Committee, Al-Madinah Cement Company, a public joint stock company operating in the cement industry, from 2016G to 2022G.</li> <li>• Director, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 1996G to 2019G.</li> <li>• Director, RTC, a closed joint stock company operating in the manufacturing industry of telephone and fiber-optic cables, from 1996G to 2019G.</li> <li>• Director, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 1996G to 2019G.</li> <li>• Director, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 1996G to 2015G.</li> <li>• Director, REW, a Saudi closed joint stock company operating in the wire and cable manufacturing industry, from 1996G to 2014G.</li> <li>• Several management positions in RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, including Managing Director from 2002G to 2006G, and Chief Executive Officer from 2006G to 2013G.</li> <li>• Several management positions in RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, including Managing Director from 2002G to 2006G, and Chief Executive Officer from 2006G to 2013G.</li> <li>• Several management positions in REW, a Saudi closed joint stock company operating in the wire and cable manufacturing industry, including Managing Director from 2002G to 2006G, and Chief Executive Officer from 2006G to 2013G.</li> <li>• Several management positions in RTC, a Saudi closed joint stock company operating in the telephone and fiber-optic cables manufacturing industry, including Managing Director from 2002G to 2006G, and Chief Executive Officer from 2006G to 2013G.</li> <li>• Several management positions in RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, including Managing Director from 2002G to 2006G, and Chief Executive Officer from 2006G to 2013G.</li> </ul>

### 5.3.6.3 Summary Biography of Mr. Ahmad Samer Hamdi Saadaldain Al Zaim

<b>Ahmad Samer Hamdi Saadaldain Al Zaim</b>	
<b>Age</b>	56 years
<b>Nationality</b>	Saudi Arabian
<b>Current Positions in the Company</b>	<ul style="list-style-type: none"> <li>• Member of the Nomination and Remuneration Committee, since 2022G.</li> <li>• Member of the Executive Committee, since 2014G.</li> <li>• Director, since 1996G.</li> </ul>
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>• Bachelor's degree in Economics, the State University of New York, USA, 1992G.</li> <li>• Bachelor's degree in Business Administration, Lebanese American University of Beirut, The Republic of Lebanon, 1987G.</li> </ul>



### Ahmad Samer Hamdi Saadaldain Al Zaim

#### Other Current Positions and Memberships

- Member of the Nomination and Remuneration Committee, RCM, a closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2022G to date.
- Member of the Nomination and Remuneration Committee, RTC, a closed joint stock company operating in the telephone and fiber-optic cable manufacturing industry, from 2022G to date.
- Member of the Nomination and Remuneration Committee, REW, a Saudi closed joint stock company operating in the wire and cable manufacturing industry, from 2022G to date.
- Member of the Nomination and Remuneration Committee, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2022G to date.
- Chairman of the Risk Committee, Al-Rajhi Takaful, a listed joint stock company operating in the cooperative insurance field, from 2021G to date.
- Chairman, Gulf International Trading and Real Estate Investment Co Ltd, a limited liability company operating in the trading sector and real estate investment, from 2020G to date.
- Vice Chairman, Seera Holding Group, a Saudi listed joint stock company operating in the fields of travel and tourism, from 2017G to date.
- Director National Cables Industry (NCI), a UAE single shareholder limited liability company operating in the cable and wire manufacturing industry, from 2017G to date.
- Chairman of Inara Lighting Company Limited, a Saudi limited liability company operating in the supply of lighting products, from 2017G to date.
- Chairman of Silver Crown Trading Company, a Saudi single shareholder limited liability company operating in trade, from 2017G to date.
- Chairman of RCM, a closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2015G to date.
- Chairman of RTC, a closed joint stock company operating in the telephone and fiber-optic cable manufacturing industry, from 2015G to date.
- Member of the Executive Committee, RCM, a closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2014G to date.
- Member of the Executive Committee, RTC, a Saudi closed joint stock company operating in the telephone and fiber-optic cable manufacturing industry, from 2014G to date.
- Member of the Executive Committee, REW, a closed joint stock company operating in the wire and cable manufacturing industry, from 2014G to date.
- Member of the Executive Committee, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2014G to date.
- Member of the Audit Committee, Seera Holding Group, a Saudi listed joint stock company operating in the fields of travel and tourism, from 2012G to date.
- Director, Al-Rajhi Company Takaful, a listed joint stock company operating in the cooperative insurance sector, from 2009G to date.
- Director, SMC, a limited liability company operating in the field of general construction and maintenance, from 1996G to date.

Ahmad Samer Hamdi Saadaldain Al Zaim	
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>• Chairman of the Nomination and Remuneration Committee, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2019G to 2022G.</li> <li>• Chairman of the Nomination and Remuneration Committee, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2019G to 2022G.</li> <li>• Chairman of the Nomination and Remuneration Committee, RTC, a Saudi closed joint stock company operating in the telephone and fiber-optic cable manufacturing industry, from 2019G to 2022G.</li> <li>• Chairman of the Nomination and Remuneration Committee, REW, a Saudi closed joint stock company operating in the wire and cable manufacturing industry, from 2019G to 2022G.</li> <li>• Chairman of the Nomination and Remuneration Committee, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2019G to 2022G.</li> <li>• Member of the Nomination and Remuneration Committee, Al Rajhi Takaful, a Saudi joint stock company operating in the insurance sector, from 2020G to 2021G.</li> <li>• Chairman of the Nomination and Remuneration Committee, Al Rajhi Takaful, a Saudi joint stock company operating in the cooperative insurance sector, from 2015G to 2020G.</li> <li>• Director, Gulf International Contracting &amp; Real Estate Company Ltd, a Saudi limited liability company operating in contracting and real estate investment, from 2004G to 2020G.</li> <li>• Director, REW, a closed joint stock company operating in the wire and cable manufacturing industry, from 1997G to 2019G.</li> <li>• Director, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 1997G to 2019G.</li> <li>• Chairman of the Audit Committee, Al Rajhi Takaful, a Saudi joint stock company operating in the insurance sector, from 2015G to 2018G.</li> <li>• Chairman of the Audit Committee and Member of the Executive Committee, Al Tayyar Travel &amp; Tourism, a Saudi joint stock company operating in the fields of tourism and travel, from 2012G to 2018G.</li> <li>• Director, Inara Technologies Company Ltd, a limited liability company operating in the supply of lighting products, from 2009G to 2017G.</li> <li>• Managing Director, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 1996G to 2006G.</li> <li>• Managing Director, RCC, a Saudi closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 1997G to 2006G.</li> <li>• Managing Director, REW, a Saudi closed joint stock company operating in the wire and cable manufacturing industry, from 1996G to 2006G.</li> <li>• Managing Director, RTC, a Saudi closed joint stock company operating in the telephone and fiber-optic cable manufacturing industry, from 1996G to 2006G.</li> <li>• Managing Director, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 1991G to 2006G.</li> </ul>

#### 5.3.6.4 Summary Biography of Mr. Ziad Fouad Fahd Al Saleh

Ziad Fouad Fahd Al Saleh	
<b>Age</b>	40 years
<b>Nationality</b>	Saudi Arabian
<b>Current Positions in the Company</b>	Director, since 2014G.
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>• Master of Business Administration, International University in Geneva, Switzerland, 2004G.</li> <li>• Bachelor of Business Administration, University of Miami, USA, 2002G.</li> </ul>

<b>Ziad Fouad Fahd Al Saleh</b>	
<b>Other Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>• Director, YANAL Finance Company, a closed joint stock company operating in financial sector, from 2021G to date.</li> <li>• Director, Pioneers Properties for Urban Development (PREDCO), an Egyptian listed joint stock company operating in the field of real estate investments, from 2021G to date.</li> <li>• Director, Al-Hoshan Company, a limited liability company operating in diversified investments, from 2021G to date.</li> <li>• Director and Chief Operating Officer, Al Muhaidib Group, a closed joint stock company operating in diversified investments, from 2020G to date.</li> <li>• Chairman and Managing Director, Arab Gulf Real Estate Investment Company, a closed joint stock company operating in the field of real estate investment, from 2019G to date.</li> <li>• Director, Mayar Foods, a limited liability company operating in food storage, from 2018G to date.</li> <li>• Director, NCI, a UAE single shareholder limited liability company operating in the cable and wire manufacturing industry, from 2017G to date.</li> <li>• Chairman, J.P. Morgan Saudi Arabia, a single shareholder closed joint stock company licensed to engage in securities, from 2016G to date.</li> <li>• Director, Al-Romansiah Company, a limited liability company operating in the field of food products, from 2014G to date.</li> <li>• Director, RCC, a closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2013G to date.</li> <li>• Director, RCM, a closed joint stock company operating in the metals, cables and plastic manufacturing industry, from 2013G to date.</li> <li>• Director, Al Zahrawi Medical Supplies, a UAE limited liability company operating in the field of medical supplies, from 2013G to date.</li> <li>• Director, Abdulqadir Al Muhaidib &amp; Sons Company, a closed joint stock company operating in diversified investments, from 2009G to date.</li> <li>• Chairman, SMC, a limited liability company operating in general construction and maintenance, from 1996G to date.</li> </ul>
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>• Director, Dr. Sulaiman Al Habib Medical Group, a closed joint stock company operating in the field of health services, from 2018G to 2021G.</li> <li>• Vice Chairman, Food and Consumer Investments, Al Muhaidib Group, a closed joint stock company operating in diversified investments, from 2016G to 2020G.</li> <li>• Senior Manager, Private and Public Equities, Al Muhaidib Group, a closed joint stock company operating in diversified investments, from 2004G to 2016G.</li> </ul>

### 5.3.6.5 Summary Biography of Mr. Abdulwahab Abdulkareem Abdulrahman Albtairi

<b>Abdulwahab Abdulkareem Abdulrahman Albtairi</b>	
<b>Age</b>	43 years
<b>Nationality</b>	Saudi Arabian
<b>Current Positions in the Company</b>	<ul style="list-style-type: none"> <li>• Chairman of the Audit Committee, since 2022G.</li> <li>• Director, since 2019G.</li> </ul>
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>• Master of Business Administration, London Business School, UK, 2010G.</li> <li>• Bachelor of Finance, King Fahd University of Petroleum and Minerals, KSA, 1999G.</li> </ul>

**Abdulwahab Abdulkareem Abdulrahman Albtairi****Other Current Positions and Memberships**

- Director, Saudi Airlines Catering Company, a listed joint stock company providing (on ground and in-flight) catering and logistics services, from 2022G to date.
- Member of the Audit Committee, Saudi Airlines Catering Company, a listed joint stock company providing (on ground and in-flight) catering and logistics services, from 2022G to date.
- Chairman of the Audit Committee, RCC, a closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2022G to date.
- Chairman of the Audit Committee, RCM, a closed joint stock company operating in the metal, cable and plastic manufacturing industry, from 2022G to date.
- Chairman of the Audit Committee, REW, a closed joint stock company operating in the wire and cable manufacturing industry, from 2022G to date.
- Chairman of the Audit Committee, RTC, a closed joint stock company operating in the telephone and fiber-optic cables manufacturing industry, from 2022G to date.
- Director, Asateer Entertainment Company, a Saudi limited liability company operating in games and electronic programs, from 2021G to date.
- Director, Amlak Al Diriyah Holding Company, a Saudi limited liability company operating in real estate investment and other companies, from 2021G to date.
- Director, Knowledge Masarat Information Technology Company, a Saudi limited liability company operating in the sale of software services and artificial intelligence technologies, from 2020G to date.
- Director, Jahez International Company for Information Systems Technology, a Saudi listed joint stock company operating in accommodation and food service activities, from 2020G to date.
- Chairman of the Audit Committee, Jahez International Company for Information Systems Technology, a Saudi listed joint stock company operating in accommodation and food service activities, from 2020G to date.
- Director, Bank AlJazira, a Saudi listed joint stock company operating in the financial and banking services sector, from 2020G to date.
- Vice Chairman, National Petrochemical Industrial Company, a Saudi closed joint stock company operating in the production of Polypropylene resin in Yanbu Industrial City, from 2020G to date.
- Vice Chairman, Alujain Corporation, a Saudi listed joint stock company operating in the fields of manufacturing/industrial investment, from 2017G to date.
- Director, Food & Fine Pastries Al Sunbulah Manufacturing Company (Sunbulah Group), a Saudi closed joint stock company operating in the food industry, from 2017G to date.
- Managing Director, Experts Academy Schools, a Saudi limited liability company operating in the field of education and training, from 2016G to date.
- Chairman, Osool & Bakheet Investment Company, a Saudi closed joint stock company operating in investment fund management, client portfolio management and custody, from 2015G to date.
- Founding Partner, Watar Business Company, a Saudi limited liability company operating in manufacturing and the healthcare sector, from 2014G to date.
- Founding Partner, Watar Partners for Business Trading Company, a Saudi limited liability company providing senior management consulting services, from 2014G to date.
- Director, Manafeth Ambulance & Handicap Vehicles, a mixed limited liability company operating in the field of ambulance and specialty vehicle manufacturing, from 2014G to date.
- Director, Al Himmah Tadamun, a Saudi limited liability company operating in real estate development and specializing in project development, from 2013G to date.
- Honorary member, Young Presidents' Organization in Bahrain and the Kingdom, a global platform for CEOs operating in the field of entrepreneurship, from 2013G to date.

**Past Professional Experience**

- Vice Chairman, Advisory Committee, CMA, a Saudi governmental body, operating in the field of regulating securities in the Kingdom, from 2018G to 2020G.
- Member, Executive Committee, Family Office Company, a Saudi closed joint stock company operating in wealth management, from 2004G to 2014G.
- Member, Youth Committee Asharqia Chamber of Commerce, a Saudi governmental body operating in the field of commercial and industrial interests of public authorities, from 2007G to 2009G.
- Co-Director, Alternative Investment Portfolio Department, Saudi American Bank (Samba) (currently known as the Saudi National Bank), a Saudi joint stock company operating in the financial and banking services sector, from 1999G to 2004G.

### 5.3.6.6 Summary Biography of Mr. Fahad Mahmoud Zuhdi Malhas

Fahad Mahmoud Zuhdi Malhas	
<b>Age</b>	46 years
<b>Nationality</b>	Saudi Arabian
<b>Position</b>	<ul style="list-style-type: none"> <li>Chairman of the Nomination and Remuneration Committee, since 2022G.</li> <li>Director, since 2019G.</li> </ul>
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>Bachelor of Business Administration, American University of Beirut, 2000G.</li> </ul>
<b>Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>Vice Chairman, Al Mahmodia Commercial, a Jordanian limited liability company operating in the field of investment and commercial agencies' services, from 2020G to date.</li> <li>Member of the Young Presidents' Organization, a global organization comprising a number of leading executives, from 2015G to date.</li> <li>Vice Chairman, Value Group Europe, a British closed joint stock company operating in the construction and development of student accommodation, from 2014G to date.</li> <li>Director and Chief Executive Officer, Realm Real Estate Development Company, a Saudi limited liability company operating in contracting, real estate development and off-plan sales, from 2013G to date.</li> <li>Advisor to the Board of Directors, McLean Square Shopping Center, an American limited liability company operating in the management and development of commercial centers, from 2012G to date.</li> <li>Director, Mediterranean Tourism Investment Company, a Jordanian listed joint stock company operating in the field of investment of tourist accommodation facilities, from 2009G to date.</li> </ul>
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>Director and Member of the Risk Committee, Bank Al Etihad - Jordan, a listed Jordanian joint stock company operating in the banking services sector, from 2013G to 2016G.</li> <li>Director, Chairman of the Executive Committee, Chairman of the Steering Committee, and Member of the Asset, Liability and Investment Committee, Palestine Commercial Bank (currently known as The Bank of Palestine), a listed Palestinian joint stock company operating in the banking services sector, from 2009G to 2016G.</li> <li>Head of the Financial Market – GCC and MENA Regions, HSBC Saudi Arabia, a closed joint stock company operating in the financial services sector, from 2005G to 2009G.</li> </ul>

### 5.3.6.7 Summary Biography of Mr. Raed Ibrahim Suleiman AlModaihimi

Raed Ibrahim Suleiman AlModaihimi	
<b>Age</b>	59 years
<b>Nationality</b>	Saudi Arabian
<b>Current Positions in the Company</b>	Director, since 2019G.
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>Master's degree in Electrical Engineering, King Saud University, KSA, 1992G.</li> <li>Bachelor's degree in Electrical Engineering, King Saud University, KSA, 1986G.</li> </ul>

### Raed Ibrahim Suleiman AlModaihim

#### Current Positions and Memberships

- Member of the Audit Committee, RCC, a closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2022G to date.
- Member of the Audit Committee, RCM, a closed joint stock company operating in the metal, cable and plastic manufacturing industry, from 2022G to date.
- Member of the Audit Committee, REW, a closed joint stock company operating in the wire and cable manufacturing industry, from 2022G to date.
- Member of the Audit Committee, RTC, a closed joint stock company operating in the telephone and fiber-optic cables manufacturing industry, from 2022G to date.
- Chairman, Jeddah Airports Company, a closed joint stock company operating and maintaining Jeddah Airport, from 2021G to date.
- Chairman of the Executive Committee, Jeddah Airports Company, a closed joint stock company operating and maintaining Jeddah Airport, from 2021G to date.
- Chairman, Thabat Construction Company, a limited liability company operating in the field of contracting, from 2017G to date.
- Vice Chairman, Al Yamamah Steel Industries Company, a Saudi listed joint stock company operating in the production and sale of steel products and lattice towers, from 2015G to date.
- Chairman of the Executive Committee, Al Yamamah Steel Industries Company, a Saudi listed joint stock company operating in the production and sale of electrical conductor products and transmission towers, from 2015G to date.
- Vice Chairman, Saudi Airlines Catering Company, a listed joint stock company providing (on ground and in-flight) catering and logistics services, from 2015G to date.
- Chairman of the Audit Committee, Saudi Airlines Catering Company, a listed joint stock company providing (on ground and in-flight) catering and logistics services, from 2015G to date.
- Vice Chairman, Masdar Building Materials Company, a closed joint stock company operating in the wholesale and retail trade of construction materials, from 2014G to date.
- Director, Bawan, a Saudi listed joint stock company operating in the manufacture of various metal, wood, concrete, electrical and plastic products, from 2011G to date.
- Chairman of the Executive Committee, Bawan, a Saudi listed joint stock company operating in the manufacture of various metal, wood, concrete, electrical and plastic products, from 2011G to date.
- Director, the Northern Cement Company – Jordan, a Jordanian listed joint stock company operating in the field of Portland cement production, from 2006G to date.
- Director, Northern Cement Company – Jordan, a Jordanian listed joint stock company operating in the field of Portland cement production, from 2006G to date.
- Chairman, United Mining Industries, a closed joint stock company operating in gypsum and gypsum board production, from 2005G to date.
- Vice Chairman, Northern Region Cement Company, a Saudi listed joint stock company operating in the field of Portland and Pozzolan cement production, from 2005G to date.

#### Past Professional Experience

- Vice Chairman, Masdar Building Materials Company, a closed joint stock company operating in the wholesale and retail trade of construction materials, from 2014G to 2021G.
- Chairman, United Mining Industries, a closed joint stock company operating in gypsum and gypsum board production, from 2005G to 2021G.

### 5.3.6.8 Summary Biography of Mr. Mohammed Suleiman Mousa Alsaleem

Mohammed Suleiman Mousa Alsaleem	
<b>Age</b>	59 years
<b>Nationality</b>	Saudi Arabian
<b>Position</b>	<ul style="list-style-type: none"> <li>Executive Advisor, since 2022G.</li> <li>Secretary of the Company's Board of Directors, since 2019G.</li> <li>Member of the Executive Committee, since 2014G.</li> </ul>
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>Bachelor's degree in Economics, Imam Muhammad Ibn Saud Islamic University, KSA, 1985G.</li> </ul>
<b>Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>Director, NCI, a UAE single shareholder limited liability company operating in the cable and wire manufacturing industry, from 2017G to date.</li> <li>Member of the Executive Committee, RCGC, a Saudi closed joint stock company operating in the cable and wire industry, from 2014G to date.</li> <li>Director, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2015G to date.</li> <li>Director, REW, a closed joint stock company operating in the wire and cable manufacturing industry, from 2015G to date.</li> <li>Director, RTC, a closed joint stock company operating in the telephone and fiber-optic cables manufacturing industry, from 2015G to date.</li> <li>Director, RCC, a Saudi closed joint stock Saudi company operating in cable manufacturing and general contracting for electrical projects, from 2015G to date.</li> <li>Director, SMC, a limited liability company operating in the field of general construction and maintenance, from 2015G to date.</li> <li>Member of the Executive Committee, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2014G to date.</li> </ul>
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>Deputy Chief Executive Officer, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2018G to 2021G.</li> <li>Managing Director supervising the Administrative Affairs of RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2007G to 2017G.</li> <li>Advisor to the Board for the Administrative Affairs of RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2002G to 2007G.</li> <li>Administrative Affairs General Manager, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 1996G to 2002G.</li> <li>Owner and General Manager, Al-Afaq United Company, a sole proprietorship operating in the field of contracting, from 1989G to 1996G.</li> <li>Administrative Director, SMC, a limited liability company operating in the field of general construction and maintenance, from 1986G to 1989G.</li> </ul>

## 5.4 Board Committees

The below committees have been formed in order to improve and support the management of the Company: (i) the Audit Committee; (ii) the Nomination and Remuneration Committee; and (iii) the Executive Committee. The following is a description of the Company's Committees:

### 5.4.1 Executive Committee

Unless otherwise decided by the Board of Directors, the Executive Committee consists of five (5) members from among the Directors appointed by virtue of a Board Resolution.

#### 5.4.1.1 Responsibilities of the Executive Committee

The Committee shall perform the functions listed below relating to the Company's strategy:

- Undertaking the functions delegated to it by the Board pursuant to a Board resolution in this regard; this shall be recorded in the Board's meeting minutes.
- Taking appropriate decisions, whether with respect to the purchase of machinery and equipment or the purchase of lands or warehouses for the Company's branches, according to the schedule approved by the Board, and submitting a report to the Board at its first meeting.
- Performing any functions, responsibilities or powers delegated to the Committee by the Board.
- Reviewing the Company's strategic planning processes and procedures in coordination with the CEO.
- Ensuring the completion of strategic plans that achieve the Company's objectives.
- Reviewing the CEO's recommendations regarding the distribution of the Company's resources with the aim of aligning the Company's strategic plans with its long-term operational objectives.
- Reviewing the strategic plans and operational objectives of the Company and its Subsidiaries to ensure their compliance with the Company's objectives on a regular basis.
- Conducting the necessary studies on the Company's new investments and making the necessary decisions in this regard based on the authorization of the Board.
- Making recommendations to the Board with respect to the Company's operational priorities and strategies.
- Developing and reviewing annual and long-term financial objectives and strategies and making the necessary recommendations to the Board.
- Reviewing the financial aspects of the Company, including the quarterly financial statements, the final accounts and monthly reports of the Company, in coordination with the Company's Executive management and Audit Committee.
- Following up on the implementation of the Company's plans and estimated budgets, observing actual performance, monitoring deviations, if any, and requesting the concerned managers to respond to them, in addition to making recommendations in this regard.
- Developing and reviewing dividend distribution policies and their implementation and making recommendations thereon to the Board.
- Reviewing actual capital expenditures on a periodic basis to ensure their conformity with the budgets approved by the Board.
- Reviewing and making the necessary recommendations to the Board regarding the Company's productivity and the extent of its impact on the Company's future in order to realize the desired objectives to improve the quality of products and services.



### 5.4.1.2 Formation of the Executive Committee

The Executive Committee comprises the following members, appointed by virtue of the Board Resolution dated 20/07/1443H (corresponding to 21/02/2022G).

**Table (66): Members of the Executive Committee**

Name	Position	Status
Mr. Khalid Abdulrahman Abdullah Al Gwaiz	Chairman	Non-executive/Independent
Mr. Ahmad Samer Hamdi Saadaldin Al Zaim	Member	Non-executive/Non-independent
Eng. Mohamed Hekmat Saadaldin Al Zaim	Member	Non-executive/Non-independent
Mr. Mohammed Suleiman Mousa Alsaleem	Member	Executive/non-independent
Mr. Firas Samir Alawan AlBayyat	Member	Non-Independent/Non-Executive

Source: The Company

### 5.4.1.3 Biographies of the Executive Committee Members

The following is a summary of the Executive Committee members:

#### Summary Biography of Mr. Khalid Abdulrahman Abdullah Al Gwaiz

For further details on Mr. Khalid Abdulrahman Abdullah Al Gwaiz, please see Subsection (5.3.6.1.)

#### Mr. Ahmad Samer Hamdi Saadaldain Al Zaim

For further details on Mr. Ahmad Samer Hamdi Saadaldain Al Zaim, please see Subsection (5.3.6.3.)

#### Eng. Mohamed Hekmat Saadaldain Al Zaim

For further details on Eng. Mohamed Hekmat Saadaldain Al Zaim, please see Subsection (5.3.6.2.)

#### Mr. Mohammed Suleiman Mousa Alsaleem

For further details on Mr. Mohammed Suleiman Mousa Alsaleem, please see Subsection 5.3.6.8.

**Table (67): Summary Biography of Mr. Firas Samir Alawan AlBayyat**

Firas Samir Alawan AlBayyat	
<b>Age</b>	41 years
<b>Nationality</b>	Saudi Arabian
<b>Position</b>	Member of the Executive Committee, since 2019G.
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>Master of Business Administration, London Business School, UK, 2011G.</li> <li>Bachelor's degree in Electrical Engineering, Colorado School of Mines, USA, 2003G.</li> </ul>
<b>Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>Director, Masdar Building Materials Company, a closed joint stock company operating in the wholesale and retail trade of construction materials, from 2019G to date.</li> <li>Director, Arnon Plastic Industries Company, a limited liability company operating in the manufacture of semi-finished plastic products, from 2019G to date.</li> <li>Member of the Executive Committee, RCC, a closed joint stock company operating in cable manufacturing and general contracting for electrical projects, from 2019G to date.</li> <li>Director, Muheel Services for Maintenance &amp; Operations Company, a limited liability company operating and providing integrated facilities management services for all types of goods except food, from 2018G to date.</li> </ul>
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>Management Consultant, Booz &amp; Company, a joint stock company operating in management consulting, from 2011G to 2013G.</li> <li>Project Manager, Saudi Arabian Oil Company (Aramco), a listed joint stock company operating in the oil and gas industry, from 2003G to 2011G.</li> </ul>

Source: The Company

## 5.4.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is formed pursuant to the Board of Directors' resolution and its members shall consist of at least one independent Director, and shall not include any executive Directors.

### 5.4.2.1 Responsibilities of the Nomination and Remuneration Committee

The duties and responsibilities of the Nomination and Remuneration Committee include:

- Preparing a clear policy for the remuneration of the members of the Board of Directors, the Committees emanating from the Board and Senior Management, and submitting the same to the Board of Directors for consideration in order to be approved by the General Assembly, provided that such policy takes into account performance-related standards, discloses and ensures that they are implemented.
- Clarifying the relationship between the remuneration granted and the applicable remuneration policy, and highlighting any material deviation from such policy.
- Carrying out periodic review of the remuneration policy and evaluating its effectiveness in terms of achieving its objectives.
- Making recommendations to the Board with regard to the remuneration of members of the Board of Directors, its Committees and Senior Executives of the Company in accordance with the approved policy.
- Proposing clear policies and criteria for membership of the Board of Directors and Senior Management positions.
- Making recommendations to the Board of Directors to nominate or re-nominate members in accordance with the approved policies and criteria, ensuring no person previously convicted of committing a breach of trust felony shall be nominated.
- Preparing a description of the capabilities and qualifications required for membership of the Board and Senior Management positions.
- Determining the time that members should allocate for the responsibilities of the Board.
- Carrying out annual reviews of the required skills or appropriate expertise necessary for membership of the Board of Directors and Senior Management positions.
- Reviewing the structure of the Board and the Senior Management and making recommendations regarding any possible changes that may be made to such structure.
- Verifying the independence of independent members on an annual basis, and ensuring there is no conflict of interest in the event any member is a member of the board of directors of another company.
- Developing special procedures in the event that there is a vacancy in the Board of Directors or for Senior Executive positions.
- Determining the strengths and weaknesses of the Board of Directors, and proposing solutions to address them in line with the Company's interests.

### 5.4.2.2 Formation of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of the following members, appointed by virtue of the Board Resolution dated 11/01/1444H (corresponding to 09/08/2022G).

**Table (68): Members of the Nomination and Remuneration Committee**

Name	Position	Status
Mr. Fahad Mahmoud Zuhdi Malhas	Chairman	Independent/Non-executive
Mr. Ahmad Samer Hamdi Saadaldain Al Zaim	Member	Non-Independent/Non-Executive
Mr. Khalid AbdulrahmanAbdullah Al Gwaiz	Member	Independent/Non-executive
Eng. Mohamed Hekmat Saadaldain Al Zaim	Member	Non-independent/Non-executive

Source: The Company

### 5.4.2.3 Biographies of the Nomination and Remuneration Committee Members

The following is a summary of the Nomination and Remuneration Committee members:

#### Mr. Fahad Mahmoud Zuhdi Malhas

For further details on Mr. Fahad Mahmoud Zuhdi Malhas, please see Subsection (5.3.6.6.)

#### Mr. Ahmad Samer Hamdi Saadaldain Al Zaim

For further details on Mr. Ahmad Samer Hamdi Saadaldain Al Zaim, please see Subsection (5.3.6.3.)

#### Mr. Khalid AbdulRah Abdullah Al Gwaiz

For further details on Mr. Khalid Abdulrahman Abdullah Al Gwaiz, please see Subsection (5.3.6.1.)

#### Eng. Mohamed Hekmat Saadaldin Al Zaim

For further details on Eng. Mohamed Hekmat Saadaldin Al Zaim, please see Subsection (5.3.6.2.)

### 5.4.3 Audit Committee

The Audit Committee shall be formed by a resolution of the Company's Ordinary General Assembly, and shall consist of members from among the Shareholders or others, provided that at least one member is an Independent Director and that no Executive Director is a member. The number of members of the Audit Committee is not less than three members and not more than five members, provided that one of its members is specialized in finance and accounting.

#### 5.4.3.1 Responsibilities of the Audit Committee

The Audit Committee shall be primarily responsible for monitoring the Company's business and verifying the integrity and effectiveness of its reports, financial statements and internal control policies. The duties and responsibilities of the Audit Committee shall include in particular the following:

- **Financial reporting:**
  - Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency;
  - Providing its expert opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows Shareholders and Investors to assess the Company's financial position, performance, business model and strategy;
  - Analyzing any important or unusual issues contained in the financial reports;
  - Accurately investigating any issues raised by the Company's Chief Financial Officer or any person assuming his/her duties or the Company's Compliance Officer or Auditor;
  - Examining the accounting estimates in respect of significant matters that are contained in the financial reports; and
  - Considering the Company's accounting policies, expressing an opinion thereon and making recommendations to the Board of Directors with respect to them.
- **Internal Audit:**
  - Examining and reviewing the Company's internal and financial control systems and risk management system;
  - Analyzing the internal audit reports and following up on the implementation of the corrective measures in respect of observations made in such reports;
  - Monitoring and supervising the performance and activities of the internal auditor and Internal Audit Department of the Company, if any, to verify the availability of the necessary resources and their effectiveness in performing the tasks and assignments entrusted thereto. If the Company does not have an internal auditor, the Committee shall provide its recommendation to the Board regarding the need to appoint an internal auditor; and
  - Providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggesting his/her remunerations.

- **External Audit:**
  - Providing recommendations to the Board about nomination and dismissal of Auditors, determining their fees and evaluating their performance after verifying their independence and reviewing their scope of work and the terms of their contracts.
  - Verifying the independence, objectivity and fairness of the Auditor and the effectiveness of the auditing, taking into account relevant rules and standards;
  - Reviewing the plan and work of the Company's Auditor, ensuring that it does not provide any technical or administrative works that are beyond the scope of its work, and providing its opinion thereon.
  - Responding to inquiries from the Company's Auditor; and
  - Reviewing the Auditor's reports and the notes on the Company's financial statements and following up the relevant actions.
- **Ensuring Compliance:**
  - Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;
  - Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions;
  - Reviewing contracts and transactions to be concluded with the related parties and expressing its views thereon to the Board; and
  - Reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

If a conflict arises between the recommendations of the Audit Committee and Board resolutions, or if the Board refuses to put the Committee's recommendations into action with regard to the appointment or dismissal of the Company's Auditor, determination of his fees, assessment of his performance or appointment of the Internal Auditor, the Board's report must include the Committee's recommendation and justifications, and the reasons for not following such recommendation.

#### 5.4.3.2 Formation of the Audit Committee

The Audit Committee consists of the following members, appointed by a General Assembly dated 14/07/1443H (corresponding to 04/04/2022G).

**Table (69): Members of the Audit Committee**

Name	Position	Status
Mr. Abdulwahab Abdulkareem Abdulrahman Albtairi	Chairman	Non-executive/Independent
Mr. Raed Ibrahim Suleiman AlModaihim	Member	Non-executive/Non-independent
Ms. Kholoud Abdulaziz Mohammed Al-Dakhil	Member	Non-executive/Independent

Source: The Company

#### 5.4.3.3 Biographies of the Audit Committee Members

The following is a brief summary of the Audit Committee members:

##### **Mr. Abdulwahab Abdulkareem Abdulrahman Albtairi**

For further details on Mr. Abdulwahab Abdulkareem Abdulrahman Albtairi, please see Subsection (5.3.6.5.)

##### **Mr. Raed Ibrahim Suleiman Al Modaihim**

For further details on Mr. Raed Ibrahim Suleiman Al Modaihim, please see Subsection (5.3.6.7.)

**Table (70): Summary Biography of Ms. Kholoud Abdulaziz Mohammed Al-Dakhil**

Kholoud Abdulaziz Mohammed Al-Dakhil	
<b>Age</b>	49 years
<b>Nationality</b>	Saudi Arabian
<b>Current Positions in the Company</b>	Member of the Audit Committee, since 2017G.
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>• Certificate of Compliance (CME 2), Capital Market Authority, 2012G.</li> <li>• Securities Qualification Certificate (CME 1), Capital Market Authority, 2011G.</li> <li>• Certified Financial Analyst (CFA), CFA Institute, USA, 2003G.</li> <li>• Master of Business Administration (Finance), University of Washington, USA, 1994G.</li> <li>• Bachelor's degree in Finance and International Trade, Georgetown University, USA, 1994G.</li> </ul>
<b>Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>• Director, Chairwoman of the Audit Committee and the Nomination and Remuneration Committee, the Arabian Drilling Company, a closed joint stock company operating in the field of oil rig drilling, from 2022G to date.</li> <li>• Chief Executive Officer, Erteqa Financial Company, a limited liability company operating in security arrangement, from 2021G to date.</li> <li>• Director, Ta3meed Company, a limited liability company operating in the financial technology (Fintech) sector, from 2021G to date.</li> <li>• Member of the Audit Committee, Sports Boulevard Foundation and King Salman Park Foundation, governmental institutions operating in the field of sports investment and the development of King Salman Park, from 2020G.</li> <li>• Director and Chairwoman of the Audit Committee and Member of the Investment Committee, Riyadh Chamber of Commerce, from 2020G to date.</li> <li>• Director, CFA Society Saudi Arabia, a limited liability company operating in business management, from 2020G to date.</li> <li>• Member of the Audit Committee, SPIMACO ADDWAEIH, a listed public joint stock company operating in the manufacture of medical supplies, from 2019G to date.</li> <li>• Director, SAFA Environment, a limited liability company operating in the field of recycling, from 2018G to date.</li> </ul>
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>• Member of the Audit Committee, Public Pension Agency, a Saudi governmental entity operating in the financial industry, from 2020G to 2021G.</li> <li>• Member of the Financial Institutions Committee, the CMA, a Saudi governmental entity, from 2019G to 2021G.</li> <li>• Director and Chairwoman of the Audit Committee, Technical and Vocational Training Corporation, a Saudi governmental entity operating in the education sector, from 2018G to 2021G.</li> <li>• Director, The Saudi Credit Bureau (SIMAH), a limited liability company operating in the financial industry, from 2017G to 2021G.</li> <li>• Chairwoman of the Audit Committee, Saudi ORIX Leasing Company, a closed joint stock company operating in the finance sector, from 2016G to 2021G.</li> <li>• Member of the Executive Committee and the Finance and Infrastructure Working Group, B20 Saudi Arabia, an international business summit, 2020G.</li> <li>• Chairwoman of the National Statistical Committee, Federation of Saudi Chambers of Commerce, a Saudi governmental entity, from 2017G to 2020G.</li> <li>• Managing Director, Aldukheil Financial Group, a closed joint stock company operating in financial services, from 2006G to 2020G.</li> </ul>

Source: The Company

## 5.5 Senior Management

### 5.5.1 Overview of the Senior Management

The following table sets out the details of the members of the Company's Executive Management:

**Table (71): Details of Senior Management**

Name	Position	Date of Appointment to the Position Mentioned in the Table	Nationality	Age	No. of Shares Held Pre-Offering	No. of Shares Held Post-Offering
Eng. Borjan Milorad Boro Sehovac	Chief Executive Officer	01/08/2021G	Italian	42	N/A	-
Mr. Bahaa Ahmed Bakr Eissa	Chief Financial Officer	20/09/2005G	Saudi	61	N/A	-
Dr. Abdulmohsen Abdurrahman Ibrahim Al-Huraish	Chief Commercial Officer	01/06/2022G*	Saudi	60	N/A	-
Eng. Khaled Omar Abdulhalim Al-Turk	Vice President Operations	08/09/2019G**	Jordanian	48	N/A	-
Mr. Raed Ayoub Ibrahim Ayoub	Chief Information Technology Officer	01/06/2022G***	Jordanian	47	N/A	-
Mr. Muhammad Mustafa Muhammad Al-Shmory	Vice President Technical and Quality Control	28/01/1999G	Lebanese	48	N/A	-
Mr. Sameer Muhammad Iqbal Ghulam Al-Shahid	Vice President for Human Resources & Administration	25/07/2021G	Saudi	47	N/A	-
Mr. Mohammed Suleiman Mousa Alsaleem	Executive Advisor	01/01/2022G****	Saudi	59	1,125,000	877,500
Eng. Mouaaz Marawan Badreldin Hamou Al-Younes	Chief Strategy Officer	01/06/2022G*****	American	43	N/A	-

Source: The Company

\* Dr. Abdulmohsen Abdurrahman Ibrahim Al-Hareish was appointed Deputy Managing Director of Sales in 2005G and assumed the position of Vice President of Sales in 2011G.

\*\* Eng. Khaled Omar Abdulhalim Al-Turk was appointed Deputy Managing Director of Operations in 2011G.

\*\*\* Mr. Raed Ayoub Ibrahim Ayoub was appointed Director of Information Technology in 2020G.

\*\*\*\* Mr. Mohammed Suleiman Mousa Alsaleem was appointed Executive Advisor in 2020G.

\*\*\*\*\* Eng. Mouaaz Marawan Badreldin Hamou Al-Younes was appointed Director of the EHV Program in 2015G and assumed the position of General Manager of the Project Management Office in 2019G.

## 5.5.2 Biographies of the Senior Executives

The following is a summary of the biographies of the Executive Management Members:

### 5.5.2.1 Summary Biography of Eng. Borjan Milorad Boro Sehovac

Borjan Milorad Boro Sehovac	
<b>Age</b>	42 years
<b>Nationality</b>	Italian
<b>Current Positions in the Company</b>	Chief Executive Officer of the Company, since 2021G.
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>• Master's degree in Electrotechnical Engineering, Politecnico University of Milan, Italy, 2006G.</li> <li>• Bachelor's degree in Electrotechnical Engineering, Politecnico University of Milan, Italy, 2003G.</li> </ul>
<b>Other Current Positions and Memberships</b>	N/A
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>• Chief Executive Officer, Prysmian Group, a Finnish limited liability company operating in the cable manufacturing industry, from 2020G to 2021G.</li> <li>• Senior Vice President Deputy CEO for High Voltage Business Unit, Prysmian Group - Head Office, an Italian joint stock company operating in the cable manufacturing industry, from 2016G to 2020G.</li> <li>• Deputy Chief Executive Officer- for Services Sector, Prysmian Group - Head Office, an Italian joint stock company operating in the cable manufacturing industry, from 2015G to 2016G.</li> <li>• Business Unit Director, Prysmian Group - Head Office, an Italian joint stock company operating in the cable manufacturing industry, from 2015G to 2016G.</li> <li>• General Sales Manager, Prysmian, a British limited liability company operating in the cable manufacturing industry, from 2014G to 2015G.</li> <li>• Regional Sales General Manager-Submarine Marine and High Voltage Cables, Prysmian, a Singaporean limited liability company operating in the cable industry, from 2011G to 2014G.</li> <li>• Procurement Manager - Middle East, Prysmian, a Qatari limited liability company operating in the cable manufacturing industry, from 2010G to 2011G.</li> </ul>

Source: The Company

### 5.5.2.2 Summary Biography of Mr. Bahaa Ahmed Bakr Eissa

Bahaa Ahmed Bakr Eissa	
<b>Age</b>	61 years
<b>Nationality</b>	Saudi Arabian
<b>Current Positions in the Company</b>	Chief Financial Officer, since 2005G.
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>• Course in Strategic Decision Making for Leaders, INSEAD, 2003G.</li> <li>• Certified Financial Analyst, UK Securities and Exchange Commission, 1994G.</li> <li>• Series 7 License, U.S Securities and Exchange Commission, 1994G</li> <li>• Bachelor's degree in International Management, American University, USA, 1985G.</li> </ul>
<b>Other Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>• Director, BituNil Company, an Egyptian limited liability company operating in the manufacture and development of water insulation products, from 2007G to date.</li> <li>• Director, International Company For Insulation Technology, an Egyptian limited liability company operating in thermal and water insulation materials for the construction sector, from 2007G to date.</li> </ul>

Bahaa Ahmed Bakr Eissa	
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>Chief Executive Officer, Habsburg Group, a UK-based limited liability company operating in financial consulting and restructuring, from 2004G to 2005G.</li> <li>Deputy Managing Director, Saudi Research &amp; Publishing Company, a UK-based limited liability company operating in publications and media, from 2003G to 2004G.</li> <li>Head of Treasury and Investment, Saudi Research and Marketing Group, a Saudi public joint stock company operating in publications, media and advertising, from 1996G to 2003G.</li> <li>Vice Chairman, Merrill Lynch International Bank-London, a UK-based listed joint stock company operating in international investment and asset management services, from 1993G to 1996G.</li> <li>Vice Chairman, Samba Financial Group - London, a Saudi public joint stock company operating in the banking services sector, from 1990G to 1993G.</li> <li>Senior Manager, Samba Financial Group, a Saudi public joint stock company operating in the banking services sector, from 1985G to 1990G.</li> </ul>

Source: The Company

### 5.5.2.3 Summary Biography of Dr. Abdulmohsen Abdurrahman Ibrahim Al Huraish

Abdulmohsen Abdurrahman Ibrahim AlHuraish	
<b>Age</b>	60 years
<b>Nationality</b>	Saudi Arabian
<b>Current Positions in the Company</b>	Chief Commercial Officer, since 2022G.
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>PhD in Electrical Engineering, University of Strathclyde, Scotland, 2000G.</li> <li>Master's degree in Electrical Engineering, University of Missouri, USA, 1989G.</li> <li>Bachelor's degree in Electrical Engineering, King Saud University, 1985G.</li> </ul>
<b>Other Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>Director, RCC, a Saudi closed joint stock Saudi company operating in cable manufacturing and general contracting for electrical projects, from 2022G to date.</li> <li>Director, REW, a Saudi closed joint stock company operating in the wire and cable manufacturing industry, from 2022G to date.</li> <li>Director, RTC, a closed joint stock company operating in the telephone and fiber-optic cables manufacturing industry, from 2022G to date.</li> <li>Director, RCM, a Saudi closed joint stock company operating in the metals, cables and plastics manufacturing industry, from 2022G to date.</li> </ul>
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>Deputy CEO for Sales, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2011G to 2022G.</li> <li>General Sales Manager, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2005G to 2010G.</li> <li>Associate Professor, King Saud University, a Saudi public university, from 2000G to 2005G.</li> <li>Assistant Sales Manager, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 1993G to 1996G.</li> <li>Sales Engineer, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 1989G to 1993G.</li> </ul>

Source: The Company



#### 5.5.2.4 Summary Biography of Eng. Khaled Omar Abdulhalim Al-Turk

Khaled Omar Abdulhalim Al-Turk	
<b>Age</b>	48 years
<b>Nationality</b>	Jordanian
<b>Current Positions in the Company</b>	Vice President of Operations, since 2019G.
<b>Academic Qualifications</b>	<ul style="list-style-type: none"> <li>Bachelor's degree in Electromechanical Engineering, Al- Balqa Applied University (BAU), Amman, Jordan, 1995G.</li> </ul>
<b>Other Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>Member, Saudi Council of Engineers, KSA, since 2003G.</li> <li>Member, Jordanian Engineers Association, Jordan, since 1995G.</li> </ul>
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>Acting Deputy Chief Operations, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2018G to 2019G.</li> <li>Production General Manager, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2011G to 2018G.</li> <li>General Manager of Operations, El Sewedy Electric, a Saudi closed joint stock company operating in the cable industry, from 2008G to 2011G.</li> <li>General Manager of Plants, Gulf Cable Group, a Jordanian closed joint stock company affiliate of Gulf Cable &amp; Electrical Industries Company, a Kuwaiti Company operating in the cable manufacturing industry, from 2007G to 2008G.</li> <li>Maintenance General Manager, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2005G to 2007G.</li> <li>Production Manager - Electrical Wire Plant of RCGC, a Saudi closed joint stock company operating in the cable and wire industry, from 2002G to 2005G.</li> <li>Production Manager, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2000G to 2002G.</li> <li>Director of Maintenance, Research and Development, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 1999G to 2000G.</li> <li>Production Engineer, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 1996G to 1999G.</li> </ul>

Source: The Company

#### 5.5.2.5 Summary Biography of Mr. Raed Ayoub Ibrahim Ayoub

Raed Ayoub Ibrahim Ayoub	
<b>Age</b>	47
<b>Nationality</b>	Jordanian
<b>Current Positions in the Company</b>	Chief Information Technology Officer, since 2022G.
<b>Academic Qualifications</b>	Bachelor's degree in Computer Science, Al-Mansour University, Iraq, 1997G.
<b>Other Current Positions and Memberships</b>	N/A
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>Deputy CEO for Information Technology, from 2020G to 2022G.</li> <li>Chief Strategy Officer, Saudi Company for Hardware (SACO), a listed joint stock company operating in the retail of consumer goods, from 2017G to 2018G.</li> <li>Chief Information Officer, Saudi Company for Hardware (SACO), a listed joint stock company operating in the retail of consumer goods, from 2009G to 2017G.</li> <li>Senior IT Manager, Saudi Company for Hardware (SACO), a listed joint stock company operating in the retail of consumer goods, from 2002G to 2008G.</li> <li>System Analyst and Software Developer, Arabian Computer Projects Company, a Saudi limited liability company operating in IT, from 1998G to 2001G.</li> <li>Software Developer, Tantash Information Systems Company, a Jordanian limited liability company operating in IT, from 1997G to 1998G.</li> </ul>

Source: The Company

### 5.5.2.6 Summary Biography of Eng. Muhammad Mustafa Muhammad Al-Shmory

Muhammad Mustafa Muhammad Al-Shmory	
<b>Age</b>	48 years
<b>Nationality</b>	Lebanese
<b>Current Positions in the Company</b>	Vice President of the Technical and Quality Control Departments, since 2019G.
<b>Academic Qualifications</b>	Bachelor's degree in Electrical Engineering, American University of Beirut, Lebanon, 1997G.
<b>Other Current Positions and Memberships</b>	<ul style="list-style-type: none"> <li>Member, The International Electrotechnical Commission, Swiss Confederation (IEC), Switzerland, since 2022G.</li> <li>Member, The Saudi Standards, Metrology and Quality Organization (SASO), KSA, since 2020G.</li> <li>Member, The Saudi Council of Engineers, KSA, since 2016G.</li> <li>Member, Syndicate of Engineers, Lebanon, since 1997G.</li> </ul>
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>General Manager -Technical Affairs Department, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2012G to 2019G.</li> <li>Deputy General Manager-Technical Affairs Department, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2009G to 2012G.</li> <li>Assistant General Manager-Technical Affairs Department, RCGC, a Saudi closed joint stock company operating in the cable and wire manufacturing industry, from 2004G to 2009G</li> <li>Technical Engineer, RCGC, a Saudi closed joint stock company operating in the cable and wire production industry, from 1999G to 2004G.</li> <li>Lieutenant in the Lebanese Army, from 1997G to 1998G.</li> </ul>

Source: The Company

### 5.5.2.7 Summary Biography of Mr. Sameer Muhammad Iqbal Ghulam Al-Shahid

Sameer Muhammad Iqbal Ghulam Al-Shahid	
<b>Age</b>	47
<b>Nationality</b>	Saudi Arabian
<b>Current Positions in the Company</b>	Vice President for Human Resources & Administration, since 2021G.
<b>Academic Qualifications</b>	Bachelor of Business Administration, King Saud University, KSA, 1997G.
<b>Other Current Positions and Memberships</b>	N/A
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>Director of Shared Services, Golden Chicken Farms Company for Agricultural &amp; Animal Production , a Saudi closed joint stock company operating in the field of agriculture and poultry production, from 2020G to 2021G.</li> <li>Senior Manager Business Continuity Department, The Saudi Investment Bank, a listed joint stock company operating in the banking services sector, from 2017G to 2020G.</li> <li>Human Resources Senior/Deputy Manager, The Saudi Investment Bank, a listed joint stock company operating in the banking services sector, from 2012G to 2017G.</li> <li>Human Resources Manager, The Saudi Investment Bank, a listed joint stock company operating in the banking services sector, from 2010G to 2011G.</li> <li>Human Resources Assistant Manager, The Saudi Investment Bank, a listed joint stock company operating in the banking services sector, from 2003G to 2010G.</li> <li>Human Resources Officer, The Saudi Investment Bank, a listed joint stock company operating in the banking services sector, from 2000G to 2003G.</li> <li>Graduate Program, The Saudi Investment Bank, a listed joint stock company operating in the banking services sector, from 1998G to 1999G.</li> </ul>

Source: The Company

### 5.5.2.8 Biography of Mr. Mohammed Suleiman Mousa Alsaleem

For further details on Mr. Mohammed Suleiman Mousa Alsaleem, please see Subsection (5.3.6.8.)

### 5.5.2.9 Summary Biography of Eng. Mouaaz Marawan Badreldin Hamou Al-Younes

Mouaaz Marawan Badreldin Hamou Al-Younes	
<b>Age</b>	43 years
<b>Nationality</b>	American
<b>Current Positions in the Company</b>	Chief Strategy Officer, since 2022G.
<b>Academic Qualifications</b>	Bachelor's degree in Electrical Engineering, North Carolina State University, USA, 2001G.
<b>Other Current Positions and Memberships</b>	N/A
<b>Past Professional Experience</b>	<ul style="list-style-type: none"> <li>• General Manager of the Management Office, RCGC, a Saudi closed joint stock company operating in the cable and wire industry, from 2019G to 2022G.</li> <li>• Director of the Development Department, RCGC, a Saudi closed joint stock company operating in the cable and wire industry, from 2017G to 2019G.</li> <li>• EHV Program Manager, RCGC, a Saudi closed joint stock company operating in the cable and wire industry, from 2015G to 2017G.</li> <li>• General Manager - Special Business Unit, Promac, an American single shareholder company operating in supplement manufacturing of complementary production lines and manufacturing systems, from 2010G to 2015G.</li> <li>• General Manager of Special Projects, OSAID Company, an American limited liability company operating in the manufacture of machinery, equipment and production lines, from 2008G to 2010G.</li> <li>• Director of the Industrial Programming and Automation Department, OSAID Company, an American limited liability company operating in the manufacture of machinery, equipment and production lines, from 2006G to 2008G.</li> <li>• Director of Electrical Control and Industrial Automation Projects, Livingstone Company, an American closed joint-stock company operating in electronic control and industrial automation, from 2003G to 2006G.</li> <li>• Electrical Control and Industrial Automation Engineer, Livingstone Company, an American closed joint-stock company operating in electronic control and industrial automation, from 2001G to 2003G.</li> </ul>

Source: The Company

### 5.5.3 Employment Contracts with the CEO and CFO

The following table is a summary of the employment and service agreements concluded between the Company and the CEO and CFO:

**Table (72): Employment Contracts with the CEO and CFO**

Name	Position	Date of Appointment	Current Employment Contract Commencement Date	Contract Expiration Date
Mr. Borjan Milorad Boro Sehovac	CEO	01/08/2021G	11/04/2021G	Annual contract, automatically renewed
Mr. Bahaa Ahmed Bakr Eissa	CFO	09/02/2005G	05/10/2020G**	Indefinite

\* It is worth noting that employment contract with Mr. Borjan Milorad Boro Sehovac was concluded on 11/04/2021G and according to such employment contract, the effective date of his appointment was 01/08/2021G.

\*\* It should be noted that the first employment contract with Mr. Bahaa Ahmed Bakr Eissa was concluded in 2005G, and the date referred to above reflects the date of his latest contract.

Source: The Company

#### 5.5.4 Remuneration of the Directors and Senior Executives

Below is the total remuneration granted by the Company to the Directors and five (5) Senior Executives who received the highest remunerations and compensations, including the CEO and CFO.

**Table (73): Remuneration of the Directors and Top Five Senior Executives**

	2019G	2020G	2021G	Financial Period Ended 30 June 2022G
Directors	3,700,000	4,200,000	4,200,000	-
Members of Committees	800,000	860,000	824,000	-
Senior Executives	9,940,000	10,525,900	11,170,000	3,114,000
Total	14,440,000	15,085,900	15,934,000	-3,114,000

\* It is worth noting that the position of CEO was vacant from 2019G until 2020G. . Note that the total remuneration in these years reflect the five highest paid Senior Executives.

Source: The Company

#### 5.6 Corporate Governance

The Company adopted its Internal Governance Regulations and policies by virtue of Board of Director's decisions dated 24/10/1443H (corresponding to 25/05/2022G) and 26/01/1444H (corresponding to 24/08/2022G) and pursuant to the Corporate Governance Regulations, the Companies Law and the Company's Bylaws. The Extraordinary General Assembly, in its meeting held on 01/11/1443H (corresponding to 31/05/2022G), and the General Assembly, in its meeting held on 10/02/1444H (corresponding to 09/06/2022G), approved the regulations and policies that require its approval in accordance with the provisions of the Corporate Governance Regulations.

The Company's internal governance regulations and policies include:

- a- The Company's Governance System.
- b- Board of Directors' Charter.
- c- Disclosure and Transparency Regulations.
- d- Professional Conduct and Ethical Values Policy.
- e- Board Membership Policy.
- f- Social Responsibility Policy.
- g- Remuneration Policy for the Board, its Committees and the Executive Management.
- h- Conflict of Interests Policy.
- i- Whistleblowing Policy.
- j- Dividend Distribution Policy.
- k- Internal Audit System Regulations.
- l- Stakeholder Relations Policy.
- m- Authority Matrix.
- n- Audit Committee Regulations.
- o- Nomination and Remuneration Committee Regulations.
- p- Competition Regulations.

The Company shall comply with mandatory governance requirements applicable to Saudi joint stock public companies, except for certain provisions that are only applicable to listed companies, given that the Company's shares have not yet been listed on the Exchange. Such provisions are as follows:

- Paragraph (a) of Article (8) providing that upon calling for the General Assembly, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board.
- Paragraph (c) of Article (8) related to voting in the General Assembly which shall be restricted to the Board nominees whose information has been announced as per paragraph (a) of Article (8).
- Paragraph (d) of Article (13) related to publishing the invitation to the General Assembly on the websites of the Exchange and the Company and in a daily newspaper distributed in the region where the Company's registered office is located.
- Paragraph (h) of Article (13) providing that details of the shareholders who wish to attend the General Assembly meetings shall be recorded.
- Paragraph (c) of Article (14) related to providing information regarding the items of the Shareholders' General Assembly through the websites of the Exchange and the Company and obtaining information related to the items of the General Assembly agenda, particularly the report of the Board and the Auditor, as well as the financial statements and the report of the Audit Committee.
- Paragraph (e) of Article (15) related to disclosing to the Public, the CMA and the Exchange the results of the General Assembly meeting immediately upon its conclusion through the websites of the Exchange and the Company.
- Paragraph (d) of Article (17) providing that the Company shall notify the CMA of the names of the Directors, their membership descriptions and any changes made to their membership within five business days from the date of such changes.
- Paragraph (b) of Article (19) on immediately notifying the CMA and the Exchange of the termination of the membership of a member of the Board of Directors and specifying the reasons for such termination.
- Article (63) on the meetings of the Remuneration Committee, whereby it must hold period meetings at least once every year and whenever necessary.
- Article (67) on the meetings of the Nomination Committee, whereby it must hold period meetings at least once every year and whenever necessary.
- Article (68) providing that the Company shall publish the nomination announcement on the websites of the Company and the Exchange to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period remains open for at least one month from the date of the announcement.
- Article (89), Article (90), Paragraph (b) of Article (91), Article (92) and Article (93), related to disclosure policies and procedures.

The Company currently does not comply with the above articles of the Corporate Governance Regulations, given that it is a closed joint stock company and the Company's shares have not yet been listed on the Exchange. The Directors undertake to comply with these articles immediately upon listing of the Shares on the Exchange. In addition, the Directors confirm that the Company is currently in compliance with all other provisions of the Corporate Governance Regulations and the Companies Law.

## 5.7 Direct and Indirect Interests of the Members of the Board of Directors, the Secretary and Senior Executives

The Directors declare that, except as disclosed in Subsection (5.3) "**Board of Directors**", Subsection (5.5) "**Senior Management**", Subsection (5.8) "**Employee Shares**" and Subsection (12.7) "**Related Party Transactions**" of this Prospectus, none of the members of the Board of Directors, the Executive Management, or the Secretary, or any of their Relatives have a direct or indirect interest in the shares and debt instruments of the Company or any interest in any other matter that may affect the business of Company.

The Directors also declare that, as of the date of this Prospectus, the Directors do not conduct any business competing with the Company's business, according to Article 72 of the Companies Law.

The Directors also declare that, except as disclosed in Section (12.7) "**Related Party Transactions**" and Table [•] of this Prospectus, none of the Directors, Executive Management, or the Secretary or any of their relatives has an interest in any applicable contract or arrangement in effect or to be concluded as of the date of this Prospectus in relation to the business of the Company.

The following table shows the details of the agreements and transactions currently in effect concluded with Related Parties in which the Directors have an interest (for further details on such agreements, please see Subsection (12.7) "**Related Party Transactions**" of this Prospectus).

**Table (74): Details of the Current Agreements and Transactions with Related Parties in which the Members of the Board Have an Interest**

Agreement/Transaction	Directors and Executive Management who have an Interest	Cause of Interest	General Assembly Approval Date
Framework agreement with Seera Group Holding Company (formerly Al Tayyar Travel Group Limited)	Mr. Ahmad Samer Hamdi Saadaldain Al Zaim	Since Mr. Ahmad Samer Hamdi Saadaldain Al Zaim, a Company Director and a Director in Seera Group Holding Company (formerly Al Tayyar Travel Group Limited), this agreement is a Related Party transaction in which a Director has an interest, pursuant to Article 71 of the Companies Law and Article 57 of Listed Companies Regulations.	11/01/1443H (corresponding to 31/05/2022G)

Source: The Company

The following table sets out details of the Company's Shares owned by members of the Board of Directors, Senior Executives and the Secretary.

**Table (75): Details of the Ownership of the Company's Shares by Members of the Board of Directors, Senior Executives and the Secretary**

#	Name	Position	Direct Ownership (%)		Indirect Ownership (%)	
			Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Mohamed Hekmat Saadaldain Al Zaim	Deputy Chairman	5.00%	3.90%	-	-
2	Ahmad Samer Hamdi Saadaldain Al Zaim	Director	11.95%	9.32%	-	-
3	Mohammed Suleiman Mousa Alsaleem	Secretary of the Board and Executive Advisor	0.75%	0.59%	-	-

Source: The Company

## 5.8 Employee Shares

The Company does not have any employee share schemes in place prior to the application for the registration and Offering of securities. In addition, the Company confirms that there are no other arrangements involving employees in the capital of the Company. However, as described above, Mr. Mohammed Suleiman Mousa Alsaleem, an Executive Advisor of the Company, holds 1,125,000 shares, representing 0.75% of the Company's shares as of the date of this Prospectus.

## 6. Management's Discussion and Analysis of Financial Position and Results of Operations

### 6.1 Introduction

The Group's Management Discussion and Analysis section provides an analytical view of the Group's operational performance and financial position for the years ending 31 December 2019G, 2020G and 2021G, and the six-months periods ending 30 June 2021G and 2022G. This section and the attached notes have been prepared based on the consolidated audited financial statements for the financial years 2019G, 2020G and 2021G and the consolidated reviewed financial statements for the six-months financial periods ending 30 June 2021G and 2022G. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and other standards and issuances in the Kingdom of Saudi Arabia approved by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (here in after referred to as "International Financial Reporting Standards approved in the Kingdom of Saudi Arabia") and have been audited by KPMG Professional Services (formerly known as KPMG Al Fozan & Partners) (hereinafter referred to as the "Auditor") for the years ending 31 December 2019G, 2020G and 2021G and for the six-months periods ending 30 June 2021G and 2022G.

Neither the Auditor, nor any of its subsidiaries, affiliates or any of their employees or relatives, own any shares or shares of any kind in the Group, which may affect its independence as of the date of issuance of the independent auditor's report on the consolidated financial statements. As of the date of this Prospectus, the Auditor provided and have not withdrawn the written consent to the reference to their role as Auditors of the Group's accounts for the financial years ending on 31 December 2019G, 2020G and 2021G, and for the six-months periods ending 30 June 2021G and 2022G, and this approval has not been amended.

The consolidated financial statements mentioned above are an essential part of this Prospectus and should be read along with these statements and their supplementary explanations. These financial statements can be found in Section (19) "Financial Statements and Auditor's Report" of this Prospectus.

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

The financial information for the financial year ending 31 December 2019G was used from the financial information for the comparative year presented in the Group's consolidated audited financial statements for the financial year ending 31 December 2020G. The financial information for the financial year ending 31 December 2020G was used from the financial information for the comparative year presented in the Group's consolidated audited financial statements for the financial year ending 31 December 2021G. The financial information for the six-month period ending 30 June 2021G was extracted from the financial information for the comparative period presented in the consolidated reviewed financial statements for the six-month period ending 30 June 2022G.

This section may include statements in connection with the Group's future prospects, based on the Executive Management's current plans and expectations regarding the Group's growth and results of operations, and financial conditions, and therefore such statements may involve risks and unconfirmed expectations that may lead to material differences from the Group's actual results as a result of multiple factors and events, including the factors discussed in Section (2) "Risk Factors" if this Prospectus.

### 6.2 Director's declaration for financial information

The Board of Directors declare the following:

- 1- That the financial information contained in this section was extracted without material change and is presented in accordance with the consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G and 2021G, and the consolidated reviewed financial statements for the financial periods ending 30 June 2021G and 2022G and the accompanying notes that was prepared by the Group in accordance with International Financial Reporting Standards (IFRS) and audited by the auditor.
- 2- That the Group has sufficient working capital for a period of at least (12) months immediately following the date of publication of the Prospectus.

- 3- That there has been no significant adverse change in the financial or commercial position of the Group in the three financial years immediately preceding the application for registration and offering of securities and until the date of approval of this Prospectus, except for what was disclosed in this Prospectus. The members of the Board of Directors confirm that all material facts related to the Group and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents, or facts if they are omitted, the data contained in this Prospectus will become misleading.
- 4- That the Group does not have any property, including any contractual securities or other assets, the value of which is subject to fluctuations or is difficult to ascertain, which significantly affects the assessment of its financial position, except for financial instruments at fair value of profit or loss and financial instruments at fair value for other comprehensive income, which were disclosed in Section (6-7-2) "**Consolidated Balance Sheet Statement**" of this Prospectus.
- 5- That the Group has not provided any commissions, discounts, brokerage fees or any other non-cash compensation in connection with the issuance or offering of any securities during the three years immediately preceding the date of submitting an application for acceptance and offering of securities subject to this Prospectus.
- 6- That the Group does not have any loans or other liabilities whether covered by a personal guarantee or other kind of guarantee or covered by a mortgage, including any overdrafts from bank accounts, and does not have any secured liabilities or liabilities under acceptance or acceptance credit or any lease purchase liabilities except as disclosed in Subsection (12-8) "**Financing Agreements**" and Schedule (114) "**Islamic Finance Facility**" of this Prospectus.
- 7- The members of the Board of Directors acknowledge that, except as disclosed in Subsection (6.5) "**Key Factors Affecting the Operations of the Group**" and Section (2) "**Risk Factors**" of this Prospectus, to their knowledge the Group has no information on any government policies or economic, financial, monetary, political or any other factors that have a material impact (directly or indirectly) on the Group's operations.
- 8- That the Group has no intention of making any material change in its activity.
- 9- That the Group's operations have not been interrupted in a way that significantly affected or affected its financial position during the last twelve months.
- 10- That none of the Group's shares are subject to an option right, as of the date of this Prospectus. The members of the Group's Board of Directors also confirm that the capital of the Company's subsidiaries is not subject to the right of option, as of the date of this Prospectus.
- 11- That the Group has provided comprehensive details in this section of any potential liabilities and has accounted for and recorded a provision for the obligations contained in management's discussion and analysis of the financial position and results of operations (for further details, please see Section (9) "**Capitalization and Indebtedness of the Company**" from this Prospectus).
- 12- That the Group's properties are not subject to any mortgages, rights, or encumbrances as of the date of this Prospectus.
- 13- That the Group has provided extensive details in this section of all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.
- 14- That the Group has not issued debt instruments, term loans, secured or unsecured mortgages, current or approved, but not issued, except for what was disclosed in Subsection (12-8) "**Financing Agreements**" of this Prospectus and Table (116) "**Islamic Financing Facilities**" of this Prospectus.
- 15- That there was no qualification on the financial statements of the Company and its material subsidiaries in the past three years preceding the date of submitting the registration application.
- 16- That no structural changes have been made in the issuer in the past three years preceding the date of the application for registration and offering of securities.
- 17- That there have been no material changes in the accounting policies of the Company and its material subsidiaries in the past three years preceding the date of submitting the application for registration and offering the securities subject to this Prospectus.
- 18- That no material changes have been made/or obligated to make any material amendments to the published audited financial statements of the Company and its material subsidiaries in the past three years preceding the date of the application for registration and offering of securities.
- 19- That all loans are secured by promissory notes and no loans are secured by personal guarantee.
- 20- Except for what is mentioned in this Prospectus, neither the members of the Board of Directors nor any of their relatives have any shares or interest of any kind in the issuer or any of its subsidiaries.



### 6.3 Company overview

The Company was established as a Saudi closed joint stock company in accordance with the Companies Law. The Company operates under Commercial Registration No. 1010052927 issued on 06/24/1435H (corresponding to 04/24/2014G). The Company operates under Industrial License No. 396/R dated 12 Jumada II 1416H corresponding to 25 November 1995G, as amended according to Industrial License Number 36/R dated 5 Muharram 1418H corresponding to 12 May 1997G and amended according to Industrial License No. 2572 dated 16 Rajab 1434H corresponding to 26 May 2013G. The Company's registered office is in the second industrial area, P.O. 26862, Riyadh 11496, Kingdom of Saudi Arabia.

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below. The Group produces insulated and uninsulated aluminum and copper cables for use in low, medium and high voltage transformers and other cable related products.

The consolidated financial statements of Riyadh Cables Group and its subsidiaries listed below have been prepared:

**Table (76): Riyadh Cables Group Company and its subsidiaries**

The ownership interest held by the Group (direct and indirect)						
Subsidiary	Legal structure	Country of incorporation	2019G	2020G	2021G	30 June 2022G
Saudi Modern Company for Metals, Cables and Plastic Industry and its subsidiaries:	Closed joint stock company	Kingdom of Saudi Arabia	100%	100%	100%	100%
Qatar Cables Company	Limited liability company	Qatar	50%	50%	50%	50%
Arabian Gulf Company for Electrical Cables	Limited liability company	Kuwait	49%	49%	49%	49%
Gulf Company Electrical Works	Limited liability company	Oman	100%	100%	100%	100%
Egyptian Riyadh Cable for Electrical Works	Joint Stock Company (LLC)	Egypt	49%	49%	49%	49%
Saudi Modern Company for Specialized Wires and Cables Industry	Closed joint stock company	Kingdom of Saudi Arabia	100%	100%	100%	100%
Saudi Modern Company for Telephone Cables Industry	Closed joint stock company	Kingdom of Saudi Arabia	100%	100%	100%	100%
Riyadh Cables Company and its subsidiaries:	Closed joint stock company	Kingdom of Saudi Arabia	100%	100%	100%	100%
National Cables Industry Company	Sole proprietorship	United Arab Emirates	100%	100%	100%	100%
Al-Rowad Company for Production of Electrical Cables Ltd. (*)	Sole proprietorship	Iraq	100%	100%	100%	100%
Iraqi National Company for Cables Industry	Limited liability	Iraq	100%	100%	100%	100%
Saudi Modern Company for Cables Limited	Limited liability company	Kingdom of Saudi Arabia	100%	100%	100%	100%

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G.

(\*) Al-Rowad Company for Production of Electrical Cables Ltd.

On 31 August 2017G, the National Cable Industry Company (a subsidiary of Riyadh Cable Company) acquired 100% of Al-Rowad Electric Cable Production Company Ltd. in Iraq, owned by "Abdulqadir Al Muhaidib & Sons Company" (the company's shareholder). The company's net assets on the date of acquisition were greater than the cash paid, and a gain of SAR 22.7 million was recognized in the consolidated statement of changes in equity as a result of the acquisition.

## 6.4 Material subsidiaries

Saudi Modern Company for Metals, Cables and Plastic Industry and its subsidiaries, Saudi Modern Company for Specialized Wires and Cables Industry, Saudi Modern Company for Telephone Cables Industry, Riyadh Cables Company and its subsidiaries, and National Cables Industry Company have been identified as material subsidiaries based on their contribution to the Group's revenue and assets as shown in the analysis below:

**Table (77): Assets by company**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	30 June 2022G (Re- viewed)
The Company	2,552,108	3,304,586	4,691,546	5,832,910
Saudi Modern Company for Metals, Cables and Plastic Industry*	902,029	1,423,648	2,585,246	3,366,204
Saudi Modern Company for Specialized Wires and Cables Industry	508,036	1,080,395	2,235,472	2,797,292
Saudi Modern Company for Telephone Cables Industry	101,112	102,284	20,215	167,098
Riyadh Cables Company and its subsidiaries**	739,075	829,075	927,415	1,024,909
Saudi Modern Company for Cables Limited	18,572	20,062	99,195	37,733
<b>Gross total</b>	<b>4,820,933</b>	<b>6,760,049</b>	<b>10,559,089</b>	<b>13,226,147</b>
Eliminations	(1,317,532)	(3,457,919)	(6,606,422)	(8,511,736)
<b>Net total</b>	<b>3,503,401</b>	<b>3,302,130</b>	<b>3,952,667</b>	<b>4,714,411</b>
<b>As a percentage of gross total</b>				
The Company	52.9%	48.9%	44.4%	44.1%
Saudi Modern Company for Metals, Cables and Plastic Industry	18.7%	21.1%	24.5%	25.5%
Saudi Modern Company for Specialized Wires and Cables Industry	10.5%	16.0%	21.2%	21.1%
Saudi Modern Company for Telephone Cables Industry	2.1%	1.5%	0.9%	1.3%
Riyadh Cables Company and its subsidiaries	15.3%	12.3%	8.8%	7.7%
Saudi Modern Company for Cables Limited	0.4%	0.3%	0.2%	0.3%

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G and management information.

\* Saudi Modern Company for Metals, Cables and Plastic Industry includes Qatar Cables Company, the Arabian Gulf Company for Electrical Cables, the Gulf Company Electrical Works and the Egyptian Riyadh Cable for Electrical Works and these companies are not considered material subsidiaries based on their contribution to the revenue and assets of Riyadh Cables Company.

\*\* Riyadh Cables Company and its subsidiaries includes the National Cables Industry Company, which is considered a material subsidiary based on its contribution to the revenue and assets of the Riyadh Cable Company, the Al-Rowad Company for Production of Electrical Cables Ltd, and the Iraqi National Company for Cables Industry, which are not considered material subsidiaries based on their contribution to the revenue and assets of the Riyadh Cable Company.

**Table (78): Revenue by Company**

SAR in thousands	2019G (Audited)	2020G (Audited)	2021G (Audited)	The six-month pe- riod ending 30 June 2021G (Reviewed)	The six-month pe- riod ending 30 June 2022G (Reviewed)
The Company	855,958	1,379,468	1,448,530	644,750	1,094,087
Saudi Modern Company for Metals, Cables and Plastic Industry*	1,470,333	667,810	899,996	456,136	620,579
Saudi Modern Company for Specialized Wires and Cables Industry	1,514,763	1,405,430	1,789,194	818,481	1,069,284
Saudi Modern Company for Telephone Cables Industry	54,869	34,992	21,507	8,910	10,091
Riyadh Cables Company and its subsidiaries**	930,122	747,293	1,053,636	494,511	683,179
Riyadh Cables Company	96,767	20,388	79,534	40,788	25,790
National Cables Industry Company	833,355	726,905	974,102	453,722	657,389
Saudi Modern Company for Cables Limited	26,431	21,530	21,245	11,070	11,231
<b>Gross total</b>	<b>4,852,475</b>	<b>4,256,524</b>	<b>5,234,107</b>	<b>2,433,858</b>	<b>3,488,452</b>
Eliminations	(286,799)	(169,708)	(350,663)	(198,431)	(236,165)
<b>Net total</b>	<b>4,565,676</b>	<b>4,086,816</b>	<b>4,883,444</b>	<b>2,235,426</b>	<b>3,252,287</b>
<b>As a percentage of gross total</b>					
The Company	17.6%	32.4%	27.7%	26.5%	31.4%
Saudi Modern Company for Metals, Cables and Plastic Industry	30.3%	15.7%	17.2%	18.7%	17.8%
Saudi Modern Company for Specialized Wires and Cables Industry	31.2%	33.0%	34.2%	33.6%	30.7%
Saudi Modern Company for Telephone Cables Industry	1.1%	0.8%	0.4%	0.4%	0.3%
Riyadh Cables Company and its subsidiaries	19.2%	17.6%	20.1%	20.3%	19.6%
Saudi Modern Company for Cables Limited	0.5%	0.5%	0.4%	0.5%	0.3%

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G and management information.

\* Saudi Modern Company for Metals, Cables and Plastic Industry includes Qatar Cables Company, the Arabian Gulf Company for Electrical Cables, the Gulf Company Electrical Works and the Egyptian Riyadh Cable for Electrical Works and these companies are not considered substantive subsidiaries based on their contribution to the revenue and assets of Riyadh Cables Company.

\*\* Riyadh Cables Company and its subsidiaries includes the National Cables Industry Company, which is considered a substantial subsidiary based on its contribution to the revenue and assets of the Riyadh Cable Company, the Al-Rowad Company for Production of Electrical Cables Ltd, and the Iraqi National Company for Cables Industry, which are not considered substantial subsidiaries based on their contribution to the revenue and assets of the Riyadh Cable Company.

## 6.5 Key factors affecting the operations of the Group

The following is a discussion of the key factors that affected, or are expected to affect, the financial position of the Group. These factors are based on the information currently available to the Group and might have no effect on the Group's business:

### 6.5.1 General economic factors

As the majority of the Group's activities and operations take place inside the Kingdom, the financial performance of the Group depends mainly on the economic conditions prevailing in the Kingdom, in addition to global economic and political conditions which in turn affect the Kingdom's economy. RCGC's revenues and profit margins may be affected by the changes in the economic cycles in the Kingdom, which may result in changes in the State's monetary policy and/or expenditure policy, which may in turn have a direct or indirect effect on the sector, and therefore affect RCGC's financial performance (for further details on the impact of economic factors, please see Subsection (2-2-9) "**Risks related to the impact of economic conditions on the Group's operations**").

### 6.5.2 Outbreak of infectious diseases and epidemics

An outbreak of a contagious disease in the Kingdom or elsewhere, or any other serious public health concern such as the spread of the novel coronavirus (COVID-19), may have a negative impact on economies, financial markets and commercial activities around the world, including the Group's business. For instance, the global outbreak of the novel coronavirus (COVID-19) has led to volatility in global capital markets, affected commodity prices, led to high levels of unemployment and negatively affected the global demand and prices for oil. The Kingdom, like other countries, has adopted strict preventive and precautionary measures on travel and public transportation, requirements for people to stay at home, the practice of social distancing, and the closure of workplaces and economic activity for long periods, leading to a severe disruption of the Kingdom's economy (for further details on the impact of the outbreak of infectious diseases and epidemics, please see Subsection 2.2.2 "**Risks related to an outbreak of an infectious disease**").

### 6.5.3 Dependence on major clients

The Saudi Electricity Company (SEC) is one of the Group's main customers with the Group's sales to SEC amounting SAR 465.4m, SAR 635.7m, SAR 561.6m, SAR 261.4m and SAR 564.5m, accounting for 10.2%, 15.6%, 11.5%, 11.7% and 17.4% of the Group's total revenue in the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month periods ended 30 June 2021G and 30 June 2022G, respectively.

Therefore, any decrease in the rate of SEC purchases of the Group's products as a result of reduced expenditure on electricity projects or other reasons, or the inability of the Group to win SEC tenders, may lead to a decrease in the Group's sales volume (for further details, please see Subsection 2.1.30 "**Risks related to the dependence of the Group on the Saudi Electricity Company as a major client**").

### 6.5.4 Competition in the key markets of RCGC

The Group operates in a competitive environment, both domestically and regionally. This competition is expected to remain at the regional level in the future given the expected growth rates in electrical wire and cable markets. The domestic market is competitive; domestic manufacturers offer products largely similar to those of the Group but are primarily focused on low and medium voltage electrical cables and wires (for further details on competition in the key markets of RCGC, please see Section (3.7) "**RCGC's Competitive Landscape**" and Subsection (2.2.3) "**Risks related to competition and its intensity**").

### 6.5.5 Seasonal factors

Seasonality is among the key factors that may affect the Group's operations as the branches and retail sector of the cable market may experience a slowdown in sales and operations in the Kingdom during the holy month of Ramadan and public holidays (especially Eid al-Fitr and Eid al-Adha holidays).

## 6.6 Significant accounting policies

### 6.6.1 Basis of preparation and statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS and by-laws of the Group.

#### Impact of Coronavirus (Covid-19) Outbreak

Since the beginning of 2020G, the Corona pandemic (Covid 19) has swept the world, causing disruptions in the economic and commercial sectors in general. The group's management proactively assessed the impact on its operations and took a series of preventive measures, to ensure the health and safety of its employees and workers. Despite these challenges, the Group's business and operations currently remain largely unaffected, the core customer demand for the Group's products has not been affected to a large extent, although there has been a drop in demand during certain periods during the year. Based on these factors, the Group's management believes that the COVID-19 pandemic did not have a material impact on the reported financial results for the year ended 31 December 2021G. The Group continues to closely monitor the development of the pandemic, although the management at this time is not aware of any expected factors that may change the impact of the pandemic on the company's operations during or after 2022G. The Group's management has also conducted an assessment of its ability to continue as a going concern and is convinced that the company has sufficient resources to continue its business in the near future.

### 6.6.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and the going concern concept, except for the following:

- Employees' defined benefits obligations that have been actuarially evaluated and measured at their present value using the projected unit credit method.
- Financial assets carried at fair value through other comprehensive income

#### Display currency and activity

These consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest Saudi Riyal unless otherwise indicated.

### 6.6.3 Basis of consolidation

#### Subsidiaries

Subsidiaries are all entities controlled by the Group. Control is achieved when the Group has rights to the returns, from its involvement in the investee has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

- Power over the investee (i.e., existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over the investee, including:

- The contractual arrangements with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

### Accounting for business combinations involving entities or businesses under common control

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement, the management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretation. Several such bodies have issued guidance, and some allow the pooling of interests' method in accounting for business combinations involving entities under common control.

- The management has adopted the pooling of interest method to account for the business combinations of entities under common control. This method involves the following:
- The assets and liabilities of the combining entities are reflected at their carrying amounts (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is goodwill arising from the difference between the consideration paid and the equity acquired it is reflected directly in the equity.
- The consolidated statement of profit or loss of the combining entities reflects the results of the full year irrespective of when the combination took place.

### Non – controlling interest

NCI are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit and loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost.

### Transactions eliminated on consolidation

Intercompany transactions and balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

## 6.6.4 Summary of significant accounting policies

### Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle.
- held primarily for the purpose of trading.
- expected to be realized within twelve months after the reporting period.
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle.
- it is held primarily for the purpose of trading.
- it is due to be settled within twelve months after the reporting period.
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

### Property, plant and equipment

Property, plant and equipment (except for lands and projects in progress) are stated at cost, net of accumulated depreciation and any accumulated impairment losses, if any. Lands and projects in progress are stated at cost less any accumulated impairment losses, if any. Cost includes all amounts necessary for bringing the asset to the existing location to be ready for its intended use by management. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met, as well as costs incurred during the pre-operating period, less proceeds from sale of experimental production.

When parts of property, plant and equipment are significant in cost compared with total cost of asset, and when these parts/ components have useful lives different from other parts and required to be replaced at intervals, the Group has to recognize such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed (planned or unplanned), its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. This is recorded as a separated part with a useful life equal to the period up to the upcoming planned inspection. The carrying amount of the replaced part is derecognized. In case the upcoming inspection is made before the planned date, any outstanding carrying value for previous inspection is recorded as an expense. Other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation is calculated from the date for which assets are available for their intended use. Self-constructed assets are from the date of completing such assets and be ready for their intended use. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives as follows:

Depreciation is calculated using the straight-line method over the useful lives of the assets as follows:

**Table (79): Useful lives of asset**

Assets	Useful Lives (year)
Buildings	25
Leased buildings	20
Plant and equipment	20 – 30
Strategic spare parts	10
Motor vehicles	4
Furniture & fixtures	4 – 10
Tools	5
Laboratory equipment	10
Computers	10

Source: The consolidated audited financial statements for the fiscal year ending on 31 December 2021G

Lands and projects in progress are not depreciated. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at end of each year.

Any item of property, plant and equipment is derecognized upon disposal or when it is unlikely that any future economic benefits will arise from the continuing use of the assets. Profits and losses resulting from disposal of property, plant and equipment that are retired, sold or unrecognized are identified by comparing the proceeds with carrying amount of an asset and are recognized under "**other income, net**" in the consolidated statement of profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### Intangible assets

Intangible assets are initially recognized at cost less accumulated amortization and impairment losses, if any. Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Amortization is charged to statement of profit or loss by applying the straight-line basis whereby the carrying amount of an asset is amortized over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets (computer software) is 15 years.

The Company accounts for impairment, where indications exist, by reducing the asset's carrying amount to the recoverable amount.

### Impairment of non-financial assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from assets or group of other assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period.

### Contract assets and liabilities

Under IFRS 15, when a party to a contract implements its liabilities, the entity shall present in its statement of financial position, contract assets or liabilities, depending on the relationship between the entity's performance and customer payments. Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred or implemented to the customer.

Contract liabilities are an entity's obligation to transfer goods or perform services for the benefit of the customer for which the entity received consideration (or is entitled to a payment for) from the customer. If the consideration agreed in the contract includes a variable amount, the Company estimates the amount of consideration that the Company is entitled to in exchange for transferring the goods or services agreed upon with the customer.

### Foreign currencies

#### Transactions and balances

Foreign currency transactions are initially recorded by the Group's entities denominated in the functional currency of each of them according to the exchange rate prevailing on the date when the transaction becomes qualified for recognition for the first time. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date.

The differences arising on the settlement or translation of monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income of the Group.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate prevailing at the date of the initial transaction.

#### Translation of the financial statements of the Group's subsidiaries

The results and financial position of foreign operations (dealing in currencies that are not economically inflated) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of assets and liabilities presented for each statement of financial position are translated at the closing rate at the date of statement of financial position.
- Income and expenses for each statement of profit or loss and other comprehensive income are transferred at the average exchange rates (unless the average rate does not nearly reasonably represent the effect of the accumulated exchange rates prevailing on the transaction dates, in which case the income and expenses are translated at the exchange rates on the transaction dates).
- All currency exchange differences are recognized in other comprehensive income.



## Inventories

Inventories include raw materials, work in progress, finished goods, supplies and spare parts that are recorded at the low cost or net realizable value. Work in progress and finished goods inventories include direct materials, direct labors and an appropriate proportion of fixed and variable indirect expenses, the last is recorded on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is considered as the estimated selling price in ordinary course of business, less estimated costs to completion and the estimated costs necessary to complete the sale.

## Financial instruments

### Recognition and initial measurement

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component is initially measured at the transaction price

## Financial assets

### Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions are met:

- a- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### Classification of financial assets

A financial asset shall be measured at fair value of other comprehensive income if both of the following conditions are met:

- a- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

Financial assets	IFRS 9 classification
Cash and bank balances	At amortized cost
Trade receivables	At amortized cost
Due from related parties	At amortized cost
Other non-current assets	At amortized cost

Source: The consolidated audited financial statements for the fiscal year ending on 31 December 2021G

## Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

**Table (80): Accounting policy on the subsequent measurement of financial assets**

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net profit and loss including interest revenue and dividends are recognized in the consolidated statement of profit or loss.
Financial assets at amortized cost	These assets are measured at amortized cost using the effective interest method. Amortized value is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in the statement of income. Any gain or loss on derecognition of an investment is recognized in the consolidated statement of profit or loss.
Financial assets through other comprehensive income (debt investments)	Subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net profits and losses are recognized in other comprehensive income. On derecognition, accumulated profits and losses in other comprehensive income are reclassified to the consolidated statement of profit or loss.
Financial assets through other comprehensive income (investments in equity instruments)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Any profit or loss on derecognition or recognition of investment is recognized in equity and may not be reclassified to the consolidated statement of profit or loss.

Source: The consolidated audited financial statements for the fiscal year ending on 31 December 2021G

## Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

## Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
  - a- The Group has transferred substantially all the risks and rewards of the asset, or
  - b- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

## Impairment of financial assets

IFRS 9 impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and fair value through other comprehensive income, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

## Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from customers are presented separately in the consolidated statement of profit or loss and other comprehensive income.

## Expected credit loss assessment for trade and other receivables

The Group applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD). These are briefly described below:

Loss given default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of default (PD): the likelihood of a default over a particular time horizon.

Exposure at default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Group uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

## Macroeconomic weighted average scenarios

The Group includes macroeconomic factor of GDP to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on likelihood of scenarios is calculated. In the last step, a weighted average lifetime expected credit loss based on the likelihood of the scenarios is determined.

## Definition of default

In the above context, the Group considers default when:

- The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The customer is more than 360 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of comprehensive income. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the consolidated statement of profit or loss.

### Specific provision

Specific provision is recognized on customer-to-customer basis at every reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly includes trade and Accrued expenses and other current liabilities, and Islamic Finance Facilities and Due to related parties.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Financial liabilities	IFRS 9 classification
Trade payables	At amortized cost
Accrued expenses and other current liabilities	At amortized cost
Borrowings	At amortized cost
Due to related parties	At amortized cost

Source: The consolidated audited financial statements for the fiscal year ending on 31 December 2021G

### Derecognition

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Modifications of financial assets and financial liabilities

### Financial assets

If the terms of the financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

### Finance liabilities

The Group derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

### Cash and cash equivalents

For the purpose of presentation of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank balances, short-term deposits, call deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are not subject to significant risk of changes in value.

### Fair value measurement

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

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

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

### Statutory reserve

Statutory reserve is based on statutory requirements, and in accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group is required to set aside 10% of its annual net income to the statutory reserve until such reserve equals 30% of the Group's share capital. This statutory reserve is not available for distribution.

Dividends to the shareholders of the Group

Dividends to the shareholders of the Group are recognized as liability in the consolidated financial statements of the Group in the year in which the dividends are approved by the shareholders of the Group.

## Employees' benefits

### Short-term employees' benefits

Short-term employee's benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees' benefits are payable to all employees employed under the terms and conditions of the labor laws applicable on the Group, on termination of their employment contracts.

### Defined contribution plan

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognizes contribution payable to the GOSI as an expense when due.

### Defined benefit plans (employees' end-of-service benefits)

The Group operates defined benefit plans, under the Saudi Labor Law applicable based on employees' accumulated periods of service at the date of statement of financial position.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Previously, employees' end of service benefits' liability was calculated at the current value of the vested benefits to which the employee was entitled, should his service be terminated at the reporting date.

Re-measurements, comprising of Change in actuarial assumptions and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the statement of profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- The date on which the Group recognizes related restructuring costs
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- net interest expense or income.

## Zakat and income tax

### Zakat

Zakat is Calculated in accordance with regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia on the shares of Saudi shareholders on an accrual basis. The Zakat charge is recognized in the consolidated statement of profit or loss. The differences, if any, resulting from the final assessments are adjusted in the year when assessments are finalized.

### Income tax

Income tax is calculated at the specified rates on the adjusted share of the income of non-Saudi shareholders specified in accordance with the Saudi regulations that are endorsed in the Kingdom of Saudi Arabia and is recognized in the consolidated statement of profit or loss and other comprehensive income.

For subsidiaries incorporated and operating outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with the tax regulations of their respective countries, when it is material.

## Deferred tax

Deferred tax, if any, is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recorded when it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is recognized, or the liability is settled, based on tax rates (and tax rules) that have been enacted or substantively enacted up to the end of the financial period.

The Group considers that both the current and deferred income tax for the foreign subsidiaries is immaterial.

## Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### 1- Right-of-use assets

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

### 2- Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Group has presented separately the right-of-use assets and the lease liabilities in the statement of financial position.

### Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straightline basis over the lease term.

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of liabilities may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as interest expense.

### Revenue recognition

The Group has adopted IFRS 15: "**Revenue from Contracts with Customers**" which was effective from 1 January 2018G.

Revenue is measured based on consideration specified in a contract with a customer, includes unbilled revenue (contract asset) and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The Group assess the services promised in a contract with a customer and identifies as a performance obligation either:

- a- service that is distinct.
- b- series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e., each distinct service is satisfied over the time and the same method is used to measure progress).

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
- b- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.



As the performance obligations where one of the above conditions are met, revenue is recognized over time at which time the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to advances from customer (contract liability).

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The application of IFRS 15 has required management to make the following judgments:

#### **Satisfaction of performance obligations**

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Group has assessed that based on the agreement entered into with the customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognizes revenue over time. Where this is not the case revenue is recognized at a point in time. For sale of goods revenue is generally recognized at point in time.

#### **Determination of transaction prices**

The Group is required to determine the transaction price in respect of each of its agreements with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

#### **Transfer of control in contracts with customers**

In case where the Group determines that performance obligations are satisfied at a point in time, revenue is recognized when control over the assets that is subject of contract is transferred to the customer.

In addition, the application of IFRS 15 has resulted in the following estimation process:

#### **Allocation of transaction price to performance obligation in contracts with customers**

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognized over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include the time elapsed for service contracts.

#### **Other matters to consider**

##### **Variable consideration**

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised goods or services to a customer. The Group estimates the transaction price on contracts with variable consideration using the expected value or most likely amount method. The method is applied consistently throughout the contract and to similar types of contracts.

##### **Significant financing component**

The Group adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component.

## Revenue streams

The Group earns revenue from following sources:

Revenue streams	Revenue recognition
Sale of goods	At point in time
Contract revenue	over the time

Source: The consolidated audited financial statements for the fiscal year ending on 31 December 2021G

## Revenue from sale of goods

Revenue is measured based on consideration specified in the contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when control of the product is transferred to the customer, which happens upon delivery to the customer.

If the consideration promised in a contract includes a variable amount, the Group estimates the fees to which it is entitled in exchange for transferring the promised goods or services to the customer.

## Contract revenue

Revenue from contracts is recognized over time. Revenue is measured and recognized on the percentage of completion method, which is calculated by comparing the actual percentage cost incurred to date to the estimated total cost of each contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances changed. Any resulting increase or decrease in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that lead to the revision become known to the management.

Estimated costs and profits in excess of invoices on incomplete contracts are included in current assets as contract assets, and invoices in excess of costs incurred and estimated profits, if any, are included in current liabilities as contract liabilities.

## Contract costs

Additional costs are recognized to obtain the contract as an expense, unless the Group has reasonable expectation of recovering these costs from its customer, as these costs are explicitly charged to the customers. The Group consumes these costs on a regular basis in conformity with transferring goods or services to a customer.

## Cost of sales

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labors, depreciation and other related general indirect costs. This also includes share of the related common overheads.

## Selling and distribution expenses

This includes any costs incurred to execute or facilitate all sale transactions in the Group. These costs typically include salaries of the sales employees, costs of managing the exhibitions, marketing and distribution expenses, and logistics expenses as well as commissions fees and the like. This includes share of the related general common costs.

## General and administrative expenses

This pertain to operational expenses that are not directly related to the production of any goods or services. This includes share of the related general common costs.

Allocations of common expenses between direct cost, selling and distribution expenses, general and administrative expenses, when required, are made on a consistent basis.

## Finance cost

The finance cost consists of the interest and other costs that an entity incurs in connection with borrowing of allocated funds through the Group, the interest on the employee's end-of-service benefits according to IAS 19 'Employee Benefits', and interest expenses on lease liabilities in accordance with IFRS 16 'Leases'.

All other borrowing costs are recognized in the consolidated statement of income in the year in which they are incurred.

## Segment Reporting

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Group executive management and used to allocate resources to segments and assess their performance. The operating segments described below has been prepared in accordance with IFRS 8. Most of the Group's revenues, profits and assets relate to its operations in Saudi Arabia and arise from Specific business segments. The executive management monitors the operational results of these operating segments continuously for making decisions about resource allocation and performance evaluation. The performance of the segment is evaluated on a profit or loss basis and other performance indicators.

## Earnings per share

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

## Use of Estimates, assumptions and judgements

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

These estimates and assumptions are based upon experience and other various factors that are believed to be reasonable under these circumstances and are used to estimate the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period, if the effect of revision is limited to that period only, or they are recognized in the revision period and future periods if the revision affects both current and future periods.

The key assumption concerning the future and key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year is discussed below:

## Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. An impairment loss reversal is recognized immediately in the consolidated statement of profit or loss.

## Useful life of property, plant and equipment

The management of the Group determines the useful life of property, plant and equipment for calculating depreciation. The estimate is carried out after considering the expected usage of the assets or obsolescence. Management performs periodic review for the estimated useful lives and depreciation method to ensure that depreciation duration and method are consistent with the expected pattern for the economic benefit of the assets.

### Fair value estimation of financial instruments

The Group uses the most observable market inputs when measuring the fair value of an asset or a liability. Fair values are classified in a fair value hierarchy based on the inputs used in the valuation which are shown as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Expected credit loss allowance for trade receivables

The Group uses a provision matrix to calculate expected credit losses of trade receivables. The provision rates are based on days past due for groupings of various customer segments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

### Provision for slow moving and obsolete items

Inventories are stated at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made for their net realizable value. For individually significant amounts, this estimate is made on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of aging or obsolescence.

### Assumptions of employees' benefits obligations

The Group operates an end-of-service benefits plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuations.

Certain actuarial assumptions have been applied as set out in Note 21 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate for the consideration required to settle the present obligation at reporting date taking into account risk and doubts specific to liability. Where the provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When the Company expects some or all of economic benefits that are required to settle a provision of third party to be reimbursed, the accrued amount is recognized as an asset if the reimbursed amount is virtually certain and its value can be reliably estimated.

### Onerous contracts

Current liabilities - arising from onerous contracts - are identified and recognized as provisions. The contract is considered as onerous contract if the Company enters into a contract in which the unavoidable costs of meeting the contractual obligations exceed the financial returns expected to be received under the contract.

### Zakat and income tax

When calculating the Zakat and income tax expense for the current period, the Group has adjusted its net income and applied certain assumptions to the Zakat and income tax base used to calculate the Zakat and income tax expense. However, the Zakat legislations issued by the Zakat, Tax and Customs Authority (“ZATCA”) with respect to these amendments are subject to amendments and interpretations that are subject to change. The Group’s management has provided its best estimates for those assumptions.

### Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

### Going concern

The Group’s management use estimates and assumptions to assess the group’s ability to continue as a going concern, this includes an assessment of any material uncertainties that may cast significant doubt on the group’s ability to continue as a going concern.

The accounting policies used when preparing the interim condensed financial statements for the six-months period ending 30 June 2022G are in line with what is stated in the notes to the financial statements of the Company for the year ended 31 December 2021G. The principal accounting policies have been consistently applied to all periods presented in the consolidated financial statements.

### New standards, amendments to standards and interpretations

There are no new standards issued. However, there are a number of amendments to standards that are effective from 1 January 2022G which are described in the Company’s annual financial statements that have no material impact on the condensed consolidated financial statements of the Company.

The Group applies hedging to all contracts. Starting from 2022G, the Group has applied the accounting for the cash hedging policy for the product of extra high voltage cables after obtaining approvals to manufacture those cables, and the Group has concluded a number of contracts to hedge the risks of changing the prices of raw materials for the manufacture of these cables, which may be long term. However, this has no significant impact on the financial statements, and the adopted policy is as follows.

### Financial instruments

#### Derivatives

The Group maintains financial instruments to hedge its exposure related to commodity price. Upon initial determination of the hedge, the Group documents the relationship between the hedging instrument(s) and the hedged item(s), including the objectives and strategy of risk management in the implementation of the hedge. In addition to the methods that will be used to evaluate the effectiveness of the hedging relationship.

At the inception of the hedge relationship and on an ongoing basis, the Group makes an assessment to identify whether the hedging instrument is expected to be “**highly effective**” in offsetting the changes in fair value or cash flows of the hedged items during the period for which the hedge is determined. The transaction should be highly probable, whether the actual results of each hedge are within the scope of the risk management policy and for the cash flow hedge of the expected transaction.

Derivatives are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as shown below.

### Cash flow hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the defined and qualified derivative is recognized as cashflows hedges in other comprehensive income accumulated in equity. The profit or Loss related to ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (e.g., when the expected sale of the hedged item occurs). The profit or loss related to the effective portion of the value of the commodity is recognized in the statement of profit or loss under **"Cost of revenue"**.

However, when the expected transaction that has been hedged results in recognition of a non-financial asset (for example, inventory), the amounts accumulated are transferred from equity and included in the initial cost measurement. Ultimately, the amounts accumulated are recognized in the cost of inventories.

Upon expiration, termination, sale, or transacting the hedge instrument, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount accumulated remains within equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the profit or loss accumulated that was recognized in equity is transferred to the consolidated statement of profit or loss under **"Revenue or Cost of Revenue."**

### Other Derivatives

When a financial instrument is not classified as a qualifying hedging relationship, all changes in its fair value are recognized immediately in the consolidated statement of income under **"Finance income"** **"Finance cost"**.

## 6.7 Consolidated income statement and comprehensive income

The following table summarizes the Group consolidated income statement and other comprehensive income for the three years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (81): Consolidated income statement and comprehensive income**

SAR in 000s	FY19 (Audited)	FY20 (Audited)	FY21 (Audited)	Var. FY19-FY20	Var. FY20-FY21	CAGR FY19-FY21	H1'21 (Reviewed)	H1'22 (Reviewed)	Var. H1'21-H2'22
Revenue	4,565,676	4,086,816	4,883,444	(10.5%)	19.5%	3.4%	2,235,426	3,252,287	45.5%
Cost of revenue	(4,085,657)	(3,650,439)	(4,420,361)	(10.7%)	21.1%	4.0%	(2,005,336)	(2,958,697)	47.5%
<b>Gross profit</b>	<b>480,019</b>	<b>436,377</b>	<b>463,083</b>	<b>(9.1%)</b>	<b>6.1%</b>	<b>(1.8%)</b>	<b>230,090</b>	<b>293,590</b>	<b>27.6%</b>
Selling and distribution expenses	(97,965)	(87,010)	(91,763)	(11.2%)	5.5%	(3.2%)	(44,605)	(48,404)	8.5%
General and administrative expenses	(85,119)	(84,497)	(79,477)	(0.7%)	(5.9%)	(3.4%)	(41,248)	(49,326)	19.6%
Reversal/ (Allowance) of expected credit loss provision	(33,456)	12,140	8,671	(136.3%)	(28.6%)	na	3,578	-	(100.0%)
Other income / (losses)	15,020	8,600	2,640	(42.7%)	(69.3%)	(58.1%)	1,577	(1,891)	(219.9%)
<b>Income from operations</b>	<b>278,499</b>	<b>285,611</b>	<b>303,154</b>	<b>2.6%</b>	<b>6.1%</b>	<b>4.2%</b>	<b>149,391</b>	<b>193,969</b>	<b>29.8%</b>
Finance costs	(49,619)	(35,351)	(31,781)	(28.8%)	(10.1%)	(20.0%)	(14,671)	(25,505)	73.8%
Profit before zakat and income tax	228,880	250,260	271,373	9.3%	8.4%	8.9%	134,721	168,465	25.0%
Zakat and income tax	(31,875)	(32,137)	(31,376)	0.8%	(2.4%)	(0.8%)	(15,869)	(15,115)	(4.8%)
<b>Profit for the year / period</b>	<b>197,004</b>	<b>218,123</b>	<b>239,997</b>	<b>10.7%</b>	<b>10.0%</b>	<b>10.4%</b>	<b>118,852</b>	<b>153,350</b>	<b>29.0%</b>

SAR in 000s	FY19 (Audited)	FY20 (Audited)	FY21 (Audited)	Var. FY19-FY20	Var. FY20-FY21	CAGR FY19-FY21	H1'21 (Reviewed)	H1'22 (Reviewed)	Var. H1'21-H2'22
<b>Items that can be reclassified to profit or loss:</b>									
Effective portion of hedging contracts - change in fair value	-	-	-	na	na	na	-	(31,901)	na
Foreign operations translation reserve	(297)	175	(835)	(158.9%)	377.1%	na	(86)	-	(100.0%)
<b>Items that will not be reclassified to profit or loss:</b>									
Investments at fair value through other comprehensive income - net change in fair value	-	-	42,759	na	na	na	-	(19,029)	na
Remeasurement of end of service benefit obligations	10,939	388	(8,984)	(96.5%)	(2415.5%)	na	(4,492)	(4,603)	2.5%
<b>Total comprehensive income for the year / period</b>	<b>207,646</b>	<b>218,687</b>	<b>272,937</b>	<b>5.3%</b>	<b>24.8%</b>	<b>14.6%</b>	<b>114,274</b>	<b>97,816</b>	<b>(14.4%)</b>
<b>Key Performance Indicators:</b>									
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	347,042	349,561	368,343	0.7%	5.4%	3.0%	184,110	225,734	22.6%
<b>As a percentage of revenue</b>					<b>percentage point</b>		<b>As a percentage of revenue</b>		<b>percentage point</b>
Gross profit	10.5%	10.7%	9.5%	0.2	(1.2)	(1.0)	10.3%	9.0%	(1.3)
Selling and distribution expenses	2.1%	2.1%	1.9%	0.0	(0.2)	(0.3)	2.0%	1.5%	(0.5)
General and administrative expenses	1.9%	2.1%	1.6%	0.2	(0.4)	(0.2)	1.8%	1.5%	(0.3)
Income from operations	6.1%	7.0%	6.2%	0.9	(0.8)	0.1	6.7%	8.6%	1.9
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	7.6%	8.6%	7.5%	0.9	(1.0)	(0.1)	8.2%	6.9%	(1.3)
Net profit	4.3%	5.3%	4.9%	1.0	(0.4)	0.6	5.3%	4.7%	(0.6)
<b>London Metal Exchange ("LME") price (SAR in thousands)</b>									
Copper	22.5	23.1	34.9	2.7%	51.0%	24.5%	34.1	36.6	7.3%
Aluminum	6.7	6.4	9.3	(5.0%)	45.5%	17.5%	8.4	11.5	36.9%

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements for the period ending 2022G, and management information.

## Revenue

The Group's revenue mainly related to the sale of cables, mainly copper and aluminum conductor cables for a variety of uses and voltages (low, medium, and extra-high voltage cables as well as indoor wires and overhead lines), fiber optics and other revenue comprising of scrap sales and turnkey projects whereby the Group carries out contracting services and installation work on a project basis. Copper cable revenue contributed 77.5%, 73.0% and 78.0% to the total revenue in 2019G, 2020G and 2021G, respectively, while aluminum cable revenue contributed 18.4%, 23.7% and 18.6% to the total revenue in 2019G, 2020G and 2021G, respectively.

The Group's various sales channels comprise: (1) the Saudi Electricity Company ("**SEC**") sales which accounted for 10.2%, 15.6% and 11.5% of the total revenue in 2019G, 2020G and 2021G, respectively, 2) domestic sales (in KSA) comprising of sales to local contractors and subcontractors in the oil and gas sector, residential and commercial projects, governmental or private agencies, as well as the Saudi Electricity Company's contractors and subcontractors, and accounted for 18.3%, 17.7% and 18.4% of the total revenue 2019G, 2020G and 2021G respectively, 3) branches sales comprising local retailers, wholesalers, distributors, small and medium contractors, which accounted for 33.2%, 34.3% and 36.6% of the total revenue in 2019G, 2020G and 2021G respectively, iv) Export sales (outside KSA) which accounted for 36.2%, 32.0% and 31.9% of the total revenue in 2019G, 2020G and 2021G respectively, and 5) turnkey projects which accounted for 2.1%, 0.5% and 1.6% of the total revenue in 2019G, 2020G and 2021G respectively.

Revenue decreased by 10.5% from SAR 4,565.7 million in 2019G to SAR 4,086.8 million in 2020G, mainly driven by the impact of COVID-19 on most sales channels, namely export sales (which decreased by SAR 348.8 million), branches' sales (which decreased by SAR 113.3 million), domestic sales (which decreased by SAR 110.7 million), and turnkey projects (which decreased by SAR 76.4 million) during the 2019G and 2020G period, whereby the decrease was mainly driven by projects that were either halted or postponed to 2021G given the market wide economic uncertainty of the COVID-19 pandemic.

The drop was offset by the increase in revenue from the Saudi Electricity Company (which increased by SAR 170.3 million over the same period) mainly due to aluminum orders in line with the increased number of confirmed orders in 2020G. Management attributed this exceptional increase to SEC confirming larger quantities in 2020G amidst the market conditions during the COVID-19 pandemic noting that the Group was prepared to fulfil such large quantities given its strategic stocking of raw materials and finished goods.

Revenue increased by 19.5% from SAR 4,086.8 million in 2020G to SAR 4,883.4 million in 2021G, mainly as a result of the increase in the average London Metal Exchange ("**LME**") copper ton price by 51.0% from SAR 23.1 thousand in 2020G to SAR 34.9 thousand in 2021G, and the average London Metal Exchange ("**LME**") aluminum ton price by 45.5% from SAR 6.4 thousand in 2020G to SAR 9.3 thousand in 2021G, offset by a decrease in the quantities of copper sold from 97.5 thousand tons to 90.5 thousand tons, and a decrease in the quantities of aluminum sold from 64.4 thousand tons to 47.9 thousand tons during the same period.

Revenue increased by 45.5% from SAR 2,235.4 million in the six-month period ending 30 June 2021G to SAR 3,252.3 million in the six-month period ending 30 June 2022G as a result of an increase in the quantities of copper sold from 42.4 thousand tons to 50.4 thousand tons and the quantities of aluminum sold from 27.6 thousand tons to 35.4 thousand tons, coupled with the increase in the average selling price of copper and aluminum products in line with the increase in the average LME copper price per ton that increased by 7.3% from SAR 34.1 thousand to SAR 36.6 thousand, and the average "**LME**" aluminum price per ton by 36.9% from SAR 8.4 thousand to SAR 11.5 thousand during the same period.

## Cost of revenue

Cost of revenue relates to raw material costs, labor costs, depreciation, and maintenance expenses among others. The cost of revenue decreased by 10.7% from SAR 4,085.7 million in 2019G to SAR 3,650.4 million in 2020G, in line with the decrease in quantities sold during the same period coupled with the decrease in the copper average cost price per ton by 1.5% from SAR 25.9 thousand in 2019G SAR 25.5 thousand in 2020G due to a change in the mix of raw materials used in manufacturing during the period. This was offset by an increase in labor costs (which increased by about SAR 8.6 million) as a result of the increase in the number of employees (by 66 employees) that was needed mainly for the testing and production of the new product "**extra high voltage**" cable, which was launched in 2021G, and the increased number of orders from SEC in 2020G. It is worth noting that a capitalization of employee costs occurred in 2019G amounting to SAR 4.0 million in connection with employees engaged in the implementation of SAP system that went live in 2020G.

The cost of revenue increased by 21.1% from SAR 3,650.4 million in 2020G to SAR 4,420.4 million in 2021G, mainly as a result of the increase in the cost of copper (which increased by around SAR 857.5 million) in line with the increase in the average "**LME**" copper price per ton by 51.0% from SAR 23.1 thousand to SAR 34.9 thousand during the same period, while the quantities sold of copper products decreased from 97.5 thousand tons to 90.5 thousand tons. This was offset by a decrease in the cost of oil, fuel and electricity costs from SAR 39.0 million to SAR 38.6 million following the completed connection to the electricity network of many factories of the Group, which led to a shift from the use of generators that require the purchase of fuel to the use of electricity.



The cost of revenue increased by 47.5% from SAR 2,005.3 million in the six-month period ending 30 June 2021G to SAR 2,958.7 million in the six-month period ending 30 June 2022G, mainly as a result of the increase in the cost of copper (which increased by SAR 597.0 million) and aluminum (which increased by around SAR 181.1 thousand) in line with the increase in revenue and the increase in the average "LME" copper price per ton by 7.3% from SAR 34.1 thousand to SAR 36.6 thousand and the average "LME" aluminum price per ton by 36.9% from SAR 8.4 thousand to SAR 11.5 thousand during the same period. In addition, labor costs increased by SAR 9.9 million as a result of overtime and the increase in the number of employees from 2,561 to 2,764 employees to meet the high demand witnessed in the six-month period ending 30 June 2022G, compared to the six-month period ending 30 June 2021G.

### Gross profit

The Group monitors profitability in absolute value which is the contribution profit determined by the Group for each product sold, as a result of the different types and specifications of cables catering specific orders, where the Group adjusts the sales mix to focus on products with the highest profit margins whenever possible.

Gross profit decreased by 9.1% from SAR 480.0 million in 2019G to SAR 436.4 million in 2020G, due to the decrease in revenue in light of the COVID-19 pandemic in addition to the decrease in the aluminum gross profit per ton from SAR 2.0 thousand to SAR 1.6 thousand during the same period as a result of the shift in the sales mix towards low and medium voltage cables (which has a lower average selling price per ton than high voltage cables). In addition, labor costs increased in response to the additional production required for the testing of the extra high voltage cables coupled with the increased demand from the Saudi Electricity Company. Despite the decrease in the absolute value of the gross profit, the gross profit margin increased slightly from 10.5% to 10.7% during the same period driven by the increase of copper gross profit per ton from SAR 2.9 thousand to SAR 3.3 thousand coupled with the decrease in depreciation expenses from SAR 63.8 million to SAR 53.7 million as a result of disposals during the same period.

Gross profit increased by 6.1% from SAR 436.4 million in 2020G to SAR 463.1 million in 2021G driven by the increase in revenue and the change in the sales mix, coupled with an increase in the average copper "LME" price per ton by 51.0% from SAR 23.1 thousand to SAR 34.9 thousand and the average aluminum "LME" price per ton by 45.5% from SAR 6.4 thousand to SAR 9.3 thousand during the same period, which contributed to an increase in the copper gross profit per ton from SAR 3.3 thousand to SAR 3.6 thousand and aluminum gross profit per ton from SAR 1.6 thousand to SAR 2.5 thousand during the same period, coupled with the reversal of provisions amounting to SAR 27.8 million related to onerous contracts. Nonetheless, gross margin decreased from 10.7% in 2020G to 9.5% in 2021G, due to the high cost of raw materials in line with the increase in the price of metals in the market.

Gross profit increased by 27.6% from SAR 230.1 million in the six-month period ending 30 June 2021G to SAR 293.6 million in the six-month period ending 30 June 2022G as a result of an increase in revenue by 45.5% from SAR 2,235.4 million in the six-month period ending 30 June 2021G to SAR 3,252.3 million in the six-month period ending 30 June 2022G, in line with the increase in the average copper and aluminum "LME" price per ton. Gross profit margin decreased from 10.3% in the six-month period ending 30 June 2021G to 9.0% in the six-month period ending 30 June 2022G due to the increase in the cost of raw materials in line with the increase in the average price of metals in the market coupled with the change in the sales mix.

### Selling and distribution expenses

Selling and distribution expenses mainly relate to salaries and staff related benefits, cargo charges and sales commissions, among others, which accounted for 2.1% of the revenue in 2019G and 2020G and 1.9% of revenue in 2021G.

Selling and distribution expenses decreased by 11.2% from SAR 98.0 million in 2019G to SAR 87.0 million in 2020G, due to the decrease in cargo charges (which decreased by SAR 2.4 million) and sales commissions (which decreased by SAR 2.9 million in line with the decrease in revenue over the same period) and advertising and showroom expenses (which decreased by SAR 2.4 million due to government restrictions on social gatherings in light of the COVID-19 pandemic, which led to the cancellation of the annual exhibition in which the Group participates in at an average cost of SAR 2.0 million).

Selling and distribution expenses increased by 5.5% from SAR 87.0 million in 2020G to SAR 91.8 million in 2021G, due to an increase in sales commissions (which increased by around SAR 2.2 million) in line with the increase in revenue, in addition to the increase in inspection and quality testing expenses (which increased by around SAR 2.4 million) due to the expansion to new markets and the testing of the 'extra high voltage cables' that were launched for sale in 2021G.

Selling and distribution expenses increased by 8.5% from SAR 44.6 million in the six-month period ending 30 June 2021G to SAR 48.4 million in the six-month period ending 30 June 2022G due to the increase in advertising and showroom expenses (which increased by SAR 1.7 million) as a result of the resumed annual exhibition in which the Group participates in, which was canceled in 2021G due to government restrictions on social gatherings in light of the COVID-19 pandemic, coupled with the increase in inspection and quality testing expenses (which increased by around SAR 1.2 million) and mainly related to expansion to new markets and the testing of the 'extra high voltage cables' that were launched for sale in 2021G.

### General and administrative expenses

General and administrative expenses mainly comprised salaries and employees related benefits, legal and professional fees, and depreciation expenses among others, and accounted for 1.9%, 2.1% and 1.6% of revenue in 2019G, 2020G and 2021G, respectively.

General and administrative expenses decreased by 0.7% from SAR 85.1 million in 2019G to SAR 84.5 million in 2020G, due to a decrease in professional and legal fees (which decreased by SAR 7.2 million) as a result of non-recurring advisory services provided by "McKinsey and Co" in 2019G, which was offset by an increase in salaries and employees' related benefits (which increased by around SAR 2.8 million), depreciation expenses (which increased by SAR 2.7 million) and other expenses (which increased by SAR 2.4 million).

General and administrative expenses decreased by 5.9% from SAR 84.5 million in 2020G to SAR 79.5 million in 2021G, mainly due to a decrease in salaries and employees' related benefits (which decreased by around SAR 5.3 million) as a result of a decrease in the average monthly employee cost from SAR 13,767 to SAR 10,882 during the same period despite the increase in the number of employees by 57 employees since were hired during the fourth quarter of 2021G.

General and administrative expenses increased by 19.6% from SAR 41.2 million in the six-month period ending 30 June 2021G to SAR 49.3 million in the six-month period ending 30 June 2022G due to an increase in employee salaries and employees' related benefits (which increased by SAR 7.7 million) following the appointment of executive and administrative staff at the end of the year 2021G, which contributed to an increase in the average employee monthly cost from SAR 11,705 to SAR 13,304, in addition to the increase in the number of employees from 400 to 449 employees during the same period.

### Reversal / (allowance) for expected credit losses

An allowance for credit loss is recorded based on IFRS 9 expected credit losses model.

Provisions for expected credit losses amounting to SAR 33.5 million were recorded in 2019G and were reversed in 2020G and 2021G, amounting to SAR 12.1 million and SAR 8.7 million, respectively, due to the settlement of overdue balances by some customers.

Provisions for expected credit losses amounting to SAR 3.6 million were reversed in the six-month period ending on 30 June 2021G due to the settlement of overdue balances by some customers.

Other income / (losses)

Other income mainly relates to gain/(loss) from sale of fixed assets and foreign currency exchange, among others.

Other income decreased by 42.7% from SAR 15.0 million in 2019G to SAR 8.6 million in 2020G, mainly due to the increase in foreign exchange losses by SAR 5.9 million. In 2021G, other revenue amounted to SAR 2.6 million, mainly comprising scrap sales and the clearing of old balances.

Other income decreased by 219.9% from an income of SAR 1.6 million in the six-month period ending 30 June 2021G to losses amounting to SAR 1.9 million in the six-month period ending 30 June 2021G mainly as a result of foreign exchange losses amounting to SAR 5.5 million, offset by gains from investments through other comprehensive income amounting to SAR 2.3 million and other miscellaneous gains which increased by SAR 0.5 million during the same period.

### Finance costs

Finance costs mainly relate to interest and commission, as well as interest on employees' defined benefit obligations and lease liabilities.

Finance costs decreased by 28.8% from SAR 49.6 million in 2019G to SAR 35.4 million in 2020G due to the decrease in bank interest (which decreased by around SAR 15.6 million), as a result of the decrease in Islamic borrowing balances and the SIBOR rate during the same period.

Finance costs decreased by 10.1% from SAR 35.4 million in 2020G to SAR 31.8 million in 2021G, driven by a decrease in bank interest (which decreased by SAR 2.2 million) in line with the decrease in the SIBOR rate during the same period.

Finance costs increased by 73.8% from SAR 14.7 million in the six-month period ending on 30 June 2021G to SAR 25.5 million in the six-month period ending 30 June 2022G due to the increase in bank interest and commissions (which increased by SAR 8.5 million and SAR 2.4 million respectively) as a result of the increase in Islamic borrowing balances during the same period.

### Zakat and income tax

Zakat is provided for in accordance with regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia on an accrual basis and an expense related to Zakat is recorded in the consolidated income statement. Adjustments to differences, if any, arising from the final returns are adjusted in the year of completion. Income tax is also calculated at the specified rates on the adjusted share of the income of foreign shareholders determined in accordance with the Saudi regulations. It is included in the consolidated statement of profit or loss and other comprehensive income. For subsidiaries that are incorporated and operate outside the Kingdom, the tax provision is calculated according to the tax regulations of their respective countries when it is material.

The Group obtained a Zakat certificate for the year 2021G, valid until 30 April 2023G. Zakat expense has been relatively stable at around SAR 32 million in 2019G, 2020G and 2021G. It is worth noting that the Group received a final assessment until 31 December 2015G, and the assessments for the years 2016G to 2021G are still under review by the Zakat, Tax and Customs Authority. It is worth noting that the Group received from the Zakat, Tax and Customs Authority a claim amounting to SAR 36.9 million, which relates to an initial assessment for the year 2016G.

Zakat expense remained relatively stable at around SAR 15.5 million in the six-month period ending 30 June 2021G and 30 June 2022G.

### Profit for the year / period

Net profit increased by 10.7% from SAR 197.0 million in 2019G to SAR 218.1 million in 2020G, mainly driven by a reversal of expected credit loss provisions from a provision of SAR 33.5 million in 2019G to a reversal amounting to SAR 12.1 million in 2020G, coupled with the decrease in finance costs (which decreased by SAR 15.3 million) and depreciation expenses (which decreased by SAR 4.6 million) during the same period. This was offset by a 9.1% decrease in gross profit from SAR 480.0 million in 2019G to SAR 436.4 million in 2020G, in line with the decrease in revenue in light of the COVID-19 pandemic and the drop in the aluminum gross profit per ton from SAR 2.0 thousand to SAR 1.6 thousand during the same period as a result of the change in the sales mix (low and medium voltage cables). Net profit margin increased from 4.3% in 2019G to 5.3% in 2020G.

Net profit increased by 10.0% from SAR 218.1 million in 2020G to SAR 240.0 million in 2021G, in line with the increase in revenue from SAR 4,086.8 million in 2020G to SAR 4,883.4 million in 2021G and gross profit mainly as a result of the change in sales mix. Despite this increase, net profit margin decreased from 5.3% in 2020G to 4.9% in 2021G, mainly driven by the increase in the average copper and aluminum “LME” prices.

Net profit increased by 29.0% from SAR 118.9 million in the six-month period ending 30 June 2021G to SAR 153.4 million in the six-month period ending 30 June 2022G in line with the increase in revenue from SAR 2,235.4 million to SAR 3,252.3 million and gross profit during the same period, offset by an increase in operating costs, finance costs and foreign exchange losses. Despite this increase, net profit margin decreased from 5.3% in the six-month period ending 30 June 2021G to 4.7% in the six-month period ending 30 June 2022G mainly driven by the increase in the average copper and aluminum “LME” prices.

### Effective portion of hedging contracts - change in fair value

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the defined and qualified derivative is recognized as cashflows hedges in other comprehensive income accumulated in equity. The profit or loss related to ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (e.g., when the expected sale of the hedged item occurs). The profit or loss related to the effective portion of the value of the commodity is recognized in the statement of profit or loss under “**Cost of revenue**”.

However, when the expected transaction that has been hedged results in recognition of a non-financial asset (for example, inventory), the amounts accumulated are transferred from equity and included in the initial cost measurement. Ultimately, the amounts accumulated are recognized in the cost of inventories.

Upon expiration, termination, sale, or transacting the hedge instrument, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount accumulated remains within equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the profit or loss accumulated that was recognized in equity is transferred to the consolidated statement of profit or loss under “**Revenue or Cost of Revenue**”.

The Group adopted a comprehensive system for measuring and managing risks. Part of the risk management process is related to managing the Group’s exposure to fluctuations in raw material prices to limit its exposure to inventory price fluctuation risk to acceptable levels as determined by the Board of Directors.

The Group uses commodity future contracts to hedge against price fluctuations of copper, aluminum and lead. The purpose and details of the hedging strategy are documented, and the change in value of hedging instruments are accounted for in the profit and loss and other comprehensive income statement at fair value.

The Group purchases copper and lead on an ongoing basis as its operating activities require continuous supplies of these materials. The increased volatility in the prices of these materials has led Management to enter into future contracts in the beginning of 2022G for materials used to produce extra high voltage cables. The effective portion of the hedging contracts amounted to a loss amounting to SAR 31.9 million in the six-month period ending 30 June 2022G due to the decrease in the fair value of the hedging contracts and the cash flows of the hedged items during the period.

#### **Foreign operations translation reserve**

The foreign exchange reserve relates to a reserve taken for non-pegged currencies such as the Iraqi dinar and the Egyptian pound. The foreign exchange reserve increased by 158.9% from a loss of SAR 297 thousand in 2019G to a profit of SAR 175 thousand in 2020G due to fluctuations in the exchange rates of the Iraqi dinar to Saudi riyals.

The foreign exchange reserve loss amounted to SAR 835 thousand in 2021G, due to fluctuations in the exchange rates of the Iraqi dinar into Saudi riyals.

The foreign exchange reserve loss amounted to SAR 86 thousand in the six-month period ending 30 June 2021G, due to fluctuations in the exchange rates of the Iraqi dinar to Saudi riyals.

#### **Investments at fair value through other comprehensive income - net change in fair value**

The net fair value change for equity investments at fair value amounted to SAR 42.8 million in 2021G, mainly representing the increase in the share price of the "Natural Gas Distribution Company" after its listing in the Saudi parallel market, "Nomu".

The net change in the fair value of equity investments at fair value amounted to a loss of SAR 19.0 million in the six-month period ending 30 June 2022G, as a result of the decrease in the share price of the "Natural Gas Distribution Company".

#### **Remeasurement of end of service benefits obligations**

Gain / (loss) from remeasurement of employee retirement benefit obligations decreased by 96.5% from SAR 10.9 million in 2019G to SAR 388 thousand in 2020G to a loss of SAR 9.0 million in 2021G due to changes in actuarial assumptions.

Gain / (loss) from remeasurement of employee retirement benefit obligations increased by 2.5% from a loss of SAR 4.5 million in the six-month period ending on 30 June 2021G to a loss of SAR 4.6 million in the six-month period ending on 30 June 2022G due to changes in actuarial assumptions.

#### **Total comprehensive income for the year / period**

Total comprehensive income increased by 5.3% from SAR 207.6 million in 2019G to SAR 218.7 million in 2020G, as a result of an increase in net profit by SAR 21.1 million over the same period, offset by a decrease in the gain from re-measurement of employee benefit obligations by SAR 10.6 million. Total comprehensive income increased by 24.8% from SAR 218.7 million in 2019G to SAR 272.9 million in 2021G, in line with the increase in net profit and an increase in the fair value of investments.

Total comprehensive income decreased by 14.4% from SAR 114.3 million in the six-month period ending 30 June 2021G to SAR 97.8 million in the six-month period ending 30 June 2022G due to a loss in equity investments at fair value through other comprehensive income, offset by an increase in net profit during the same period.

### A- Revenue by subsidiary

The following table summarizes the revenue by subsidiary for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (82): Revenue by subsidiary**

SAR in thousands	Fiscal year 2019G (Management Information)	Fiscal year 2020G (Management Information)	Fiscal year 2021G (Management Information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Management Information)	Six-month period ending 30 June 2022G (Management Information)	30 June 2021G-2022G variance
The Company	855,958	1,379,468	1,448,530	61.2%	5.0%	30.1%	644,750	1,094,087	69.7%
Saudi Modern Company for Metals, Cables, and Plastic Industry	1,470,333	667,810	899,996	(54.6%)	34.8%	(21.8%)	456,136	620,579	36.1%
Saudi Modern Company for Specialized Wires and Cables Industry	1,514,763	1,405,430	1,789,194	(7.2%)	27.3%	8.7%	818,481	1,069,284	30.6%
Saudi Modern Company for Telephone Cables Industry	54,869	34,992	21,507	(36.2%)	(38.5%)	(37.4%)	8,910	10,091	13.2%
Riyadh Cables Company and its subsidiaries	930,122	747,293	1,053,636	(19.7%)	41.0%	6.4%	494,511	683,179	38.2%
<b>Riyadh Cables Company</b>	<b>96,767</b>	<b>20,388</b>	<b>79,534</b>	<b>(78.9%)</b>	<b>290.1%</b>	<b>(9.3%)</b>	<b>40,788</b>	<b>25,790</b>	<b>(36.8%)</b>
<b>National Cables Industry Company</b>	<b>833,355</b>	<b>726,905</b>	<b>974,102</b>	<b>(12.8%)</b>	<b>34.0%</b>	<b>8.1%</b>	<b>453,722</b>	<b>657,389</b>	<b>44.9%</b>
Saudi Modern Company for Cables Limited*	26,431	21,530	21,245	(18.5%)	(1.3%)	(10.3%)	11,070	11,231	1.5%
<b>Gross total</b>	<b>4,852,475</b>	<b>4,256,524</b>	<b>5,234,107</b>	<b>(12.3%)</b>	<b>23.0%</b>	<b>3.9%</b>	<b>2,433,858</b>	<b>3,488,452</b>	<b>43.3%</b>
Eliminations	(286,799)	(169,708)	(350,663)	(40.8%)	106.6%	10.6%	(198,431)	(236,165)	19.0%
<b>Net total</b>	<b>4,565,676</b>	<b>4,086,816</b>	<b>4,883,444</b>	<b>(10.5%)</b>	<b>19.5%</b>	<b>3.4%</b>	<b>2,235,426</b>	<b>3,252,287</b>	<b>45.5%</b>
<b>Consolidated revenue by companies after excluding consolidation-related adjustments</b>									
The Company	855,958	1,325,067	1,382,135	54.8%	4.3%	27.1%	627,798	1,040,350	65.7%
Saudi Modern Company for Metals, Cables and Plastic Industry	1,219,919	578,021	679,940	(52.6%)	17.6%	(25.3%)	308,017	472,049	53.3%

SAR in thousands	Fiscal year 2019G (Management Information)	Fiscal year 2020G (Management Information)	Fiscal year 2021G (Management Information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Management Information)	Six-month period ending 30 June 2022G (Management Information)	30 June 2021G-2022G variance
Saudi Modern Company for Specialized Wires and Cables Industry	1,514,763	1,401,443	1,787,386	(7.5%)	27.5%	8.6%	817,144	1,067,908	30.7%
Saudi Modern Company for Telephone Cables Industry	54,869	34,992	12,468	(36.2%)	(64.4%)	(52.3%)	6,460	4,651	(28.0%)
Riyadh Cables Company and its subsidiaries	920,168	747,293	1,021,515	(18.8%)	36.7%	5.4%	476,007	667,329	40.2%
<b>Total</b>	<b>4,565,676</b>	<b>4,086,816</b>	<b>4,883,444</b>	<b>(10.5%)</b>	<b>19.5%</b>	<b>3.4%</b>	<b>2,235,426</b>	<b>3,252,287</b>	<b>45.5%</b>
As a percentage of total revenue				As a percentage of total revenue			Percentage points		Percentage points
The Company	18.7%	32.4%	28.3%	13.7	(4.1)	9.6	28.1%	32.0%	3.9
Saudi Modern Company for Metals, Cables and Plastic Industry	26.7%	14.1%	13.9%	(12.6)	(0.2)	(12.8)	13.8%	14.5%	0.7
Saudi Modern Company for Specialized Wires and Cables Industry	33.2%	34.3%	36.6%	1.1	2.3	3.4	36.6%	32.8%	(3.7)
Saudi Modern Company for Telephone Cables Industry	1.2%	0.9%	0.3%	(0.3)	(0.6)	(0.9)	0.3%	0.1%	(0.1)
Riyadh Cables Company and its subsidiaries	20.2%	18.3%	20.9%	(1.9)	2.6	0.8	21.3%	20.5%	(0.8)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

Source: Management information

\* The revenue generated by the Saudi Modern Cables Company represent the maintenance services of the Group's facilities, which are fully eliminated at consolidation

It is worth noting that the individual and separate results of the subsidiaries are less relevant than the level of the consolidated results of the Group, whereby Management focuses on improving the results of the Group without focusing on growing the sales of each subsidiary separately. As a result, the sales and profits of the Group and its individual subsidiaries may change significantly over the years as the decrease in sales or profits of one subsidiary is offset by an increase in the sales or profits of another subsidiary during the same period.

## Company

The company targets the domestic sector including subcontractors that are working for projects and tenders for SEC and non-SEC related projects.

The company's revenue increased by 54.8% from SAR 856.0 million in 2019G to SAR 1,325.1 million in 2020G, as 2020G included sales to the Saudi Electricity Company, which were previously recognized through Saudi Modern Company for Metals, Cables, and Plastic Industry, coupled with an increase in sales to the Saudi Electricity Company, which primarily relate to aluminum products in line with the increase in the number of confirmed orders via supply agreements with the Saudi Electricity Company. This was considered as an exceptional increase in 2020G in light of the COVID-19 pandemic. A noticeable and significant increase in the number of orders from customers in unusual quantities and with rapid supply was witnessed during this period whereby the Group was willing to cater for the requested large quantities in line with the Group's strategy to provide a stock of raw materials and other industrial materials.

Revenue increased by 4.3% from SAR 1,325.1 million in 2020G to SAR 1,382.1 million in 2021G, driven by the revenue generated from the extra high voltage cables that were launched for sale in 2021G, and contributed to an increase of SAR 98.5 million, coupled with an increase in aluminum and copper 'LME' prices during the same period.

The company's revenue increased by 65.7% from SAR 627.8 million in the six-month period ending 30 June 2021G to SAR 1,040.4 million in the six-month period ending 30 June 2022G, mainly due to the increase in the sales to the Saudi Electricity Company, which increased by SAR 303.1 million following the completed delivery of orders related to the tenders won by the Group in the years 2020G and 2021G, coupled with the increase in the quantities sold of low voltage and medium voltage cables to the domestic market in response to the competitive prices offered by the Group for these copper products during the period.

### Saudi Modern Company for Metals, Cables, and Plastic Industry

Saudi Modern Company for Metals, Cables, and Plastic Industry is the manufacturing hub of the Group as it maintains the main manufacturing facilities for smelting raw materials. Saudi Modern Company for Metals, Cables, and Plastic Industry manufactures products to most of its subsidiaries and supports Riyadh Cables Group and its subsidiaries with export sales mainly to the United Arab Emirates, Qatar, Oman, Kuwait, and Egypt.

Saudi Modern Company for Metals, Cables and Plastic Industry revenue decreased by 52.6% from SAR 1,219.9 million in 2019G to SAR 578.0 million in 2020G, as a result of the decrease in the quantities sold of copper and aluminum products from 61.4 thousand tons to 22.9 thousand tons, as 2019G included sales to the Saudi Electricity Company which were transferred to become exclusive under Riyadh Cables Group Company in 2020G.

Saudi Modern Company for Metals, Cables and Plastic Industry revenue increased by 17.6% from SAR 578.0 million in 2020G to SAR 679.9 million in 2021G driven by the increase in the average copper and aluminum "LME" prices during the same period, offset by a slight decrease in the quantities sold of copper products from 15.6 thousand tons to 14.5 thousand tons, and the quantities sold of aluminum products from 7.3 thousand tons to 3.7 thousand tons during the same period.

Saudi Modern Company for Metals, Cables and Plastic Industry revenue increased by 53.3% from SAR 308.0 million in the six-month period ending 30 June 2021G to SAR 472.0 million in the six-month period ending 30 June 2022G due to an increase in the quantities sold of copper products from 6.3 thousand tons to 10.1 thousand tons mainly as a result of the increase in export sales due to the increase in the quantities sold of low and medium voltage cables to clients in the UAE and foreign markets, coupled with increase in the average copper and aluminum "LME" prices during the same period.

### Saudi Modern Company for Specialized Wires and Cables Industry

Saudi Modern Company for Specialized Wires and Cables Industry mainly focuses on the branches sales channel and comprises of 18 branches across KSA which mainly target wholesalers, small to medium sized contractors as well as individual end-users.

Saudi Modern Company for Specialized Wires and Cables Industry revenue decreased by 7.5% from SAR 1,514.8 million in 2019G to SAR 1,401.4 million in 2020G, as a result of the decrease in copper cable sales (which decreased by around SAR 111.9 million) due to the general decline in the sales to the retail sector in 2020G in-light-of the COVID-19 pandemic.

Saudi Modern Company for Specialized Wires and Cables Industry revenue increased by 27.5% from SAR 1,401.4 million in 2020G to SAR 1,787.4 million in 2021G, despite the decrease in copper cable sales by around 2.1 thousand tons. The increase in sales is attributed to the increase in the average copper and aluminum "LME" prices during the same period.

Saudi Modern Company for Specialized Wires and Cables Industry revenue increased by 30.7% from SAR 817.1 million in the six-month period ending 30 June 2021G to SAR 1,067.9 million in the six-month period ending 30 June 2022G mainly due to the increase in copper revenue by SAR 246.4 million mainly low voltage cables, as a result of the increase in sales in response to the competitive prices offered by the company during the period, in addition to an increase in the average prices of products in line with the increase in the average "LME" prices per ton during the same period.



### Saudi Modern Company for Telephone Cables Industry

Saudi Modern Company for Telephone Cables Industry revenue mainly depend on demand from Saudi Telecom Company ("STC") and Saudi Electricity Company ("SEC"), which is dependent on expansions and new construction sites that require copper telephone cables or fiber optic cables.

Saudi Modern Company for Telephone Cables Industry revenue decreased by 36.2% from SAR 54.9 million in 2019G to SAR 35.0 million in 2020G, due to the decrease in copper sales related to copper telephone cables (which decreased by around SAR 11.6 million), in addition to the decrease in fiber optic cable sales by around SAR 8.2 million during the same period.

Saudi Modern Company for Telephone Cables Industry revenue decreased by 64.4% from SAR 35.0 million in 2020G to SAR 12.5 million in 2021G due to the decrease in sales of fiber optic cables (which decreased by SAR 19.9 million) and copper telephone cables by around SAR 2.6 million, mainly due to the slowdown in the existing projects from "STC".

Saudi Modern Company for Telephone Cables Industry revenue decreased by 28.0% from SAR 6.5 million in the six-month period ending 30 June 2021G to SAR 4.6 million in the six-month period ending 30 June 2022G, as the company did not record any sales related to copper telephone cables in the six-month period ended 30 June 2022G mainly due to the completion of the existing projects from "STC".

### Riyadh Cables Company and its subsidiaries

Riyadh Cables Company and its subsidiaries revenue are represented by the sales of two companies (1) The National Cable Manufacturing Company in the United Arab Emirates, and (2) Al Rowad Company in Iraq owned by the National Cable Industry Company.

Riyadh Cables Company and its subsidiaries revenue decreased by 18.8% from SAR 920.2 million in 2019G to SAR 747.3 million in 2020G as a result of the decrease in revenue from copper cable sales due to the delivery of some existing projects mainly related to electricity and water companies such as Dubai Electricity and Water Authority ("DEWA"), Sharjah Electricity and Water Authority ("SEWA") in the United Arab Emirates and existing projects in Iraq.

Riyadh Cables Company and its subsidiaries revenue increased by 36.7% from SAR 747.3 million in 2020G to SAR 1,021.5 million in 2021G as a result of the increase in the average copper and aluminum "LME" price per ton, coupled with undertaking new projects in the United Arab Emirates during the same period.

Riyadh Cables Company and its subsidiaries revenue increased by 40.2% from SAR 476.0 million in the six-month period ending 30 June 2021G to SAR 667.3 million in the six-month period ending 30 June 2022G mainly due to the increase in export sales to the United Arab Emirates (which increased by around SAR 127.8 million) and to Iraq (which increased by SAR 37.6 million) during the same period, in addition to the increase in the average copper and aluminum "LME" prices per ton during the same period.

### B- Revenue by type

The following table summarizes the revenue by type for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (83): Revenue by type**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Management Information)	Six-month period ending 30 June 2022G (Management Information)	30 June 2021G-2022G variance
Goods transferred at a point in time	4,468,909	4,076,598	4,803,910	(8.8%)	17.8%	3.7%	2,194,243	3,226,497	47.0%
Contract revenue over time during the contract period*	96,767	10,218	79,534	(89.4%)	678.4%	(9.3%)	40,788	25,790	(36.8%)
<b>Total</b>	<b>4,565,676</b>	<b>4,086,816</b>	<b>4,883,444</b>	<b>(10.5%)</b>	<b>19.5%</b>	<b>3.4%</b>	<b>2,235,031</b>	<b>3,252,287</b>	<b>45.5%</b>
<b>as a percentage of the total</b>				<b>percentage point</b>			<b>as a percentage of the total</b>		<b>percentage point</b>
Goods transferred at a point in time	97.9%	99.7%	98.4%	1.9	(1.4)	0.5	98.2%	99.2%	1.0



SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Management Information)	Six-month period ending 30 June 2022G (Management Information)	30 June 2021G-2022G variance
Contract revenue over time during the contract period	2.1%	0.3%	1.6%	1.9	(1.4)	0.5	1.8%	0.8%	(1.0)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0</b>

Source: The consolidated audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and management Information

\* Contract revenue presented in the consolidated audited financial statements differs from the turnkey projects revenue presented by management in subsequent tables as a result of the consolidation.

The Group's revenue mainly comprised of sale of goods which mainly includes low, medium and high voltage copper and aluminum cables, in addition to contract revenue which mainly generated from turnkey projects related to excavation, installation and supply of accessories.

### Goods transferred at a point in time

Revenue is measured based on considerations specified in the contracts with the customers. The Group recognizes revenue when the product is delivered to the customer on delivery date. If the consideration promised in the contract includes a variable amount, the Group estimates what fees it is entitled to in exchange for transferring the promised goods or services to the customer. The details of revenue from the sale of goods by metal (copper or aluminum) and by voltage (low, medium or high) are explained later under the subsection "revenue by metal type" and the subsection "revenue by voltage type".

### Contract revenue over time during the contract period

Revenue from contracts is recognized over time. Revenue is measured and recognized using the percentage of completion method, which is calculated by comparing the actual percentage cost incurred to date to the estimated total cost of each contract. A reversal of any increase or decrease in the estimates of revenue or costs or completion time is recognized if conditions change. Any increase or decrease in the estimated revenue or costs is reflected in the profit or loss statement in the period when the circumstances giving rise to the audit become known to Management. Estimated costs and profits in excess of incomplete billed contracts are recognized in current assets as contract assets, whereas bills in excess of costs incurred and estimated profits, if any, are included in current liabilities as contract liabilities.

### C- Revenue by metal type

The following table summarizes the consolidated revenue by metal type for the years ending 31 December 2019G, 2020G, 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (84): Revenue by metal type**

SAR in thousands	Fiscal year 2019G (Management Information)	Fiscal year 2020G (Management Information)	Fiscal year 2021G (Management Information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Management Information)	Six-month period ending 30 June 2022G (Management Information)	30 June 2021G-2022G variance
Copper cables	3,537,119	2,983,523	3,810,626	(15.7%)	27.7%	3.8%	1,702,508	2,370,177	39.2%
Aluminum cables	838,262	967,660	909,057	15.4%	(6.1%)	4.1%	456,471	811,915	77.9%
Fiber optics	54,869	42,467	18,775	(22.6%)	(55.8%)	(41.5%)	8,649	5,721	(69.5%)
Other	135,426	93,166	144,986	(31.2%)	55.6%	3.5%	67,798	64,474	(4.9%)
<b>Total</b>	<b>4,565,676</b>	<b>4,086,816</b>	<b>4,883,444</b>	<b>(10.5%)</b>	<b>19.5%</b>	<b>3.4%</b>	<b>2,235,426</b>	<b>3,252,287</b>	<b>45.5%</b>
<b>As a percentage of the total</b>						<b>percentage point</b>		<b>percentage point</b>	<b>percentage point</b>

SAR in thousands	Fiscal year 2019G (Management Information)	Fiscal year 2020G (Management Information)	Fiscal year 2021G (Management Information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Management Information)	Six-month period ending 30 June 2022G (Management Information)	30 June 2021G-2022G variance
Copper cables	77.5%	73.0%	78.0%	(4.5)	5.0	0.6	76.2%	72.9%	(3.3)
Aluminum cables	18.4%	23.7%	18.6%	5.3	(5.1)	0.3	20.4%	25.0%	4.5
Fiber optics	1.2%	1.0%	0.4%	(0.2)	(0.7)	(0.8)	0.1%	0.1%	0.0
Other	3.0%	2.3%	3.0%	(0.7)	0.7	0.0	0.2%	0.3%	0.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>
<b>Sold Quantities (tons)</b>									
Copper cables	116,006	97,541	90,529	(15.9%)	(7.2%)	(11.7%)	42,352	50,417	19.0%
Aluminum cables	57,111	64,369	47,923	12.7%	(25.5%)	(8.4%)	27,551	35,381	28.4%
<b>Average selling price per ton (SAR in thousands)</b>									
Copper	30.5	30.6	42.1	0.3%	37.6%	17.5%	40.2	47.0	16.9%
Aluminum	14.7	15.0	19.0	2.4%	26.2%	13.7%	16.6	22.9	38.5%
<b>Average London Metal Exchange ("LME") price per ton (SAR in thousands)</b>									
Copper	22.5	23.1	34.9	2.7%	51.0%	24.5%	34.1	36.6	7.3%
Aluminum	6.7	6.4	9.3	(5.0%)	45.5%	17.5%	8.4	11.5	36.9%

Source: Management Information

### Copper cables

Copper cables revenue accounted for 76.2% of the Group's revenue in 2019G, 2020G and 2021G. Copper cable revenue decreased by 15.7% from SAR 3,537.1 million in 2019G to SAR 2,983.5 million in 2020G due to a 15.9% decrease in quantities sold from 116.0 thousand tons in 2019G to 97.5 thousand tons in 2020G while the average selling price per ton remained relatively stable at around SAR 30.5 thousand. This was mainly a result of the impact of the COVID-19 pandemic on most sales channels, most notably export sales (which decreased by SAR 348.8 million), branches' sales (which decreased by SAR 113.3 million), domestic sales (which decreased by SAR 110.7 million) and turnkey projects (which decreased by SAR 76.4 million) over the period 2019G and 2020G, driven by the fact that most of the clients' projects were either halted or postponed to 2021G given the economic uncertainty that the pandemic had on the market.

Copper cables revenue increased by 27.7% from SAR 2,983.5 million in 2020G to SAR 3,810.6 million in 2021G due to an increase in the average selling price per ton by 37.6% from SAR 30.6 thousand in 2020G to SAR 42.1 thousand in 2021G due to the increase in the average LME price per copper ton during the same period, offset by a 7.2% decrease in quantities sold from 97.5 thousand tons in 2020G to 90.5 thousand tons in 2021G.

Copper cables revenue increased by 39.2% from SAR 1,702.5 million in the six-month period ending 30 June 2021G to SAR 2,370.2 million in the six-month period ending 30 June 2022G due to an increase in the quantities sold from 42.4 thousand tons to 50.4 thousand tons coupled with the increase in the copper average selling price per ton from SAR 40.2 thousand to SAR 47.0 thousand, in line with the increase in the average "LME" price during the same period. The increase in quantities sold was mainly because of the competitive prices offered by the Group for low and medium voltage cables, which resulted in significantly higher sales demand during the period.

### Aluminum cables

Aluminum cables revenue account for around 20.2% of the Group's revenue in 2019G, 2020G and 2021G. Aluminum cables revenue increased by 15.4% from SAR 838.3 million in 2019G to SAR 967.7 million in 2020G due to an increase in quantities sold by 12.7% from 57.1 thousand tons in 2019G to 64.4 thousand tons in 2020G coupled with an increase in the average selling price per ton from SAR 14.7 thousand to SAR 15.0 thousand during the same period. This increase was due to an increase in revenue from direct and indirect sales to the Saudi Electricity Company and contractors for overhead lines (which increased by around SAR 170.3 million during the same period), which primarily relate to aluminum products in line with the increase in the number of confirmed orders covered in supply agreements with the Saudi Electricity Company, which was considered as an exceptional increase in 2020G in light of the COVID-19 pandemic. A noticeable and significant increase in the number of orders from customers in unusual quantities and with rapid supply was witnessed during this period whereby the Group was willing to cater for the requested large quantities in line with the Group's strategy to provide a stock of raw materials and other industrial materials.

Aluminum cables revenue decreased by 6.1% from SAR 967.7 million in 2020G to SAR 909.1 million in 2021G due to a decrease in the quantities sold by 25.5% from 64.4 thousand tons in 2020G to 47.9 thousand tons in 2021G. This was offset by an increase in the average selling price per ton from SAR 15.0 thousand to SAR 19.0 thousand due to the increase in the aluminum average "LME" price per ton during the same period. This decrease in the quantities sold through medium voltage products and overhead lines (included within the high voltage cables) was a result of the drop in orders back to normal level, as the increase in the number of confirmed orders by the Saudi Electricity Company was exceptional in 2020G in light of COVID-19, whereby most orders related to 2020G tenders were delivered.

Aluminum cables revenue increased by 77.9% from SAR 456.5 million in the six-month period ending 30 June 2021G to SAR 811.9 million in the six-month period ending 30 June 2022G due to the increase in the quantities sold from 27.6 thousand tons to 35.4 thousand tons, coupled with the increase in the average selling price of aluminum per ton from SAR 16.6 thousand to SAR 22.9 thousand in line with the increase in the average aluminum "LME" price per ton, mainly as a result of the increase in direct sales to the Saudi Electricity Company, related to the delivery of the tenders won by the Group in 2020G and 2021G, in addition to the increase in export sales to foreign markets during the same period.

### Fiber optics

Fiber optics sales accounted for 1% of the Group's revenue in 2019G, 2020G and 2021G. It mainly relates to a project with the Saudi Telecom Company ("STC") and other telecom companies. Fiber optics revenue decreased from SAR 54.9 million in 2019G to SAR 42.5 million in 2020G and further to SAR 18.8 million in 2021G due to the gradual slowdown from the main project with the Saudi Telecom Company ("STC") that began in 2016G.

Fiber optics revenue decreased by 69.5% from SAR 8.6 million in the six-month period ending 30 June 2021G to SAR 5.7 million in the six-month period ending 30 June 2022G driven by the gradual slowdown from the main project with the Saudi Telecom Company ("STC") that commenced in 2016G.

### Other

Other revenue accounted for around 2.7% of the Group's revenue in 2019G, 2020G and 2021G. Other revenue comprised scrap sales as well as revenue from turnkey projects.

Other revenue decreased by 31.2% from SAR 135.4 million in 2019G to SAR 93.2 million in 2020G driven by the decrease in turnkey projects related to contracting services in Kuwait and with the Dubai Electricity and Water Authority ("DEWA") in UAE among other projects. Other revenue increased by 55.6% to SAR 145.0 million in 2021G as a result of new turnkey projects undertaken by the Group during the same period.

Other income decreased by 4.9% from SAR 67.8 million in the six-month period ending 30 June 2021G to SAR 64.5 million in the six-month period ending 30 June 2022G due to a decrease in revenue from turnkey projects, offset by an increase in scrap sales during the same period.

#### D- Revenue by voltage type

The following table summarizes the revenue by voltage type for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (85): Revenue by voltage type**

SAR in thousands	Fiscal year 2019G (Management Information)	Fiscal year 2020G (Management Information)	Fiscal year 2021G (Management Information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Management Information)	Six-month period ending 30 June 2022G (Management Information)	30 June 2021G-2022G variance
Low voltage cables	2,824,759	2,724,044	3,232,594	(3.6%)	18.7%	7.0%	1,488,678	2,072,569	39.2%
Medium voltage cables	788,655	709,910	808,384	(10.0%)	13.9%	1.2%	417,110	878,819	110.7%
High voltage cables	564,206	440,829	564,590	(21.9%)	28.1%	0.0%	237,650	128,219	(46.0%)
Bare copper	197,761	76,399	114,115	(61.4%)	49.4%	(24.0%)	15,542	102,485	559.4%
Fiber optics	54,869	42,467	18,775	(22.6%)	(55.8%)	(41.5%)	8,649	5,721	(53.9%)
Other	135,426	93,166	144,986	(31.2%)	55.6%	3.5%	67,798	64,474	(4.9%)
<b>Total</b>	<b>4,565,676</b>	<b>4,086,816</b>	<b>4,883,444</b>	<b>(10.5%)</b>	<b>19.5%</b>	<b>3.4%</b>	<b>2,235,426</b>	<b>3,252,287</b>	<b>45.5%</b>
<b>As a percentage of the total</b>				<b>Percentage point</b>			<b>As a percentage of the total</b>		<b>Percentage point</b>
Low voltage cables	61.9%	66.7%	66.2%	4.8	(0.5)	4.3	66.6%	63.7%	(2.9)
Medium voltage cables	17.3%	17.4%	16.6%	0.1	(0.8)	(0.7)	18.7%	27.0%	8.4
High voltage cables	12.4%	10.8%	11.6%	(1.6)	0.8	(0.8)	10.6%	3.9%	(6.7)
Bare copper	4.3%	1.9%	2.3%	(2.5)	0.5	(2.0)	0.7%	3.2%	2.5
Fiber optics	1.2%	1.0%	0.4%	(0.2)	(0.7)	(0.8)	0.8%	0.3%	(0.6)
Other	3.0%	2.3%	3.0%	(0.7)	0.7	0.0	3.0%	2.0%	(1.1)
Total	100.0%	100.0%	100.0%	0.0	0.0	0.0	100.0%	100.0%	-
<b>Sold Quantities (tons)</b>									
Low voltage cables	101,453	100,626	89,707	(0.8%)	(10.9%)	(6.0%)	44,728	54,900	22.7%
Medium voltage cables	27,109	26,416	24,202	(2.6%)	(8.4%)	(5.5%)	12,475	22,617	81.3%
High voltage cables	36,439	31,916	21,419	(12.4%)	(32.9%)	(23.3%)	12,268	5,634	(54.1%)
Bare copper	8,116	2,952	3,124	(63.6%)	5.8%	(38.0%)	433	2,647	511.1%
<b>Average selling price per ton (SAR in thousands)</b>									
Low voltage cables	27.8	27.1	36.0	(2.8%)	33.1%	13.8%	33.3	37.8	13.4%
Medium voltage cables	29.1	26.9	33.4	(7.6%)	24.3%	7.2%	33.4	38.9	16.2%
High voltage cables	15.5	13.8	26.4	(10.8%)	90.8%	30.5%	19.4	22.8	17.5%
Bare copper	24.4	25.9	36.5	6.2%	41.1%	22.4%	35.9	38.7	7.9%

Source: Management Information

### Low voltage cables

Low voltage cables accounted for around 65% of the Group's revenue in 2019G, 2020G and 2021G and mainly comprise of (1) copper and aluminum cables used in construction, power distribution and electricity delivery from substations to energy meters in buildings, in addition to (2) indoor wires used mainly in the supply of electric power, lighting and the internal wiring for residences and offices among others which are non-industrial in nature.

Low voltage cables revenue decreased by 3.6% from SAR 2,824.8 million in 2019G to SAR 2,724.0 million in 2020G due to a 0.8% decrease in the quantities sold from 101.4 thousand tons to 100.6 thousand tons, mainly due to the decrease in branches sales whereby low voltage cables decreased by SAR 71.8 million as well as export sales whereby low voltage cables decreased by SAR 94.1 million due to the impact of the COVID-19 pandemic during the period. This was coupled by a decrease in the average selling price per ton by 2.8% from SAR 27.8 thousand to SAR 27.1 thousand during the same period.

Low voltage cables revenue increased by 18.7% from SAR 2,724.0 million in 2020G to SAR 3,232.6 million in 2021G, due to an increase in the average selling price per ton by 33.1% from SAR 27.1 thousand to SAR 36.0 thousand in line with the increase in the average copper and aluminum "LME" price per ton during the same period. This was offset by a decrease in the quantities sold by 10.9% from 100.6 thousand tons to 89.7 thousand tons during the same period.

Low voltage cables revenue increased by 39.2% from SAR 1,488.7 million in the six-month period ending 30 June 2021G to SAR 2,072.6 million in the six-month period ending 30 June 2022G due to the increase in quantities sold from 44.7 thousand tons to 54.9 thousand tons as a result of competitive prices offered by the Group for low voltage copper cables mainly, which led to a significant increase in demand during the period, in addition to an increase in the sales to the Saudi Electricity Company ("SEC") due to the delivery of low-voltage aluminum cables related to tenders that were won by the Group in 2020G and 2021G. This was coupled by an increase in the average selling price from SAR 33.3 thousand to SAR 37.8 thousand in line with the increase in the average copper and aluminum "LME" price per ton during the same period.

### Medium voltage cables

Medium voltage cables revenue accounted for around 17% of the Group's revenue in 2019G, 2020G and 2021G and consisted mainly of copper and aluminum cables used in power distribution, usually between substations and transformers.

Medium voltage cables revenue decreased by 10.0% from SAR 788.7 million in 2019G to SAR 709.9 million in 2020G due to a decrease in the quantities sold from 27.1 thousand tons to 26.4 thousand tons mainly due to the decrease in export sales whereby medium voltage cables decreased by SAR 251.1 million due to the delivery of ongoing projects in general as well as projects with Dubai Electricity and Water Authority ("DEWA") and Sharjah Electricity and Water Authority ("SEWA") in the United Arab Emirates and existing projects in Iraq. This was coupled by a decrease in the average selling price per ton by 7.6% from SAR 29.1 thousand to SAR 26.9 thousand during the same period.

This decrease was offset by the increase in medium voltage cables revenue to the Saudi Electricity Company (which increased by around SAR 126.0 million during the same period), which mainly relates to aluminum products in line with the increase in the number of confirmed orders covered in supply agreements with the Saudi Electricity Company, which was considered as an exceptional increase in 2020G in light of the COVID-19 pandemic. A noticeable and significant increase in the number of orders from customers in unusual quantities and with rapid supply was witnessed during this period whereby the Group was willing to cater for the requested large quantities in line with the Group's strategy to provide a stock of raw materials and other industrial materials.

Medium voltage cables revenue increased by 13.9% from SAR 709.9 million in 2020G to SAR 808.4 million in 2021G, due to the increase in the average selling price per ton by 24.3% from SAR 26.9 thousand to SAR 33.4 thousand in line with the increase in average copper and aluminum "LME" price per ton during the same period. This was offset by a decrease in the quantities sold by 8.4% from 26.4 thousand tons to 24.2 thousand tons during the same period.

Medium voltage cables revenue increased by 110.7% from SAR 417.1 million in the six-month period ending 30 June 2021G to SAR 878.8 million in the six-month period ending 30 June 2022G due to the increase in the quantities sold from 12.5 thousand tons to 22.6 thousand tons related to the increased medium voltage cables sales to the Saudi Electricity Company ("SEC") due to the delivery of orders related to tenders won by the Group in 2020G and 2021G, in addition to an increase in export sales to foreign markets during the same period. This was coupled by an increase in the average selling price from SAR 33.4 thousand to SAR 38.9 thousand in line with the increase in the average copper and aluminum ("LME") price per ton during the same period.

### High voltage cables

High voltage cables revenue accounted for around 12% of the Group's revenue in 2019G, 2020G and 2021G, and it mainly consists of copper and aluminum cables used in power transmission, in addition to overhead lines used in power transmission (intercity connections) that connect generation stations to substations.

High voltage cables revenue decreased by 21.9% from SAR 564.2 million in 2019G to SAR 440.8 million in 2020G due to a 12.4% decrease in the quantities sold from 36.4 thousand tons to 31.9 thousand tons, particularly witnessed in domestic and export sales, whereby high voltage cables revenue decreased by SAR 289.9 million and SAR 45.2 million respectively, as a result of projects postponed by contractors in light of the COVID-19 pandemic.

High voltage cables revenue increased by 28.1% from SAR 440.8 million in 2020G to SAR 564.6 million in 2021G. This is due to the increase in the average selling price per ton by 90.8% from SAR 13.8 thousand to SAR 26.4 thousand in line with the increase in the average copper and aluminum "LME" price per ton during the same period, coupled with the change in the product mix due to the introduction of the extra high voltage cable that was qualified for sale in 2021G, and which was mainly sold to large projects executed in Riyadh and generated SAR 98.5 million in sales.

High voltage cables revenue decreased by 46.0% from SAR 237.7 million in the six-month period ending 30 June 2021G to SAR 128.2 million in the six-month period ending 30 June 2022G due to a decrease in the quantities sold from 12.3 thousand tons to 5.6 thousand tons as a result the slowdown in projects by contractors as well as a project that was completed in one of the foreign markets at the end of 2021G and which required high voltage cables.

### Bare copper

Bare copper accounted for around 3% of the Group's revenue in 2019G, 2020G and 2021G, and is mainly used in power distribution, power grids, terrestrial and industrial networks.

Bare copper revenue decreased by 61.4% from SAR 197.8 million in 2019G to SAR 76.4 million in 2020G due to a 63.6% decrease in the quantities sold from 8.1 thousand tons to 3.0 thousand tons as this product is mainly sold to other cable manufacturers whose demand decreased during the COVID-19 pandemic, along with an order that was fully delivered to a cable company in Egypt in 2020G.

Bare copper revenue increased by 49.4% from SAR 76.4 million to SAR 114.1 million in 2021G due to an increase in the quantities sold by 5.8% from 3.0 thousand tons to 3.1 thousand tons, in addition to an increase in the average selling price per ton by 41.1% from SAR 25.9 thousand to SAR 36.5 thousand during the same period, in line with the increase in the average copper "LME" price per ton during the same period.

Bare copper revenue increased by 559.4% from SAR 15.5 million in the six-month period ending 30 June 2021G to SAR 102.5 million in the six-month period ending 30 June 2022G due to an increase in the quantities sold from 433 tons to 2.6 thousand tons due to new domestic sales to a company in the cable manufacturing sector.

### Fiber optics

Fiber optics revenue accounted for around 1% of the Group's revenue in 2019G, 2020G and 2021G. It mainly relates to a project with STC and other telecom companies. It mainly relates to a project with the Saudi Telecom Company ("STC") and other telecom companies. Fiber optics revenue decreased from SAR 54.9 million in 2019G to SAR 42.5 million in 2020G further to SAR 18.8 million in 2021G due to the gradual slowdown from the main project with the Saudi Telecom Company ("STC") that began in 2016G.

Fiber optics revenue decreased by 53.9% from SAR 8.6 million in the six-month period ending 30 June 2021G to SAR 5.7 million in the six-month period ending 30 June 2022G due to the gradual slowdown from the main project with the Saudi Telecom Company ("STC") that began in 2016G.

### Other

Other revenue accounted for around 2.7% of the Group's revenue in 2019G, 2020G and 2021G. Other revenue consists of scrap sales as well as revenue from turnkey projects.

Other revenue decreased by 31.2% from SAR 135.4 million in 2019G to SAR 93.2 million in 2020G driven by the decrease in turnkey projects related to contracting services in Kuwait and with the Dubai Electricity and Water Authority ("DEWA") in UAE among other projects. Other revenue increased by 55.6% to SAR 145.0 million in 2021G as a result of new turnkey projects undertaken by the Group during the same period.

Other income decreased by 4.9% from SAR 67.8 million in the six-month period ending 30 June 2021G to SAR 64.5 million in the six-month period ending 30 June 2022G due to a decrease in revenue from turnkey projects, offset by an increase in scrap sales during the same period.

### E- Revenue by client type

The following table summarizes the consolidated revenue by client type for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (86): Revenue by client type**

SAR in thousands	Fiscal year 2019G (Management Information)	Fiscal year 2020G (Management Information)	Fiscal year 2021G (Management Information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Management Information)	Six-month period ending 30 June 2022G (Management Information)	30 June 2021G-2022G variance
Saudi Electricity Company	465,361	635,692	561,521	36.6%	(11.7%)	9.8%	261,388	564,508	116.0%
Domestic sales	834,119	723,386	897,129	(13.3%)	24.0%	3.7%	374,224	566,055	51.3%
Branch sales (wholesale and retail sector inside the Kingdom)	1,514,763	1,401,443	1,787,386	(7.5%)	27.5%	8.6%	741,719	1,028,025	38.6%
Export sales	1,654,667	1,305,907	1,558,273	(21.1%)	19.3%	(3.0%)	817,308	1,067,908	30.7%
Turnkey projects*	96,767	20,388	79,134	(78.9%)	288.2%	(9.6%)	40,788	25,790	(36.8%)
<b>Total</b>	<b>4,565,676</b>	<b>4,086,816</b>	<b>4,883,444</b>	<b>(10.5%)</b>	<b>19.5%</b>	<b>3.4%</b>	<b>2,235,426</b>	<b>3,252,287</b>	<b>45.5%</b>
<b>As a percentage of the total</b>					<b>Percentage point</b>		<b>As a percentage of the total</b>		<b>Percentage point</b>
Saudi Electricity Company	10.2%	15.6%	11.5%	5.4	(4.1)	1.3	11.7%	17.4%	5.7
Domestic sales	18.3%	17.7%	18.4%	(0.6)	0.7	0.1	16.7%	17.4%	0.7
Branch sales (wholesale and retail trade in Kingdom)	33.2%	34.3%	36.6%	1.1	2.3	3.4	33.2%	31.6%	(1.6)
Export sales	36.2%	32.0%	31.9%	(4.3)	(0.0)	(4.3)	36.6%	32.8%	(3.7)
Turnkey projects*	2.1%	0.5%	1.6%	(1.6)	1.1	(0.5)	1.8%	0.8%	(1.0)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

Source: Management Information

\* Contract revenue presented in the consolidated audited financial statements differs from the turnkey projects revenue presented by management in subsequent tables as a result of the consolidation.



### Saudi Electricity Company

Saudi Electricity Company (“SEC”) revenue accounted for 10.2% in 2019G, 15.6% in 2020G and 11.5% in 2021G of the Group’s revenue, exclusively generated by “Riyadh Cables Group Company” (as opposed to 2019G whereby the Saudi Electricity Company (“SEC”) revenue was generated from the Saudi Modern Company for Metals, Cables and Plastic Industry). Most of the Saudi Electricity Company (“SEC”)’s demand falls under low and medium aluminum cables, and this is following a strategic shift in concentration by SEC to aluminum products that commenced in 2014G, mainly due to lower raw material costs as compared to copper.

Saudi Electricity Company (“SEC”) revenue increased by 36.6% from SAR 465.4 million in 2019G to SAR 635.7 million in 2020G mainly related to aluminum products driven by the exceptionally increased number of confirmed orders during the COVID-19 pandemic. A noticeable and significant increase in the number of orders from customers in unusual quantities and with rapid supply was witnessed during this period whereby the Group was willing to cater for the requested large quantities in line with the Group’s strategy to provide a stock of raw materials and other industrial materials.

Saudi Electricity Company (“SEC”) revenue decreased by 11.7% from SAR 635.7 million in 2020G to SAR 561.5 million in 2021G due to a decrease in the aluminum quantities sold during the same period in line with the winding down of ongoing projects requesting medium voltage products and overhead lines (included within high voltage cables) and the return of quantities to the normal level following the increase that was exceptional in 2020G, in light of the COVID-19 pandemic. This was offset by an increase in the average aluminum selling price per ton from SAR 18.5 thousand to SAR 20.4 thousand in line with the increase in the aluminum average “LME” price per ton during the same period.

Saudi Electricity Company (“SEC”) revenue increased by 116.0% from SAR 261.4 million in the six-month period ending 30 June 2021G to SAR 564.5 million in the six-month period ending 30 June 2022G due to the increase in the aluminum quantities sold as a result of the delivery of products related to the tenders won by the Group in 2020G and 2021G, coupled by an increase in the average selling price per aluminum ton from SAR 18.6 thousand to SAR 24.3 thousand in line with the increase in the average aluminum “LME” price per ton during the same period.

### Domestic sales

Domestic sales accounted for 18.3%, 17.7% and 18.4% of the Group’s revenue in 2019G, 2020G and 2021G, respectively, generated by “Riyadh Cables Group” and to a lesser extent by “Saudi Modern Company for Telephone Cables Industry”, which includes sales to customers in the oil and gas sector, residential projects, as well as sales to contractors and subcontractors. Most of the sales of high voltage cables to domestic clients are related to subcontractors to the Saudi Electricity Company (“SEC”), whereas other domestic contractors require low and medium voltage cables.

Domestic sales decreased by 13.3% from SAR 834.1 million in 2019G to SAR 723.4 million in 2020G driven by the decrease in high voltage cables revenue (copper and aluminum) by SAR 89.9 million as a result of the decrease in the quantities sold from 25.4 thousand tons to 22.8 thousand tons, coupled with the decrease in bare copper revenue by SAR 86.9 million as a result of the decrease in the quantities sold from 6.0 thousand tons to 2.3 thousand tons during the same period driven by lower demand in 2020G due to the COVID-19 pandemic. This decrease was offset by an increase in the revenue of low and medium voltage cables (aluminum and copper) by SAR 85.4 million driven by an increase in the quantities sold from 7.9 thousand tons to 11.8 thousand tons as a result of the delivery of the requested cables in 2020G in connection with projects contracted with contractors for oil and gas companies in 2019G, in addition to several other housing projects undertaken by the Group.

Domestic sales increased by 24.0% from SAR 723.4 million in 2020G to SAR 897.1 million in 2021G driven by the increase in high voltage cables revenue (aluminum and copper) by SAR 84.0 million due to the fulfilment of orders that were postponed from 2020G to 2021G, coupled with revenue generated from extra high voltage cables that were launched for sale in 2021G in connection with major projects in Riyadh. This was coupled by the increase in the average selling prices in line with the increase in the average copper and aluminum “LME” price per ton during the same period. This was offset by a decrease in fiber optic sales, which gradually decreased from SAR 52.8 million in 2019G to SAR 34.1 million in 2020G and then to SAR 12.5 million in 2021G due to the gradual slowdown from the main project with the Saudi Telecom Company (“STC”), which began in 2016G.

Domestic sales increased by 51.3% from SAR 374.2 million in the six-month period ending 30 June 2021G to SAR 566.1 million in the six-month period ending 30 June 2022G due to the increase in copper cables revenue (which increased by SAR 150.7 million) and aluminum cables revenue (which increased by SAR 31.4 million) mainly driven by low and medium voltage cables due to the significant increase in the quantities sold as well as the average selling price in line with the increase in average copper and aluminum “LME” price per ton during the period, coupled with the increase in bare copper revenue by SAR 85.9 million due to new domestic sales to a company in the cable manufacturing sector. This increase was offset by a decrease in high voltage cables revenue (which decreased by SAR 26.3 million) as a result of the slowdown in the commencement of projects by contractors and the decrease in demand.



### Branch sales (wholesale and retail sector inside the Kingdom)

Branch sales accounted for 33.2%, 34.3% and 36.6% of the Group's revenue in 2019G, 2020G and 2021G, respectively, mainly generated by **"Saudi Modern Company for Specialized Wires and Cables Industry"** via 18 branches across the Kingdom, and its client base typically comprises retailers, wholesalers, distributors, and small and medium contractors as well as walk-in clients. As such, branch sales mainly comprised low voltage cables.

It is worth noting that branch sales are impacted by raw material price fluctuations as its operations are based on a 'produce to stock' basis as opposed to the other segments that follow the 'produce to order' strategy. For that, the Group reviews the raw material prices periodically and hedges the inventory position at each month end to limit price exposure.

Branch sales decreased by 7.5% from SAR 1,514.8 million in 2019G to SAR 1,401.4 million in 2020G driven by the decrease in copper cable sales (which decreased by around SAR 116.8 million) due to the general slowdown in the retail sector in 2020G impacted by the COVID-19 pandemic. This decrease was offset by an increase in indoor wires sales included within low voltage cables (which increased by SAR 70.0 million) due to the increase in sales during the second quarter of 2020G, ahead of the rise in value added tax ("VAT") rates from 5% to 15%.

Branch sales increased by 27.5% from SAR 1,401.4 million in 2020G to SAR 1,787.4 million in 2021G driven by the increase in the average copper and aluminum **"LME"** price per ton over the same period. This was offset by a decrease in the quantities sold from 44.2 thousand tons to 42.4 thousand tons, mainly driven by indoor wires, as the increase in the first half of 2020G was exceptional.

Branch sales increased by 38.6% from SAR 741.7 million in the six-month period ending 30 June 2021G to SAR 1,028.0 million in the six-month period ending 30 June 2022G due to the increase in copper quantities sold from 20.2 thousand tons to 22.8 thousand tons as a result of competitive prices offered by the Group for these copper products, coupled with an increase in the average selling price per ton in line with the increase in the average copper and aluminum **"LME"** price per ton during the same period.

### Export sales

Export sales represent 36.2%, 32.0% and 31.9% of the Group's revenue in 2019G, 2020G and 2021G, respectively, and mainly related to sales to foreign markets, specifically to the United Arab Emirates through the National Cables Industry Company (owned by **"Riyadh Cable Company and its subsidiaries"**) and Iraq through **"Alrowad Company for Production of Electrical Cables"** (owned by the National Cable Industry Company), in addition to export sales from established entities in the Kingdom. It is worth noting that the **"Saudi Modern Company for Metals, Cables and Plastic Industry"** supports **"Riyadh Cables Company and its subsidiaries"** with export sales mainly to UAE, Qatar, Oman, Kuwait and Egypt.

It is worth noting that the Group may bid on tenders for projects in the United Arab Emirates through **"National Cables Industry Company"** and/or through **"Saudi Modern Company for Metals, Cables and Plastic Industry"**. The identification of the competing company within the Group depends on the type of products offered in the tender, and the production capacity according to the utilization as well as operation and other strategic factors adopted by the management of the Group.

Export sales decreased by 21.1% from SAR 1,654.7 million in 2019G to SAR 1,305.9 million in 2020G driven by the decrease in the quantity sold from 60.8 thousand tons to 47.7 thousand tons due to (1) a decrease in medium voltage cables (copper and aluminum) revenue by SAR 251.2 million due to the delivery of ongoing projects as well as projects undertaken with Dubai Electricity and Water Authority ("**DEWA**") and Sharjah Electricity and Water Authority ("**SEWA**") in UAE and other projects undertaken in Iraq, (2) a decrease in high voltage cables revenue by SAR 71.8 million, as these products are mainly sold to retailers whose demand decreased in 2020G in light of the COVID-19 pandemic, and (3) a decrease in bare copper revenue by SAR 28.3 million as a result of an order that was fully delivered to a cables company in Egypt in 2019G. This decrease was offset by an increase in other revenue by SAR 34.7 million in connection with an exceptional sale of large quantities of scrap to a customer in Jordan, which amounted to around SAR 30 million.

Export sales increased by 19.3% from SAR 1,305.9 million in 2020G to SAR 1,558.3 million in 2021G mainly driven by the increase in copper and aluminum **"LME"** price per ton over the same period, offset by the decrease in quantities sold as retailers had not yet fully recovered yet from the COVID-19 pandemic.

Export sales increased by 30.7% from SAR 817.3 million in the six-month period ending 30 June 2021G to SAR 1,067.9 million in the six-month period ending 30 June 2022G mainly driven by higher sales generated from low voltage cables and increase in orders from foreign markets towards the end of 2021G, that were delivered during the first half of 2022G.

### Turnkey projects

Turnkey projects revenue accounted for 2.1%, 0.5% and 1.6% of the Group's revenue in 2019G, 2020G and 2021G, respectively, related to contract revenue, which are mainly from turnkey projects such as excavation and installation projects and supply of accessories. Turnkey projects are executed by "Riyadh Cables Company and its subsidiaries".

Turnkey projects revenue decreased by 78.9% from SAR 96.8 million in 2019G to SAR 20.4 million in 2020G due to the completion of projects in Kuwait and with electricity and water companies such as Dubai Electricity and Water Authority ("DEWA") and Sharjah Electricity and Water Authority ("SEWA") in the United Arab Emirates.

Turnkey projects revenue increased by 288.2% from SAR 20.4 million in 2020G to SAR 79.1 million in 2021G driven by undertaking new turnkey projects during the same period.

Turnkey projects revenue decreased by 36.8% from SAR 40.8 million in the six-month period ending 30 June 2021G to SAR 25.8 million in the six-month period ending 30 June 2022G due to the completion of existing projects.

### F- Cost of revenue by type

The following table summarizes the cost of revenue by type for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (87): Cost of revenue by type**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth rate 2019G-2020G	Annual growth rate 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
Copper	2,651,039	2,186,892	3,044,439	(17.5%)	39.2%	7.2%	1,357,112	1,954,120	44.0%
Aluminum	426,271	514,161	431,940	20.6%	(16.0%)	0.7%	236,925	418,016	76.4%
Provision for onerous contracts	323	50,393	(27,792)	15501.5%	(155.2%)	na	(30,000)	48,552	(261.8%)
Others	715,823	606,650	675,766	(15.3%)	11.4%	(2.8%)	294,908	382,195	29.6%
<b>Total raw materials</b>	<b>3,793,455</b>	<b>3,358,095</b>	<b>4,124,352</b>	<b>(11.5%)</b>	<b>22.8%</b>	<b>3.4%</b>	<b>1,858,945</b>	<b>2,802,883</b>	<b>50.8%</b>
Salaries and employees' related benefits	126,511	153,224	164,611	21.1%	7.4%	14.1%	78,975	88,831	12.5%
Depreciation expense	63,764	53,722	55,451	(15.7%)	3.2%	(6.7%)	28,214	26,175	(7.2%)
Repairs and maintenance	47,121	35,342	31,082	(25.0%)	(12.1%)	(18.8%)	15,487	14,681	(5.2%)
Electricity and other utilities	40,642	39,000	38,596	(4.0%)	(1.0%)	(2.5%)	20,385	22,252	9.2%
Rent	1,669	2,816	2,683	68.7%	(4.7%)	26.8%	655	1,135	73.1%
Other	12,496	8,240	3,587	(34.1%)	(56.5%)	(46.4%)	2,676	2,741	2.4%
<b>Total</b>	<b>4,085,657</b>	<b>3,650,439</b>	<b>4,420,361</b>	<b>(10.7%)</b>	<b>21.1%</b>	<b>4.0%</b>	<b>146,392</b>	<b>155,814</b>	<b>6.4%</b>
<b>Key performance indicators</b>									
Number of Employees	2,512	2,578	2,576	2.6%	(0.1%)	1.3%	2,561	2,764	7.9%
Average monthly employee cost (in Saudi Riyals)	4,197	4,953	5,325	18.0%	7.5%	12.6%	5,140	5,356	4.2%
<b>As a percentage of revenue</b>	<b>percentage point</b>						<b>As a percentage of revenue</b>		<b>percentage point</b>

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth rate 2019G-2020G	Annual growth rate 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
Copper	58.1%	53.5%	62.3%	(4.6)	8.8	4.3	60.7%	60.1%	(0.6)
Aluminum	9.3%	12.6%	8.8%	3.2	(3.7)	(0.5)	10.6%	12.9%	2.3
Provision for onerous contracts	0.0%	1.2%	(0.6%)	1.2	(1.8)	(0.6)	(1.3%)	1.5%	2.8
Other	15.7%	14.8%	13.8%	(0.8)	(1.0)	(1.8)	13.2%	11.8%	(1.4)
Raw materials	83.1%	82.2%	84.5%	(0.9)	2.3	1.4	83.2%	86.2%	3.0
Salaries and employees' related benefits	2.8%	3.7%	3.4%	1.0	(0.4)	0.6	3.5%	2.7%	(0.8)
Depreciation expenses	1.4%	1.3%	1.1%	(0.1)	(0.2)	(0.3)	1.3%	0.8%	(0.5)
Repairs and maintenance	1.0%	0.9%	0.6%	(0.2)	(0.2)	(0.4)	0.7%	0.5%	(0.2)
Electricity and other utilities	0.9%	1.0%	0.8%	0.1	(0.2)	(0.1)	0.9%	0.7%	(0.2)
Rent	0.0%	0.1%	0.1%	0.0	(0.0)	0.0	0.0%	0.0%	0.0
Other	0.3%	0.2%	0.1%	(0.1)	(0.1)	(0.2)	0.1%	0.1%	(0.0)
<b>Total</b>	<b>89.5%</b>	<b>89.3%</b>	<b>90.5%</b>	<b>(0.2)</b>	<b>1.2</b>	<b>1.0</b>	<b>89.7%</b>	<b>91.0%</b>	<b>1.3</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements for the period ending 30 June 2022G, and management Information

### Raw materials

Raw materials comprised of the raw materials used in the production of cables and electrical wires mainly copper and aluminum, in addition to materials that are used to insulate and protect electrical wires and cables such as polyvinyl chloride (PVC), cross-linked polyethylene (XLPE), lead and other materials that are used in thermal insulation and electrical conductivity.

The Group follows a conservative hedging policy against the fluctuations in the prices of copper, aluminum and lead, which change globally on a daily basis, to limit exposure to these fluctuations and maintain the stable profit margins, whereby this policy is applied based on sales contracts and accordingly the Group is committed to pricing the product to the customer on the basis of the price of raw material on the order date, and enters into a hedging agreement to lock in the price to limit exposure to metal price fluctuations.

The Group has entered into a variety of future contracts to hedge against the fluctuations in copper and aluminum prices in order to meet the Group's expected requirements for raw materials use in its manufacturing operations. The effect of closing these contracts, contracts to buy or sell non-financial instruments / or contracts for self-use that are not classified as hedging instruments, is recorded in the cost of revenue in the consolidated statement of profit or loss and other comprehensive income.

The Group deals in futures contracts with the London Metal Exchange ("LME") for the purpose of buying and selling copper, aluminum, and lead, which can be bought and sold without physical delivery on a future date at the corresponding market price. These contracts are matched with forward buying and selling commitments and are entered into for the purpose of providing protection against metal price fluctuations. It is worth noting that the only purpose of the Group's hedging instruments is to limit its exposure to the fluctuations in the international metal prices and are not used for trading purposes or for speculation.

The cost of raw materials accounted for 83.1%, 82.2% and 84.5% of the Group's revenue in 2019G, 2020G and 2021G, respectively, and 83.2% and 86.2% of the Group's revenue in the six-month period ending 30 June 2021G and 2022G, respectively.

## Copper

The cost of copper decreased by 17.5% from SAR 2,651.0 million in 2019G to SAR 2,186.9 million in 2020G in line with the decrease in the quantities of copper used from 117.1 thousand tons to 98.5 thousand tons in line with the decrease in sales, coupled with a decrease in the average cost price per copper ton from SAR 22.6 thousand to SAR 22.2 thousand during the same period.

The cost of copper increased by 39.2% from SAR 2,186.9 million in 2020G to SAR 3,044.4 million in 2021G, mainly driven by the increase in the average cost price per copper ton from SAR 22.2 thousand to SAR 33.0 in line with the increase in the average copper "LME" price per ton during the same period, while the quantities of copper used decreased from 98.5 thousand tons to 92.2 thousand tons during the same period due to the completion and slowdown in some projects.

The cost of copper increased by 44.0% from SAR 1,357.1 million in the six-month period ending 30 June 2021G to SAR 1,954.1 million in the six-month period ending 30 June 2022G due to the increase in the average cost price per copper ton from SAR 31.7 thousand to SAR 37.9 thousand in line with the increase in the average copper "LME" price per ton, coupled with the increase in the quantities of copper used from 42.8 thousand tons to 51.6 thousand tons during the same period due to the increase in demand.

Copper cost accounted for 58.1%, 53.5% and 62.3% of the Group's revenue in 2019G, 2020G and 2021G, respectively, and 60.7% and 60.1% of the Group's revenue in the six-month period ending 30 June 2021G and 2022G, respectively.

## Aluminum

The cost of aluminum increased by 20.6% from SAR 426.3 million in 2019G to SAR 514.2 million in 2020G due to the increase in the quantities of aluminum used from 56.4 thousand tons to 63.7 thousand tons in line with the increase in aluminum products sold mainly to the Saudi Electricity Company ("SEC") during the same period.

The cost of aluminum decreased by 16.0% from SAR 514.2 million in 2020G to SAR 431.9 million in 2021G driven by the decrease in the quantities of aluminum used from 63.7 thousand tons to 46.4 thousand tons as a result of the decrease in demand from the Saudi Electricity Company and the delivery of some of the ongoing projects, offset by the increase in the average cost price per aluminum ton from SAR 8.1 thousand to SAR 9.3 thousand in line with the increase in the average aluminum "LME" price per ton during the same period.

The cost of aluminum increased by 76.4% from SAR 236.9 million in the six-month period ending on 30 June 2021G to SAR 418.0 million in the six-month period ending on 30 June 2022G due to the increase in the average cost price per aluminum ton from SAR 8.7 thousand to SAR 12.2 thousand in line with the increase in the average aluminum "LME" price per ton during the same period, coupled with the increase in the quantities of aluminum used from 27.2 thousand tons to 34.3 thousand tons due to the increase in demand.

The cost of aluminum accounted for 9.3%, 12.6% and 8.8% of the Group's revenue in 2019G, 2020G and 2021G, respectively, and 10.6% and 12.9% of the Group's revenue in the six-month period ending 30 June 2021G and 2022G, respectively.

## Provision for onerous contracts

Provisions for onerous contracts relate to contracts entered by the Group in which unavoidable costs of meeting the contractual obligations exceed the financial returns expected to be received under the contract. The contract is considered burdened with obligations if the company enters into a contract in which the unavoidable costs of fulfilling the contractual obligations exceed the financial returns expected from the contract, which may result due to a change in the date of supply of the finished products and the pre-agreed date upon receipt of the purchase orders from customers. Provisions for onerous contracts increased from SAR 323 thousand in 2019G to SAR 50.4 million in 2020G as a result of an increase in the volumes of contracts during the period. The provisions for onerous contracts were reversed by an amount of SAR 27.8 million in 2021G as a result of the delivery of contracts entered-into in 2020G.

The provisions for onerous contracts were reversed by an amount of SAR 30 million in the six-month period ending 30 June 2021G as a result of the delivery of contracts entered-into in 2020G. Provisions amounting to SAR 48.6 million were recorded in the six-month period ending 30 June 2022G as a result of an increase in the volume of contracts during this period.

## Others

Other raw materials comprised of any materials used in the production of electrical cables and wires other than copper and aluminum, which mainly include copper and lead tapes and plastic derivatives of all kinds such as polyvinyl chloride (PVC) and cross-linked polyethylene (XLPE). Margins and prices may be subject to fluctuations in the prices of other raw materials that do not have a hedging market, which constitute 15%-20% of the total costs of raw materials, however, management updates the pricing of these materials through the ERP system and these costs also include costs related to turnkey projects.

Other raw material cost decreased by 15.3% from SAR 715.8 million in 2019G to SAR 606.7 million in 2020G due to a decrease in PVC (which decreased by SAR 10.8 million) and cross-linked polyethylene (which decreased by SAR 28.0 million) in line with the decrease in the quantities sold of copper and aluminum cables during the period.

Other raw material cost increased by 11.4% from SAR 606.7 million in 2020G to SAR 675.8 million in 2021G, due to the increase in the cost of turnkey projects during the same period (which increased by SAR 69.1 million).

Other raw material cost increased by 29.6% from SAR 494.9 million in the six-month period ending 30 June 2021G to SAR 382.2 million in the six-month period ending 30 June 2022G due to the increase in PVC (which increased by SAR 23.5 million) and cross-linked polyethylene (which increased by SAR 9.8 million) in line with the increase in the quantities sold of copper and aluminum cables during the period. Other raw material costs mainly increased in line with the increase in the quantities sold and production. This increase was offset by a decrease in the cost of turnkey projects (which decreased by SAR 15.5 million) due to the slowdown in projects during the same period.

Other raw material cost accounted for 15.7%, 14.8% and 13.8% of the Group's revenue in 2019G, 2020G and 2021G, respectively, and 13.2% and 11.8% of the Group's revenue in the six-month period ending 30 June 2021G and 2022G, respectively.

## Salaries and employees' related benefits

Salaries and employees' related benefits comprised of basic salaries, allowances, overtime, end of service benefits, and others. Salaries and employees' related benefits increased by 21.1% from SAR 126.5 million in 2019G to SAR 153.2 million in 2020G mainly due to the increase in the average monthly employee cost from SAR 4,197 to SAR 4,953 during the same period in line with the annual increments and the increase in the number of employees from 2,512 employees to 2,578 employees that were needed to satisfy the testing of the extra high voltage cable, which was qualified for sale in 2021G, and to meet the increase in demand from the Saudi Electricity Company ("SEC") in 2020G. It is worth noting that part of the employee costs (SAR 4.0 million) was capitalized in 2019G in connection with the employees who participated in the implementation of the SAP system, which was completed in 2020G.

Salaries and employees' related benefits increased by 7.4% from SAR 153.2 million in 2020G to SAR 164.6 million in 2021G due to the increase in the average monthly employee cost from SAR 4,953 to SAR 5,325 driven by annual increments, while the number of employees remained relatively stable.

Salaries and employees' related benefits increased by 12.5% from SAR 79.0 million in the six-month period ending 30 June 2021G to SAR 88.8 million in the six-month period ending 30 June 2022G due to the increase in the number of employees from 2,561 to 2,764 employees to cater for the high demand during same period. The average monthly cost of an employee increased from SAR 5,140 to SAR 5,356 during the same period as a result of the change in the employee mix.

Salaries and employees' related benefits accounted for 2.8%, 3.7% and 3.4% of the Group's revenue in 2019G, 2020G and 2021G, respectively, and 3.5% and 2.7% of the Group's revenue in the six-month period ending June 30, 2021G and 2022G, respectively.

## Depreciation expense

Depreciation expense relates to property, plant, equipment and right-of-use assets. Depreciation expense decreased by 15.7% from SAR 63.8 million in 2019G to SAR 53.7 million in 2020G due to machinery and equipment that was fully depreciated in 2020G.

Depreciation expense increased by 3.2% from SAR 53.7 million in 2020G to SAR 55.5 million in 2021G due to additions to machinery and equipment during the same period.

Depreciation expense decreased by 7.2% from SAR 28.2 million in the six-month period ending 30 June 2021G to SAR 26.2 million in the six-month period ending 30 June 2022G as a result of assets that were fully depreciated during the same period.

Depreciation expense accounted for 1.4%, 1.3% and 1.1% of the Group's revenue in 2019G, 2020G and 2021G, respectively, and 1.3% and 0.8% of the Group's revenue in the six-month period ending 30 June 2021G and 2022G, respectively.

### Repairs and maintenance

Repairs and maintenance expenses decreased by 25.0% from SAR 47.1 million in 2019G to SAR 35.3 million in 2020G due to the decrease in maintenance needed for most factories in line with the decrease in production during the COVID-19 pandemic.

Repairs and maintenance expenses decreased by 12.1% from SAR 35.3 million in 2020G to SAR 31.1 million in 2021G in line with the decrease in production during the period.

Repairs and maintenance expenses decreased by 5.2% from SAR 15.5 million in the six-month period ending 30 June 2021G to SAR 14.7 million in the six-month period ending 30 June 2022G due to a decrease in required maintenance during the same period.

Repairs and maintenance expenses accounted for 1.0%, 0.9% and 0.6% of the Group's revenue in 2019G, 2020G and 2021G, respectively, and 0.7% and 0.5% of the Group's revenue in the six-month period ending 30 June 2021G and 30 June 2022G, respectively.

### Electricity and other utilities

Electricity and other utilities expenses decreased by 4.0% from SAR 40.6 million in 2019G to SAR 39.0 million in 2020G driven by discounts granted by the government for a period of 3 months, which amounted to SAR 2.5 million, in light of the COVID-19 pandemic.

Electricity and other utilities expenses decreased by 1.0% from SAR 39.0 million in 2020G to SAR 38.6 million in 2021G following the completion of the plant's connection with the electricity network which led to a reduced usage of generators requiring diesel fuel.

Electricity and other utilities expenses increased by 9.2% from SAR 20.4 million in the six-month period ending 30 June 2021G to SAR 22.3 million in the six-month period ending 30 June 2022G in line with the increase in production.

Electricity and other utilities expenses accounted for 0.9%, 0.1% and 0.85 of the Group's revenue in 2019G, 2020G and 2021G, respectively, and 0.9% and 0.7% of the Group's revenue in the six-month period ending 30 June 2021G and 30 June 2022G, respectively.

### Rent

Rent expenses related to staff accommodation governed by short-term contracts and accounted for about 0.1% of the Group's revenue in 2019G, 2020G and 2021G. Rental expenses increased from SAR 1.7 million in 2019G to an average of around SAR 2.7 million in 2020G and 2021G, in line with the increase in the number of employees during the same period.

Rent expenses increased by 73.1% from SAR 0.6 million in the six-month period ending 30 June 2021G to SAR 1.1 million in the six-month period ending 30 June 2022G in line with the increase in the number of employees during the same period.

### Other

Other expenses mainly comprised of type tests costs related to a form of certification required from new clients and performed in third-party labs, among others, and they accounted for 0.3%, 0.2% and 0.1% of the Group's revenue in 2019G, 2020G and 2021G respectively. Other expenses decreased by 34.1% from SAR 12.5 million in 2019G to SAR 8.2 million in 2020G and then increased by 56.5% to SAR 3.6 million in 2021G due to the decrease in qualitative testing costs that were higher in 2019G on the back of new clients in Egypt and Iraq markets that requested testing on the Group's products.

Other expenses remained relatively stable at SAR 2.7 million during the six-month periods ending 30 June 2021G and 2022G.

### G- Gross profit by type

The following table summarizes the gross profit by type for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (88): Gross profit by type**

SAR in thousands	Fiscal year 2019G (Management Information)	Fiscal year 2020G (Management Information)	Fiscal year 2021G (Management Information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Management Information)	Six-month period ending 30 June 2022G (Management Information)	30 June 2021G-2022G variance
Copper	332,697	320,368	326,830	(3.7%)	2.0%	(0.9%)	160,806	188,076	17.0%
Aluminum	115,029	100,572	118,634	(12.6%)	18.0%	1.6%	61,504	97,207	58.0%
Fiber optics	14,082	6,337	5,749	(55.0%)	(9.3%)	(36.1%)	2,303	1,823	(20.9%)
Other	18,212	9,100	11,871	(50.0%)	30.4%	(20.3%)	5,476	6,483	18.4%
<b>Total</b>	<b>480,019</b>	<b>436,377</b>	<b>463,083</b>	<b>(9.1%)</b>	<b>6.1%</b>	<b>(1.8%)</b>	<b>230,090</b>	<b>293,590</b>	<b>27.6%</b>
<b>As a percentage of revenue</b>			<b>percentage point</b>		<b>As a percentage of revenue</b>		<b>percentage point</b>		
Copper	9.4%	10.7%	8.6%	1.3	(2.2)	(8.6)	9.4%	7.9%	(1.5)
Aluminum	13.7%	10.4%	13.1%	(3.3)	2.7	(13.1)	13.5%	12.0%	(1.5)
Fiber optics	25.7%	14.9%	30.6%	(10.7)	15.7	(30.6)	26.6%	31.9%	5.2
Other	13.4%	9.8%	8.2%	(3.7)	(1.6)	(8.2)	8.1%	10.1%	2.0
<b>Total</b>	<b>10.5%</b>	<b>10.7%</b>	<b>9.5%</b>	<b>0.2</b>	<b>(1.2)</b>	<b>(9.5)</b>	<b>10.3%</b>	<b>9.0%</b>	<b>(1.3)</b>
<b>Average gross profit per ton (SAR in thousands)</b>			<b>Variance</b>		<b>Average gross profit per ton (SAR in thousands)</b>		<b>Variance</b>		
Copper Cable	2.9	3.3	3.6	14.5%	9.9%	12.2%	3.8	3.7	(1.8%)
Aluminum Cable	2.0	1.6	2.5	(22.4%)	58.4%	10.9%	2.2	2.7	23.1%

Source: Management Information

The Group follows a conservative hedging policy against the fluctuations in the prices of copper, aluminum and lead, which change globally on a daily basis, to limit exposure to these fluctuations and maintain the stable profit margins, whereby this policy is applied based on sales contracts and accordingly the Group is committed to pricing the product to the customer on the basis of the price of raw material on the order date, and enters into a hedging agreement to lock in the price to limit exposure to metal price fluctuations.

The Group monitors profitability in absolute value which is the contribution profit determined by the Group for each product sold, as a result of the different types and specifications of cables catering specific orders, where the Group adjusts the sales mix to focus on products with the highest profit margins whenever possible.



Gross profit decreased by 9.1% from SAR 480.0 million in 2019G to SAR 436.4 million in 2020G, due to the decrease in revenue in light of the COVID-19 pandemic in addition to the decrease in the aluminum gross profit per ton from SAR 2.0 thousand to SAR 1.6 thousand during the same period as a result of the shift in the sales mix towards low and medium voltage cables (which has a lower average selling price per ton than high voltage cables). In addition, labor costs increased in response to the additional production required for the testing of the extra high voltage cables coupled with the increased demand from the Saudi Electricity Company. Despite the decrease in the absolute value of the gross profit, the gross profit margin increased slightly from 10.5% to 10.7% during the same period driven by the increase of copper gross profit per ton from SAR 2.9 thousand to SAR 3.3 thousand coupled with the decrease in depreciation expenses from SAR 63.8 million to SAR 53.7 million as a result of disposals during the same period.

Gross profit increased by 6.1% from SAR 436.4 million in 2020G to SAR 463.1 million in 2021G driven by the increase in revenue and the change in the sales mix, coupled with an increase in the average copper "LME" price per ton by 51.0% from SAR 23.1 thousand to SAR 34.9 thousand and the average aluminum "LME" price per ton by 45.5% from SAR 6.4 thousand to SAR 9.3 thousand during the same period, which contributed to an increase in the copper gross profit per ton from SAR 3.3 thousand to SAR 3.6 thousand and aluminum gross profit per ton from SAR 1.6 thousand to SAR 2.5 thousand during the same period, coupled with the reversal of provisions amounting to SAR 27.8 million related to onerous contracts. Nonetheless, gross margin decreased from 10.7% in 2020G to 9.5% in 2021G, due to the high cost of raw materials in line with the increase in the price of metals in the market.

Gross profit increased by 27.6% from SAR 230.1 million in the six-month period ending 30 June 2021G to SAR 293.6 million in the six-month period ending 30 June 2022G as a result of an increase in revenue by 45.5% from SAR 2,235.4 million in the six-month period ending 30 June 2021G to SAR 3,252.3 million in the six-month period ending 30 June 2022G, in line with the increase in the average copper and aluminum "LME" price per ton. Gross profit margin decreased from 10.3% in the six-month period ending 30 June 2021G to 9.0% in the six-month period ending 30 June 2022G due to the increase in the cost of raw materials in line with the increase in the average price of metals in the market coupled with the change in the sales mix.

### Copper cables

Copper cables gross profit decreased by 3.7% from SAR 332.7 million in 2019G to SAR 320.4 million in 2020G due to a decrease in the quantities sold during the same period in light of the COVID-19 pandemic, while the average gross profit per ton increased by 14.5% from SAR 2.9 thousand in 2019G to SAR 3.3 thousand in 2020G as a result of the Group's focus on improving the absolute value added per ton, which also contributed to the increase in the gross profit margin from 9.4% to 10.7% during the same period.

Copper cables gross profit increased by 2.0% from SAR 320.4 million in 2020G to SAR 326.8 million in 2021G due to the change in the sales mix, which led to an increase in the average gross profit per ton by 9.9% from SAR 3.3 thousand in 2020G to SAR 3.6 thousand in 2021G, in line with the increase in copper metal prices globally, where the average copper "LME" price increased by 51.0% from SAR 23.1 thousand to SAR 34.9 thousand during the same period. Despite this increase, the gross profit margin decreased from 10.7% to 8.6% due to the change in the sales mix in addition to the increase in the cost of raw materials in line with the increase in the global metal market prices.

Copper cables gross profit increased by 17.0% from SAR 160.8 million in the six-month period ending 30 June 2021G to SAR 188.1 million in the six-month period ending 30 June 2022G due to the increase in the quantities sold of low and medium voltage cables which the average selling price is relatively lower than the high voltage cables, which witnessed a decrease in gross profit, and which led to a decrease in the average gross profit per ton by 1.8% from SAR 3.8 thousand in the six month period ending on 30 June 2021G to SAR 3.7 thousand in the six-month period ending 30 June 2022G. The gross profit margin decreased from 9.4% to 7.9% due to the change in the sales mix in addition to the increase in the cost of raw materials in line with the increase in the average global copper market price during the same period.

### Aluminum cables

Aluminum cables gross profit decreased by 12.6% from SAR 115.0 million in 2019G to SAR 100.6 million in 2020G due to a decrease in the average aluminum gross profit per ton by 22.4% from SAR 2.0 thousand to SAR 1.6 thousand due to the increase in the quantities sold of low and medium voltage cables in connection with tenders with Saudi Electricity Company ("SEC") which yield lower profit margins per ton than high voltage cables. This decrease led to a decrease in the gross profit margin from 13.7% to 10.4% during the same period.

Aluminum cables gross profit increased by 18.0% from SAR 100.6 million in 2020G to SAR 118.6 million in 2021G due to the change in the sales mix, which led to an increase in the average aluminum gross profit per ton by 58.4% from SAR 1.6 thousand in 2020G to SAR 2.5 thousand in 2021G. The gross profit margin increased from 10.4% to 13.1% during the same period.



Aluminum gross profit increased by 58.0% from SAR 61.5 million in the six-month period ending 30 June 2021G to SAR 97.2 million in the six-month period ending 30 June 2022G driven by the increase in the sales of low and medium voltage cables, which was offset by a decrease in high voltage cables gross profit by SAR 12.5 million driven by the decrease in demand during the same period. The average aluminum gross profit per ton increased by 23.1% from SAR 2.2 thousand in the six-month period ending 30 June 2021G to SAR 2.7 thousand in the six-month period ending 30 June 2022G, while the gross profit margin decreased from 13.5% to 12.0% as a result of a change in the sales mix during the period, coupled with the increase in the cost of raw materials in line with the increase in the average aluminum "LME" price per ton.

### Fiber optics

Fiber optics gross profit decreased from SAR 14.1 million in 2019G to SAR 6.3 million in 2020G to SAR 5.7 million in 2021G due to the decrease in sales due to the gradual slowdown in the main project with the Saudi Telecom Company ("STC"), which began in 2016G.

Fiber optics gross profit decreased by 20.9% from SAR 2.3 million in the six-month period ending 30 June 2021G to SAR 1.8 million in the six-month period ending 30 June 2022G in line with the decrease in sales due to the gradual slowdown in the main project with the Saudi Telecom Company ("STC"), which began in 2016G.

### Other

Other gross profit decreased by 50.0% from SAR 18.7 million in 2019G to SAR 9.1 million in 2020G due to the slowdown in turnkey projects in Kuwait and projects undertaken with Dubai Electricity and Water Authority ("DEWA") among other projects.

Other gross profit increased by 30.4% from SAR 9.1 million in 2020G to SAR 11.9 million in 2021G as a result of new turnkey projects undertaken by the Group during the same period.

Other gross profit increased by 18.4% from SAR 5.5 million in the six-month period ending 30 June 2021G to SAR 6.5 million in the six-month period ending 30 June 2022G due to lower costs related to turnkey projects as a result of the slowdown during the same period.

### H- Selling and distribution expenses

The following table summarizes the selling and distribution expenses for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (89): Selling and distribution expenses**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
Salaries and employees' related benefits	42,816	41,071	42,149	(4.1%)	2.6%	(0.8%)	20,242	20,974	3.6%
Shipping fee	32,611	30,219	29,595	(7.3%)	(2.1%)	(4.7%)	16,651	16,468	(1.1%)
Sales commission	4,339	1,470	3,700	(66.1%)	151.6%	(7.6%)	1,695	1,524	(10.1%)
Advertising and showroom expenses	4,045	1,613	1,537	(60.1%)	(4.7%)	(38.4%)	458	2,128	365.0%
Rent expenses	1,737	1,664	1,895	(4.2%)	13.9%	4.4%	994	968	(2.6%)
Inspection and quality testing expenses	727	732	3,175	0.7%	333.6%	108.9%	774	1,952	152.2%
Insurance expense	892	1,404	1,544	57.4%	9.9%	31.6%	650	881	35.6%
Consumption expense	689	931	475	35.2%	(49.0%)	(16.9%)	241	205	(15.0%)

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
Communication expenses	784	375	347	(52.2%)	(7.3%)	(33.4%)	153	254	65.8%
Other expenses	9,326	7,530	7,346	(19.3%)	(2.4%)	(11.2%)	2,747	3,050	11.0%
<b>Total</b>	<b>97,965</b>	<b>87,010</b>	<b>91,763</b>	<b>(11.2%)</b>	<b>5.5%</b>	<b>(3.2%)</b>	<b>44,605</b>	<b>48,404</b>	<b>8.5%</b>
<b>Key Performance Indicators</b>									
Number of employees	331	311	318	(6.0%)	2.3%	(2.0%)	325	320	(1.5%)
Average employee cost (in Saudi Riyals)	10,779	11,005	11,045	2.1%	0.4%	1.2%	10,380	10,924	5.2%
<b>As a percentage of revenue</b>	<b>percentage point</b>					<b>As a percentage of revenue</b>		<b>percentage point</b>	
Salaries and employees' related benefits	0.9%	1.0%	0.9%	0.1	(0.1)	(0.1)	0.9%	0.6%	(0.3)
Shipping fee	0.7%	0.7%	0.6%	0.0	(0.1)	(0.1)	0.7%	0.5%	(0.2)
Sales commission	0.1%	0.0%	0.1%	(0.1)	0.0	(0.0)	0.1%	0.0%	(0.0)
Advertising and showroom expenses	0.1%	0.0%	0.0%	(0.0)	(0.0)	(0.1)	0.0%	0.1%	0.0
Rent expense	0.0%	0.0%	0.0%	0.0	(0.0)	0.0	0.0%	0.0%	(0.0)
Inspection and quality testing expenses	0.0%	0.0%	0.1%	0.0	0.0	0.0	0.0%	0.1%	0.0
Insurance expense	0.0%	0.0%	0.0%	0.0	(0.0)	0.0	0.0%	0.1%	0.0
Depreciation expense	0.0%	0.0%	0.0%	0.0	(0.0)	(0.0)	0.0%	0.1%	0.0
Communication expenses	0.0%	0.0%	0.0%	(0.0)	(0.0)	(0.0)	0.0%	0.1%	0.0
Other expenses	0.2%	0.2%	0.2%	(0.0)	(0.0)	(0.1)	0.1%	0.1%	(0.0)
<b>Total</b>	<b>2.1%</b>	<b>2.1%</b>	<b>1.9%</b>	<b>(1.7%)</b>	<b>(25.0%)</b>	<b>(26.7%)</b>	<b>2.0%</b>	<b>1.5%</b>	<b>(0.5)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements for the period ending on 30 June 2022G, and management Information

### Salaries and employees' related benefits

Salaries and employees' related benefits comprised of basic salaries, allowances, overtime, end of service benefits, and others. Salaries and employee benefits accounted for around 1.0% of the Group's revenue in 2019G, 2020G and 2021G. Salaries and employees' related benefits decreased by 4.1% from SAR 42.8 million in 2019G to SAR 41.1 million in 2020G, due to the decrease in the number of employees from 331 to 311 employees as a result of the expiration of some visas for employees who were outside the Kingdom and were unable to return due to travel restrictions during the COVID-19 pandemic.

Salaries and employees' related benefits increased by 2.6% from SAR 41.1 million in 2020G to SAR 42.1 million in 2021G driven by the increase in the number of employees (which increased by 7 employees) following the lifting of the travel restrictions in 2021G.

Salaries and employees' related benefits increased by 3.6% from SAR 20.2 million in the six-month period ending 30 June 2021G to SAR 21.0 million in the six-month period ending 30 June 2022G due to an increase in the average monthly employee cost from SAR 10,380 to SAR 10,924 due to the change in the employee mix following the decrease in the number of employees from 325 to 320 employees during the same period.

### Shipping fee

Shipping fees comprised shipping and transportation fees (air, land and sea) related to domestic and export sales, outsourced from third parties. Shipping fees accounted for around 0.7% of the Group's revenue in 2019G, 2020G and 2021G. Shipping fees amounted to SAR 32.6 million in 2019G, SAR 30.2 million in 2020G, and SAR 29.6 million in 2021G. These fees depend on the number of shipments in each financial period. Shipping fees remained relatively stable at around 0.7% of revenue over the three-year period.

Shipping fees were relatively stable in the six-month period ending 30 June 2021G and 30 June 2022G and amounted to around SAR 16.5 million (accounting for around 0.6% of total revenue).

### Sales commission

Sales commission relates to agents and distributors' commissions. This commission is determined on the targets set on a case-by-case basis and in some cases based on management's discretion, product sales mix and the strength of management's negotiating position that was evident in 2020G during the COVID-19 pandemic whereby sales commission decreased by 66.1% from SAR 4.3 million in 2019G to SAR 1.5 million in 2020G. Sales commission further increased by 151.6% to SAR 3.7 million in 2021G due to the increase in sales during the same period. Sales commission accounted for around 0.1% of the Group's revenue in 2019G, 2020G and 2021G.

Sales commission remained relatively stable in the six-month period ending 30 June 2021G and 30 June 2022G and amounted to SAR 1.6 million (about 0.1% of total revenue).

### Advertising and showroom expenses

Advertising and showroom expenses decreased by 60.1% from SAR 4.0 million in 2019G to SAR 1.6 million in 2020G and then to SAR 1.5 million in 2021G because of the cancellation of the annual conference usually held in UAE on the back of COVID-19 restrictions on social gatherings in-light-of COVID-19, and which usually costs around SAR 2.0 million.

Advertising and showroom expenses increased by 365.0% from SAR 0.5 million in the six-month period ending on 30 June 2021G to SAR 2.1 million in the six-month period ending on 30 June 2022G as a result of the re-launch of the annual conference held in UAE which was canceled in 2020G and 2021G due to government restrictions on social gatherings in light of the COVID-19 pandemic.

### Rent expenses

The rental expense relates to the short-term lease of branches in the UAE, Oman, Qatar and Egypt. Rent expenses remained relatively stable at around SAR 1.7 million in 2019G and 2020G and increased by 13.9% to SAR 1.9 million in 2021G due to the rental of a new branch in Qatar.

Rental expenses remained relatively at around SAR 1.0 million in the six-month period ending 30 June 2021G and the six-month period ending on 30 June 2022G.

### Inspection and quality testing expenses

Inspection expenses and quality testing expenses relate to the testing of cables by a third party when introducing new products to the market. Inspection and quality testing expenses increased by 333.6% from around SAR 0.7 million in 2019G and 2020G to SAR 3.2 million in 2021G driven by the testing of the extra high voltage cables that was qualified for sale in 2021G.

Inspection expenses and quality testing expenses increased by 152.2% from SAR 0.8 million in the six-month period ending 30 June 2021G to SAR 2.0 million in the six-month period ending 30 June 2022G driven by the testing of the extra high voltage cables that was qualified for sale in 2021G.

### Insurance expense

Insurance expenses relate to insurance on goods in transit and on receivables from customers who do not submit letters of guarantee. Insurance expenses increased by 57.4% from SAR 0.9 million in 2019G to around SAR 1.5 million in 2020G and 2021G due to the new insurance on receivables issued in mid-2018G that was used in 2020G.

Insurance expenses increased by 35.6% from SAR 0.7 million in the six-month period ending 30 June 2021G to SAR 0.9 million in the six-month period ending 30 June 2022G driven by the increase in insurance expenses on transit goods in line with the increase in export revenue and the increase in insurance on shipments as a result of the increase in sales.

### Depreciation expense

Depreciation expense relates to office equipment with a short useful life. Depreciation expense increased by 35.2% from SAR 0.7 million in 2019G to SAR 0.9 million in 2020G due to additions during the period and decreased by 49.0% to SAR 0.5 million in 2021G due to disposals during the period.

Depreciation expense remained relatively stable at around SAR 0.2 million in the six-month period ending 30 June 2021G and 2022G.

### Communication expenses

Communications expenses decreased by 52.2% from SAR 0.8 million in 2019G to round SAR 0.4 million in 2020G and 2021G in line with the Group's needs.

Communications expenses remained relatively stable at around SAR 0.2 million in the six-month period ending 30 June 2021G and 2022G.

### Other expenses

Other expenses comprised of branches' security expenses, office expenses, government fees and others. Other expenses decreased by 19.3% from SAR 9.3 million in 2019G to around SAR 7.5 million in 2020G and 2021G due to the decrease in government fees (which decreased by around SAR 0.4 million) which were reduced in FY20 as a government initiative during the pandemic for industrial companies.

Other expenses increased by 11.0% from SAR 2.7 million in the six-month period ending 30 June 2021G to SAR 3.1 million in the six-month period ending 2022G as result of an increase in government fees by SAR 0.5 million during the same period.

## I- General and administrative expenses

The following table summarizes the general and administrative expenses for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (90): General and administrative expenses**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
Salaries and employees' related benefits	58,290	61,063	55,725	4.8%	(8.7%)	(2.2%)	28,093	35,841	27.6%
Professional and legal fees	11,801	4,562	4,634	(61.3%)	10.6%	(37.3%)	2,071	2,470	19.3%
Depreciation expenses	4,514	7,221	9,161	60.0%	26.9%	42.5%	5,227	4,644	(11.2%)
Repair and maintenance expenses	2,638	2,087	2,159	(20.9%)	3.4%	(9.5%)	1,850	2,834	53.2%
Travel and insurance expenses	1,208	531	957	(56.1%)	80.3%	(11.0%)	142	200	41.3%
Communication and network expenses	625	854	368	36.8%	(56.9%)	(23.2%)	115	675	485.4%

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
Office supplies expenses	88	369	197	318.4%	(46.7%)	49.4%	99	570	475.8%
Other expenses	5,955	7,811	6,275	31.2%	(19.7%)	7.2%	3,652	2,093	(42.7%)
<b>Total</b>	<b>85,119</b>	<b>84,497</b>	<b>79,477</b>	<b>(0.7%)</b>	<b>(5.9%)</b>	<b>(3.1%)</b>	<b>41,248</b>	<b>49,326</b>	<b>19.6%</b>
<b>Key Performance Indicators</b>									
Number of Employees	353	370	427	4.8%	15.5%	10.0%	400	449	12.3%
Average employee monthly cost (in Saudi Riyals)	13,778	13,767	10,882	(0.1%)	(21.0%)	(11.1%)	11,705	13,304	13.7%
<b>As a percentage of revenue</b>	<b>percentage point</b>				<b>As a percentage of revenue</b>				<b>percentage point</b>
Salaries and employees' related benefits	1.3%	1.5%	1.1%	0.2	(0.4)	(0.2)	1.3%	1.1%	(0.2)
Professional and legal fees	0.3%	0.1%	0.1%	(0.1)	(0.0)	(0.2)	0.1%	0.1%	(0.0)
Consumption expenses	0.1%	0.2%	0.1%	0.1	(0.1)	0.0	0.2%	0.1%	(0.1)
Repair and maintenance expenses	0.1%	0.1%	0.0%	(0.0)	0.0	(0.0)	0.1%	0.1%	0.0
Travel and insurance expenses	0.0%	0.0%	0.0%	(0.0)	0.0	(0.0)	0.1%	0.0%	(0.0)
Communication and network expenses	0.0%	0.0%	0.0%	0.0	(0.0)	(0.0)	0.0%	0.0%	0.0
Office supplies expenses	0.0%	0.0%	0.0%	0.0	(0.0)	0.0	0.0%	0.0%	0.0
Other expenses	0.1%	0.2%	0.1%	0.1	(0.0)	0.0	0.2%	0.0%	(0.1)
<b>Total</b>	<b>1.9%</b>	<b>2.1%</b>	<b>1.6%</b>	<b>0.2</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>1.8%</b>	<b>1.5%</b>	<b>(0.3)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements for the period ending 30 June 2022G

### Salaries and employees' related benefits

Salaries and employees' related benefits comprised of basic salaries, allowances, overtime, end of service benefits, and others. Salaries and employees' related benefits increased by 4.8% from SAR 58.3 million in 2019G to SAR 61.1 million in 2020G due to the capitalization of a portion of employee costs (around SAR 4.0 million) related to employees who participated in the implementation of the SAP system, which was completed in 2020G.

This increase was offset by SANID financial support received for 6 months to support Saudi nationals' salaries (which amounted to SAR 2.8 million) and Management's cost-cutting initiatives for a period of 3 months adopted in-light-of the pandemic (which amounted to SAR 0.6 million).

Salaries and employees' related benefits decreased by 8.7% from SAR 61.1 million in 2020G to SAR 55.7 million in 2021G due to the decrease in the average monthly employee cost from SAR 13,767 to SAR 10,882 as a result of employing about 57 employees during the fourth quarter of 2021G, which affected the average monthly employee cost.

Salaries and employees' related benefits increased by 27.6% from SAR 28.1 million in the six-month period ending 30 June 2021G to SAR 35.8 million in the six-month period ending 30 June 2022G as a result of hiring key executives as well as new administrative employees towards the end of 2021G, which resulted in the increase in average monthly salary per employee from SAR 11,705 to SAR 13,304 over the same period coupled with the increase in the number of employees from 400 to 449 employees during the same period.

### Professional and legal fees

Professional and legal fees mainly relate to audit, legal and consulting fees. Professional and legal fees decreased by 61.3% from SAR 11.8 million in 2019G to SAR 4.6 million in 2020G driven by non-recurring advisory services provided by “McKinsey and Co.” in 2019G. Legal and professional fees remained relatively stable at around SAR 4.6 million in 2020G and 2021G.

Professional and legal fees increased by 19.3% from SAR 2.1 million in the six-month period ending 30 June 2020G to SAR 2.5 million in the six-month period ending 30 June 2021G due to the appointment of a financial advisor in connection with the implementation of the new hedging policy at the beginning of the year 2022G.

### Depreciation expense

Depreciation expense increased by 60% from SAR 4.5 million in 2019G to SAR 7.2 million in 2021G as a result of the depreciation recorded on the new system “SAP” that was implemented in 2020G.

Depreciation expense increased by 29.6% from SAR 7.2 million in 2020G to SAR 9.2 million in 2021G due to additions in machinery and equipment (related to general and administrative expenses) driven by transfers from work in progress that were capitalized during the same period.

Depreciation expense decreased by 11.2% from SAR 5.2 million in the six-month period ending 30 June 2021G to SAR 4.6 million in the six-month period ending 30 June 2022G due to assets that were fully depreciated during the period.

### Repair and maintenance expense

Repair and maintenance expenses relate to maintenance expenses incurred for administrative offices. Repair and maintenance expenses decreased by 20.9% from SAR 2.6 million in 2019G to an average of SAR 2.1 million in 2020G and 2021G dependent on the Group's needs.

Repair and maintenance expenses increased by 53.2% from SAR 1.8 million in the six-month period ending 30 June 2021G to SAR 2.8 million in the six-month period ending 30 June 2022G dependent on the Group's needs.

### Travel and insurance expenses

Travel and insurance expenses decreased by 56.1% from SAR 1.2 million in 2019G to SAR 531 thousand in 2020G due to travel restrictions imposed during the COVID-19 pandemic. Travel and insurance expenses increased by 80.3% from SAR 531 thousand in 2020G to SAR 957 thousand in 2021G driven by the gradual return to travel following the COVID-19 pandemic.

Travel and insurance expenses remained relatively stable at around SAR 0.2 million in the six-month period ending 30 June 2021G and 2022G.

### Communication and network expenses

Communication and network expenses relate to telephone, internet and software expenses. Communications and network expenses increased by 36.8% from SAR 625 thousand in 2019G to SAR 854 thousand in 2020G driven by additional equipment and subscriptions to communication applications that were needed for effective remote working as a result of the COVID-19 lockdown.

Communications and network expenses decreased by 56.9% from SAR 854 thousand in 2020G to SAR 368 thousand in 2021G a result of IT infrastructure improvement by the newly employed IT team.

Communications and network expenses increased by 485.4% from SAR 0.1 million in the six-month period ending 30 June 2021G to SAR 0.7 million in the six-month period ending 30 June 2022G due to new expenses incurred by the Egypt office.

### Office supplies expenses

Office supplies expenses increased by 318.4% from SAR 88 thousand in 2019G to SAR 369 thousand in 2020G driven by the increased usage of COVID-19 protective equipment such as masks and sanitizers during the COVID-19 pandemic. Office supplies expenses decreased by 46.7% from SAR 369 thousand in 2020G to SAR 197 thousand in 2021G as COVID-19 preventive measures eased.

Office supplies expenses increased by 42.7% from SAR 0.1 million in the six-month period ending 30 June 2021G to SAR 0.6 million in the six-month period ending 30 June 2022G driven by an increase in cleaning supplies expenses.

### Other expenses

Other expenses mainly comprised of social welfare, utilities, and government fees, among others. Other expenses increased by 31.2% from SAR 5.9 million in 2019G to SAR 7.8 million in 2020G due to new expenses related to social welfare, which amounted to SAR 1.0 million, in addition to the increase in government fees (which increased by SAR 1.0 million) and cleaning expenses (which increased by around SAR 0.4 million).

Other expenses decreased by 19.7% from SAR 7.8 million in 2020G to SAR 6.3 million in 2021G due to lower government fees (which decreased by SAR 1.3 million) and cleaning expenses (which decreased by SAR 0.5 million).

Other expenses decreased by 42.7% from SAR 3.7 million in the six-month period ending 30 June 2021G to SAR 2.1 million in the six-month period ending 30 June 2022G mainly due to lower government expenses and fines.

### J- Other income / (expenses)

The following table summarizes other income / (expenses) for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (91): Other income / (expenses)**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
Gain/(loss) on disposal of property, plant, and equipment	(268)	68	-	(125.4%)	(100.0%)	0.0%	-	-	na
Gain/(loss) from foreign currency exchange	(752)	(6,679)	(562)	788.1%	(91.6%)	(13.6%)	571	(5,548)	(1071.9%)
Proceeds from financial investments at fair value through other comprehensive income	-	-	-	na	na	na	192	2,328	1,114.5%
Other	16,040	15,212	3,202	(5.2%)	(79.0%)	(55.3%)	814	1,329	63.3%
<b>Total</b>	<b>15,020</b>	<b>8,600</b>	<b>2,640</b>	<b>(42.7%)</b>	<b>(69.3%)</b>	<b>(58.1%)</b>	<b>1,576</b>	<b>(1,891)</b>	<b>(220.0%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements for the period ending 30 June 2022G

### Gain/(loss) on disposal of property, plant, and equipment

The Group recorded a loss from disposals of property, plant and equipment amounting to SAR 268 thousand in 2019G and a profit of SAR 68 thousand in 2020G.

### Gain/(loss) from foreign currency exchange

Foreign currency exchange loss increased by 788.1% from SAR 752 thousand in 2019G to SAR 6.7 million in 2020G and then decreased by 91.6% to SAR 562 thousand in 2021G due to fluctuations in unpegged currencies such as the Iraqi dinar and the Egyptian pound.

The Group recorded a gain on foreign currency exchange amounting to SAR 571 thousand in the six-month period ending 30 June 2021G and a loss amounting to SAR 5.6 million in the six-month period ending 30 June 2022G due to fluctuations in the exchange rates of the Euro, the Iraqi dinar and the Egyptian pound.

### Proceeds from financial investments at fair value through other comprehensive income

The Group recorded proceeds from financial investments at fair value through other comprehensive income of SAR 192 thousand in the six-month period ending 30 June 2021G and SAR 2.3 million in the six-month period ending 30 June 2022G.

### Other

Other income relates mainly to returns from the government, old balances settled by debtors and others. Other income decreased by 5.2% from SAR 16.0 million in 2019G to SAR 15.2 million in 2020G and by 79.0% to SAR 3.2 million in 2021G due to old balances collected from debtors in 2019G amounting to SAR 9.3 million.

Other income increased by 63.3% from SAR 0.8 million in the six-month period ending 30 June 2021G to SAR 1.3 million in the six-month period ending 30 June 2022G as a result of the increase in miscellaneous income.

### K- Finance costs

The following table summarizes finance costs for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (92): Finance costs**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
Bank interest	40,180	24,558	22,383	(38.9%)	(8.9%)	(25.4%)	10,077	18,580	84.4%
Bank commissions	4,899	8,024	6,312	63.8%	(21.3%)	13.5%	3,047	5,452	78.9%
Interest on employees' defined benefit obligations	3,700	2,493	2,687	(32.6%)	7.8%	(14.8%)	1,344	1,283	(4.5%)
Interest on lease liabilities	841	276	399	(67.2%)	44.8%	(31.1%)	203	190	(6.4%)
<b>Total</b>	<b>49,619</b>	<b>35,351</b>	<b>31,781</b>	<b>(28.8%)</b>	<b>(10.1%)</b>	<b>(20.0%)</b>	<b>14,671</b>	<b>25,505</b>	<b>73.8%</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements for the period ending 2022G

### Bank interest

Bank interest decreased by 38.9% from SAR 40.2 million in 2019G to SAR 24.6 million in 2020G due to the decrease in Islamic borrowings and the SIBOR rate during the same period. Bank interest decreased by 8.9% to SAR 22.4 million in 2021G in line with the decrease in the SIBOR rate during the same period.

Bank interest increased by 84.4% from SAR 10.1 million in the six-month period ending 30 June 2021G to SAR 18.6 million in the six-month period ending 30 June 2022G due to the increase in Islamic borrowings and the SIBOR rate during the same period.

### Bank commissions

Bank commissions increased by 63.8% from SAR 4.9 million in 2019G to SAR 8.0 million in 2020G in line with the increase in letters of guarantee related to projects during the same period.

Bank commissions decreased by 21.3% from SAR 8.0 million in 2020G to SAR 6.3 million in 2021G, in line with the decrease in letters of guarantee related to projects during the same period.

Bank commissions increased by 78.9% from SAR 3.0 million in the six-month period ending 30 June 2021G to SAR 5.5 million in the six-month period ending 30 June 2022G, in line with the increase in letters of guarantee related to projects during the same period.



### Interest on employees' defined benefit obligations

Interest on employees' defined benefit obligations decreased by 32.6% from SAR 3.7 million in 2019G to around SAR 2.6 million in 2020G and 2021G due to changes in actuarial assumptions.

Interest on employees' defined benefit obligations remained relatively stable at around SAR 1.3 million in the six-month period ending 30 June 2021G and 2022G.

### Interest on lease liabilities

Interest on lease liabilities decreased by 67.2% from SAR 0.8 million in 2019G to around SAR 0.3 million in 2020G and 2021G in line with the decrease in the SIBOR rate during the same period.

Interest on lease liabilities remained relatively stable at around SAR 0.2 million in the six-month period ending 30 June 2021G and 30 June 2022G.

### L- Other comprehensive income

The following table summarizes other comprehensive income for the years ending in 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 2022G:

**Table (93): Other comprehensive income**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
<b>Net profit for the year/period</b>	<b>197,004</b>	<b>218,123</b>	<b>239,997</b>	<b>10.7%</b>	<b>10.0%</b>	<b>10.4%</b>	<b>118,852</b>	<b>153,350</b>	<b>29.0%</b>
<b>Items that can be reclassified to profit or loss</b>									
Effective portion of hedging contracts – change in value	-	-	-	na	na	na	-	(31,901)	na
Foreign operations translation reserve	(297)	175	(835)	(158.9%)	377.1%	na	(86)	-	(100.0%)
<b>Items that will not be reclassified to profit or loss</b>									
Investments at fair value through other comprehensive income - net change in fair value	-	-	42,759	na	na	na	-	(19,029)	na
Remeasurement of end of service benefit obligations	10,939	388	(8,984)	(96.5%)	(2415.5%)	na	(4,492)	(4,603)	2.5%
<b>Total comprehensive income for the year/period Net</b>	<b>207,646</b>	<b>218,687</b>	<b>272,937</b>	<b>5.3%</b>	<b>24.8%</b>	<b>14.6%</b>	<b>114,274</b>	<b>97,816</b>	<b>(14.4%)</b>
<b>Net profit margin</b>	<b>4.3%</b>	<b>5.3%</b>	<b>4.9%</b>	<b>1.0</b>	<b>(0.4)</b>	<b>0.6</b>	<b>5.3%</b>	<b>4.7%</b>	<b>(0.6)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements for the period ending 30 June 2022G

### Net profit for the year / period

Net profit increased by 10.7% from SAR 197.0 million in 2019G to SAR 218.1 million in 2020G, mainly driven by a reversal of expected credit loss provisions from a provision of SAR 33.5 million in 2019G to a reversal amounting to SAR 12.1 million in 2020G, coupled with the decrease in finance costs (which decreased by SAR 15.3 million) and depreciation expenses (which decreased by SAR 4.6 million) during the same period. This was offset by a 9.5% decrease in gross profit from SAR 480.5 million in 2019G to SAR 436.4 million in 2020G, in line with the decrease in revenue in light of the COVID-19 pandemic and the drop in the aluminum gross profit per ton from SAR 2.0 thousand to SAR 1.6 thousand during the same period as a result of the change in the sales mix (low and medium voltage cables). Net profit margin increased from 4.3% in 2019G to 5.3% in 2020G.

Net profit increased by 10.0% from SAR 218.1 million in 2020G to SAR 240.0 million in 2021G, in line with the increase in revenue from SAR 4,086.8 million in 2020G to SAR 4,883.4 million in 2021G and gross profit as a result of the change in sales mix. Despite this increase, net profit margin decreased from 5.3% in 2020G to 4.9% in 2021G, mainly as a result of the increase in the average copper and aluminum "LME" prices.

Net profit increased by 29.0% from SAR 118.9 million in the six-month period ending 30 June 2021G to SAR 153.4 million in the six-month period ending 30 June 2022G in line with the increase in revenue from SAR 2,235.4 million to SAR 3,252.3 million and gross profit during the same period, offset by an increase in operating costs, finance costs and foreign exchange losses. Despite this increase, net profit margin decreased from 5.3% in the six-month period ending 30 June 2021G to 4.7% in the six-month period ending 30 June 2022G as a result of the increase in the average copper and aluminum "LME" prices.

### Items that may be reclassified to profit or loss

#### Effective portion of hedging contracts - change in fair value

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the defined and qualified derivative is recognized as cashflows hedges in other comprehensive income accumulated in equity. The profit or Loss related to ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (e.g., when the expected sale of the hedged item occurs). The profit or loss related to the effective portion of the value of the commodity is recognized in the statement of profit or loss under "Cost of revenue".

However, when the expected transaction that has been hedged results in recognition of a non-financial asset (for example, inventory), the amounts accumulated are transferred from equity and included in the initial cost measurement. Ultimately, the amounts accumulated are recognized in the cost of inventories.

Upon expiration, termination, sale, or transacting the hedge instrument, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount accumulated remains within equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the profit or loss accumulated that was recognized in equity is transferred to the consolidated statement of profit or loss under "Revenue or Cost of Revenue".

The Group adopted a comprehensive system for measuring and managing risks. Part of the risk management process is related to managing the Group's exposure to fluctuations in raw material prices to limit its exposure to inventory price fluctuation risk to acceptable levels as determined by the Board of Directors.

The Group uses commodity future contracts to hedge against price fluctuations of copper, aluminum and lead. The purpose and details of the hedging strategy are documented, and the change in value of hedging instruments are accounted for in the profit and loss and other comprehensive income statement at fair value.

The Group purchases copper and lead on an ongoing basis as its operating activities require continuous supplies of these materials. The increased volatility in the prices of these materials has led Management to enter into future contracts in the beginning of 2022G for materials used to produce extra high voltage cables. The effective portion of the hedging contracts amounted to a loss amounting to SAR 31.9 million in the six-month period ending 30 June 2022G due to the decrease in the fair value of the hedging contracts and the cash flows of the hedged items during the period.

### Foreign operations translation reserve

The foreign exchange reserve relates to a reserve taken for non-fixed currencies such as the Iraqi dinar and the Egyptian pound. The foreign exchange reserve increased by 159.1% from a loss of SAR 297 thousand in 2019G to a profit of SAR 175 thousand in 2020G and by 377.1% due to fluctuations in the exchange rates of the Iraqi dinar to Saudi riyals.

The foreign exchange reserve loss amounted to SAR 835 thousand in 2021G, due to fluctuations in the exchange rates of the Iraqi dinar into Saudi riyals.

The foreign exchange reserve loss amounted to SAR 86 thousand in the six-month period ending 30 June 2021G, due to fluctuations in the exchange rates of the Iraqi dinar to Saudi riyals.

### Items that will not be reclassified to profit or loss

#### Investments at fair value through other comprehensive income - net change in fair value

The net fair value change for equity investments at fair value amounted to SAR 42.8 million in 2021G, mainly representing the increase in the share price of the "Natural Gas Distribution Company" after its listing in the parallel Saudi market, "Nomu".

The net change in the fair value of equity investments at fair value amounted to a loss of SAR 19.0 million in the six-month period ending 30 June 2022G, as a result of the decrease in the share price of the "Natural Gas Distribution Company".

#### Remeasurement of end of service benefits obligations

Gain / (loss) from remeasurement of employee retirement benefit obligations decreased by 96.5% from SAR 10.9 million in 2019G to SAR 388 thousand in 2020G to a loss of SAR 9.0 million in 2021G due to changes in actuarial assumptions.

Gain / (loss) from remeasurement of employee retirement benefit obligations increased by 2.5% from a loss of SAR 4.5 million in the six-month period ending on 30 June 2021G to a loss of SAR 4.6 million in the six-month period ending on 30 June 2022G due to changes in actuarial assumptions.

#### Total comprehensive income for the year / period

Total comprehensive income increased by 5.3% from SAR 207.6 million in 2019G to SAR 218.7 million in 2020G, as a result of an increase in net profit by SAR 21.1 million over the same period, offset by a decrease in the gain from re-measurement of employee benefit obligations by SAR 10.6 million. Total comprehensive income increased by 24.8% from SAR 218.7 million in 2019G to SAR 272.9 million in 2021G, in line with the increase in net profit and an increase in the fair value of investments.

Total comprehensive income decreased by 14.4% from SAR 114.3 million in the six-month period ending 30 June 2021G to SAR 97.8 million in the six-month period ending 30 June 2022G due to a loss in equity investments at fair value through other comprehensive income, offset by an increase in net profit during the same period.

## 6.8 Consolidated statement of financial position

The following table summarizes the consolidated statement of financial position as at 31 December 2019G, 2020G, and 2021G, and as at 30 June 2022G:

**Table (94): Consolidated statement of financial position**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
<b>Non-current assets</b>						
Property, plant, and equipment	1,228,550	1,144,404	1,154,744	(3.1%)	1,134,276	(1.8%)
Intangible assets	-	72,083	67,239	na	64,747	(3.7%)
Investments at fair value through other comprehensive income	2,387	4,304	49,925	357.3%	30,596	(38.7%)
Right-of-use assets	14,429	12,640	10,842	(13.3%)	10,099	(6.9%)
Investment properties	-	-	-	na	20,403	na
<b>Total non-current assets</b>	<b>1,245,367</b>	<b>1,233,430</b>	<b>1,282,750</b>	<b>1.5%</b>	<b>1,260,120</b>	<b>(1.8%)</b>
<b>Current assets</b>						
Inventory	1,040,853	1,145,046	1,585,549	23.4%	1,895,915	19.6%

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
Trade receivables	1,084,251	818,985	962,665	(5.8%)	1,383,019	43.7%
Contract assets	13,809	6,822	11,747	(7.8%)	-	(100.0%)
Advances and other current assets	44,506	33,593	59,601	15.7%	78,260	31.3%
Advances to purchase financial assets	21,000	-	-	na	-	na
Cash and cash equivalents	53,615	64,253	50,356	(3.1%)	97,096	92.8%
<b>Total current assets</b>	<b>2,258,034</b>	<b>2,068,699</b>	<b>2,669,917</b>	<b>8.7%</b>	<b>3,454,290</b>	<b>29.4%</b>
<b>Total assets</b>	<b>3,503,401</b>	<b>3,302,130</b>	<b>3,952,667</b>	<b>6.2%</b>	<b>4,714,411</b>	<b>19.3%</b>
<b>Equity</b>						
Share capital	1,500,000	1,500,000	1,500,000	-	1,500,000	0.0%
Statutory reserve	207,268	229,111	253,094	10.5%	253,094	0.0%
Retained earnings	189,480	207,954	261,078	17.4%	174,714	(33.1%)
Acquisition reserve of a subsidiary	22,725	22,725	22,725	0.0%	22,725	0.0%
Hedging contracts reserve	-	-	-	na	(31,901)	na
Foreign operations translation reserve	(604)	(429)	(1,264)	44.7%	(1,264)	0.0%
<b>Equity attributable to the shareholders of the company</b>	<b>1,918,869</b>	<b>1,959,361</b>	<b>2,035,634</b>	<b>3.0%</b>	<b>1,917,369</b>	<b>(5.8%)</b>
Non-controlling interests	392	(36)	433	5.1%	452	4.3%
<b>Total equity</b>	<b>1,919,261</b>	<b>1,959,326</b>	<b>2,036,067</b>	<b>3.0%</b>	<b>1,917,820</b>	<b>(5.8%)</b>
End-of-serve benefits obligations	96,146	96,427	107,411	5.7%	113,309	5.5%
Lease liabilities	12,385	10,432	9,053	(14.5%)	8,090	(10.6%)
<b>Total non-current liabilities</b>	<b>108,532</b>	<b>106,859</b>	<b>116,464</b>	<b>3.6%</b>	<b>121,399</b>	<b>4.2%</b>
Islamic finance facilities	1,209,532	858,675	1,324,175	4.6%	1,607,070	21.4%
Accrued expenses and other liabilities	91,721	107,882	140,817	23.9%	420,095	198.3%
Trade payables	90,017	127,607	221,032	56.7%	506,505	129.2%
Provisions	59,912	110,305	82,513	17.4%	95,955	16.3%
Contract liabilities	-	-	-	na	24,519	na
Provision for Zakat and income tax	22,124	29,422	29,690	15.8%	19,328	(34.9%)
Lease liabilities - current portion	2,302	2,054	1,910	(8.9%)	1,719	(10.0%)
<b>Total current liabilities</b>	<b>1,475,608</b>	<b>1,235,946</b>	<b>1,800,136</b>	<b>10.5%</b>	<b>2,675,191</b>	<b>48.6%</b>
<b>Total liabilities</b>	<b>1,584,140</b>	<b>1,342,804</b>	<b>1,916,600</b>	<b>10.0%</b>	<b>2,796,590</b>	<b>45.9%</b>

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
<b>Total equity and liabilities</b>	<b>3,503,401</b>	<b>3,302,130</b>	<b>3,952,667</b>	<b>6.2%</b>	<b>4,714,411</b>	<b>19.3%</b>
<b>Key performance indicators</b>				<b>Variance 2019G-2021G</b>		<b>Variance 2021G-2022G</b>
Average days sales outstanding (days) <sup>(1)</sup>	87	73	72	(15)	77	4.6
Average days payable outstanding (days) <sup>(2)</sup>	8	13	18	10	31	12.6
Average days inventory outstanding (days) <sup>(3)</sup>	97	120	135	38	118	(17)
Debt to equity ratio <sup>(4)</sup>	0.63	0.44	0.65	0.02	0.84	0.2
Return on assets ratio <sup>(5)</sup>	5.6%	6.6%	6.1%	0.5	5.8%	(0.3)
Return on equity ratio <sup>(6)</sup>	10.3%	11.1%	11.8%	1.5	14.1%	2.3

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G, and management information

- (1) The average days sales outstanding is calculated on the basis of the average trade receivables divided by net revenue \* 365 days as at 31 December 2019G, 2020G and 2021G, and based on the average trade receivables divided by net revenue \* 180 days as at 30 June 2022G.
- (2) The average days payable outstanding is calculated on the basis of the average trade payables divided by cost of revenue \* 365 days as at 31 December 2019G, 2020G and 2021G, and on the basis of the average trade payables divided by cost of revenue \* 180 days as at 30 June 2022G.
- (3) The average days inventory outstanding is calculated on the basis of the average inventory divided by cost of revenue \* 365 days as at 31 December 2019G, 2020G and 2021G, and on the basis of the average inventory divided by cost of revenue \* 180 days as at 30 June 2022G.
- (4) The debt-equity ratio is calculated based on total debt divided by the average equity.
- (5) Return on assets was calculated on the basis of net profit divided by the average total assets as at 31 December 2019G, 2020G and 2021G, and on the basis of net profit for the period \* 2 / average total assets for the period ending 30 June 2022G.
- (6) Return on equity is calculated on the basis of net profit divided by average equity as at 31 December 2019G, 2020G and 2021G, and on the basis of net profit for the period \* 2 / average equity for the period ending 30 June 2022G.

## Assets

### Non-current Assets

Non-current assets decreased from SAR 1,245.4 million as at 31 December 2019G to SAR 1,233.4 million as at 31 December 2020G due to a decrease in property and equipment from SAR 1,228.5 million as at 31 December 2019G to SAR 1,144.4 million as at 31 December 2020G driven by depreciation and transfers from assets under construction to intangible assets amounting to SAR 74.6 million due to the capitalization of the SAP system in 2020G. This was offset by an increase in investments at fair value through other comprehensive income from SAR 2.4 million to SAR 4.3 million during the same period due to the increase in the share capital of the “**Natural Gas Distribution Company**” by 50%, in which the Group’s investment accounted for 7.67%.

Non-current assets increased from SAR 1,233.4 million as at 31 December 2020G to SAR 1,282.8 million as at 31 December 2021G, due to an increase in assets at fair value through other comprehensive income from SAR 4.3 million as at 31 December 2020G to SAR 49.9 million as at 31 December 2021G following its listing on the Saudi parallel market, Nomu (which increased by around SAR 42.4 million), in addition to additional investments in other listed companies (which increased by around SAR 3.3 million). In addition, property, plant and equipment increased from SAR 1,144.4 million to SAR 1,154.7 million during the same period as a result of additions in assets under construction amounting to SAR 60.4 million.

Non-current assets decreased from SAR 1,282.8 million as at 31 December 2021G to SAR 1,260.1 million as at 30 June 2022G mainly due to a decrease in investments at fair value through other comprehensive income from SAR 49.9 million as at 31 December 2021G to SAR 30.6 million as at 30 June 2022G as a result of the decrease in the share price of the “**Natural Gas Distribution Company**” during the same period. It is worth noting that buildings worth SAR 20.4 million were reclassified to investment properties, as they were leased to third parties in 2022G.

### Current assets

Current assets decreased from SAR 2,258.0 million as at 31 December 2019G to SAR 2,068.7 million as at 31 December 2020G due to a decrease in receivables by SAR 265.3 million in line with the decrease in revenue in light of the COVID-19 pandemic in 2020G. This was offset by an increase in inventory by SAR 104.2 million, mainly as a result of the slowdown in branches sales, as this slowdown led to an increase in the average days inventory outstanding from 97 days to 120 days during the same period.

Current assets increased from SAR 2,068.7 million as at 31 December 2020G to SAR 2,669.9 million as at 31 December 2021G due to an increase in inventory by SAR 440.5 million as a result of 1) the increase in average copper and aluminum "LME" price during the period and 2) the Group's strategy to increase inventory in 2021G to deliver the expected higher orders from the Saudi Electricity Company ("SEC") in the first half of 2022G, whereby the average days inventory outstanding increased from 120 days to 135 days during the same period. In addition, the balance of accounts receivable increased by SAR 143.7 million in line with the increase in revenue in 2021G.

Current assets increased from SAR 2,669.9 million as at 31 December 2021G to SAR 3,454.3 million as at 30 June 2022G due to an increase in inventory by SAR 310.4 million as a result of the increase in the quantities sold and the average copper and aluminum "LME" prices, coupled with an increase in trade receivables by SAR 420.4 million in line with the increase in revenue during the same period. This increase was offset by a decrease in contract assets from SAR 11.7 million as at 31 December 2021G to nil as at 30 June 2022G as contract assets were classified as contract liabilities within current liabilities as a result of the costs incurred from the projects exceeded the revenue generated during the same period.

### Equity and liabilities

#### Equity

Equity increased from SAR 1,919.3 million as at 31 December 2019G to SAR 1,959.3 million as at 31 December 2020G due to an increase in the statutory reserve by SAR 21.8 million and retained earnings of SAR 18.5 million due to the increase in the Group's net profit in 2020G.

Equity increased from SAR 1,959.3 million as at 31 December 2020G to SAR 2,036.1 million as at 31 December 2021G due to an increase in the statutory reserve by SAR 24.0 million and retained earnings by SAR 53.1 million due to the increase in the Group's net profit in 2021G.

Equity decreased from SAR 2,036.1 million as at 31 December 2021G to SAR 1,917.8 million as at 30 June 2022G due to a decrease in retained earnings by SAR 86.4 million as a result of the Group's declaration of dividends amounting to SAR 216 million related to 2021G results, in addition to hedging contracts reserve amounting to SAR 31.9 million as of 30 June 2022G.

#### Liabilities

##### Non-current liabilities

Non-current liabilities decreased from SAR 108.5 million as at 31 December 2019G to SAR 106.9 million as at 31 December 2020G due to a decrease in lease liabilities from SAR 12.4 million to SAR 10.4 million during the same period as a result of scheduled payments.

Non-current liabilities increased from SAR 106.9 million as at 31 December 2020G to SAR 116.5 million as at 31 December 2021G due to an increase in employee end-of-service benefit obligations from SAR 96.4 million to SAR 107.4 million as a result of actuarial losses amounting to SAR 9.0 million.

Non-current liabilities increased from SAR 116.5 million as at 31 December 2021G to SAR 121.4 million as at 30 June 2022G due to an increase in employee end-of-service benefit obligations by SAR 5.9 million as a result of an increase in the number of employees by 212 employees during the same period.

### Current liabilities

Current liabilities decreased from SAR 1,475.6 million as at 31 December 2019G to SAR 1,235.9 million as at 31 December 2020G due to a decrease in Islamic financing facilities by SAR 350.9 million as a result of settlements during the year.

Current liabilities increased from SAR 1,235.9 million as at 31 December 2020G to SAR 1,800.1 million as at 31 December 2021G, mainly due to an increase in the balance used in Islamic financing facilities by SAR 465.5 million to finance the working capital.

Current liabilities increased from SAR 1,800.1 million as at 31 December 2021G to SAR 2,675.2 million as at 30 June 2022G driven by the increase in the balance used in Islamic financing facilities by SAR 282.9 million driven by the increase in liquidity needs in line with the increase in sales, coupled with the increase in accrued expenses and other liabilities by SAR 279.3 million as a result of accrued dividends amounting to SAR 216 million related to 2021G results and the decrease in the fair value of financial derivatives by SAR 21.2 million.

### Non-Current assets

#### A- Property, plant and equipment

The following table summarizes the net book value of property, plant and equipment as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (95): Property, plant and equipment as at 31 December 2021G**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)			Compound annual growth rate 2019G-2021G
			Cost	Accumulated depreciation	Net carry amount	
Land	222,937	222,937	222,687	-	222,687	(0.1%)
Buildings	177,053	163,141	376,299	(219,649)	156,650	(5.9%)
Machine and equipment	651,186	633,575	1,943,509	(1,280,360)	663,149	0.9%
Motor vehicles	1,539	1,008	16,131	(15,084)	1,047	(17.5%)
Furniture and fixtures	5,367	3,815	28,472	(25,699)	2,773	(28.1%)
Tools	8,149	5,623	50,806	(46,611)	4,196	(28.2%)
Laboratory equipment	34,222	29,477	111,167	(88,230)	22,937	(18.1%)
Computers	3,599	3,340	18,033	(12,622)	5,412	22.6%
Strategic spare parts	7,800	6,821	9,784	(3,408)	6,376	(9.6%)
Assets under construction	116,699	74,666	69,517	-	69,517	(22.8%)
<b>Total</b>	<b>1,228,550</b>	<b>1,144,404</b>	<b>2,846,406</b>	<b>(1,691,662)</b>	<b>1,154,744</b>	<b>(3.1%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G.

**Table (96): Property, plant and equipment as at 30 June 2022G**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)			31 December 2021G- 30 June 2022G variance
					Cost	Accumulated depreciation	Net carry amount	
Land	222,937	222,937	222,687	(0.1%)	222,687	-	222,687	0.0%
Buildings	177,053	163,141	156,650	(5.9%)	355,085	(224,807)	130,278	(16.8%)
Machine and equipment	651,186	633,575	663,149	0,9%	1,944,125	(1,295,864)	648,261	(2.2%)
Motor vehicles	1,539	1,008	1,047	(17.5%)	16,194	(15,321)	873	(16.6%)
Furniture and fixtures	5,367	3,815	2,773	(28.1%)	29,093	(26,558)	2,535	(8.6%)
Tools	8,149	5,623	4,196	(28.2%)	52,668	(47,901)	4,767	13.6%
Laboratory equipment	34,222	29,477	22,937	(18.1%)	112,137	(91,623)	20,514	(10.6%)
Computers	3,599	3,340	5,412	22.6%	18,051	(12,845)	5,206	(3.8%)
Strategic spare parts	7,800	6,821	6,376	(9.6%)	10,292	(4,066)	6,226	(2.4%)
Assets under construction	116,699	74,666	69,518	(22.8%)	92,930	-	92,930	33.7%
<b>Total</b>	<b>1,228,550</b>	<b>1,144,404</b>	<b>1,154,744</b>	<b>(3.1%)</b>	<b>2,853,262</b>	<b>(1,718,986)</b>	<b>1,134,276</b>	<b>(1.8%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and management information.

The following table summarizes the change in property, plant and equipment net book value as at 31 December 2021G:

**Table (97): Property, plant and equipment as of 31 December 2021G**

SAR in thousands	1 January 2021G	Additions	Disposals	Transfers	Effect of movements in exchange rates	31 December 2021G
<b>Cost</b>						
Land	222,937	-	-	-	(250)	222,687
Buildings	369,976	518	-	5,655	150	376,299
Machine and equipment	1,881,183	1,067	-	61,259	-	1,943,509
Motor vehicles	15,606	530	-	-	(5)	16,131
Furniture and fixtures	26,852	1,132	(27)	515	-	28,472
Tools	49,410	1,395	-	-	-	50,806
Laboratory equipment	110,613	554	-	-	-	111,167
Computers	14,990	3,468	(425)	-	-	18,033
Strategic spare parts	9,707	100	(23)	-	-	9,784
Assets under construction	76,546	60,400	-	(67,428)	-	69,518
<b>Total</b>	<b>2,777,821</b>	<b>69,164</b>	<b>(475)</b>	<b>-</b>	<b>(104)</b>	<b>2,846,406</b>



SAR in thousands	1 January 2021G	Additions	Disposals	Transfers	Effect of movements in exchange rates	31 December 2021G
<b>Accumulated depreciation</b>						
Land	-	-	-	-	-	-
Buildings	206,835	12,814	-	-	-	219,649
Machine and equipment	1,247,608	30,872	-	1,880	-	1,280,360
Motor vehicles	14,598	486	-	-	-	15,084
Furniture and fixtures	23,037	2,666	(4)	-	-	25,699
Tools	43,787	2,824	-	-	-	46,611
Laboratory equipment	81,136	7,094	-	-	-	88,230
Computers	11,649	1,141	(168)	-	-	12,622
Strategic spare parts	2,886	525	(3)	-	-	3,408
Assets under construction	1,880	-	-	(1,880)	-	-
<b>Total</b>	<b>1,633,417</b>	<b>58,543</b>	<b>(176)</b>	<b>-</b>	<b>-</b>	<b>1,691,662</b>
<b>Net carrying amount</b>	<b>1,144,404</b>	<b>10,743</b>	<b>(299)</b>	<b>-</b>	<b>(104)</b>	<b>1,154,744</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G.

The following table summarizes the change in property, plant and equipment net book value as at 30 June 2022G:

**Table (98): Property, plant and equipment as at 30 June 2022G**

SAR in thousands	31 December 2021G	Additions	Disposals	Transfers	Effect of movements in exchange rates	30 June 2022G
<b>Cost</b>						
Lands	222,687	-	-	-	-	222,687
Buildings	355,032	54	-	(20,749)	-	355,085
Machine and equipment	1,943,509	617	-	-	-	1,944,125
Motor vehicles	16,131	63	-	-	-	16,194
Furniture and fixtures	28,472	621	-	-	-	29,093
Tools	50,806	1,861	-	-	-	52,668
Laboratory equipment	111,167	970	-	-	-	112,137
Computers	18,033	17	-	-	-	18,051
Strategic spare parts	9,784	508	-	-	-	10,292
Assets under construction	69,518	23,411	-	-	-	92,930
<b>Total</b>	<b>2,825,139</b>	<b>28,123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,853,262</b>

SAR in thousands	31 December 2021G	Additions	Disposals	Transfers	Effect of movements in exchange rates	30 June 2022G
<b>Accumulated depreciation</b>						
Lands	-	-	-	-	-	222,687
Buildings	219,131	5,677	-	518	-	130,278
Machine and equipment	1,280,360	15,505	-	-	-	648,261
Motor vehicles	15,084	237	-	-	-	873
Furniture and fixtures	25,699	860	-	-	-	2,535
Tools	46,611	1,290	-	-	-	4,767
Laboratory equipment	88,230	3,393	-	-	-	20,514
Computers	12,622	223	-	-	-	5,206
Strategic spare parts	3,409	658	-	-	-	6,226
Assets under construction	-	-	-	-	-	92,930
<b>Total</b>	<b>1,691,143</b>	<b>27,843</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,134,276</b>
<b>Net carrying amount</b>	<b>1,154,744</b>	<b>280</b>	<b>-</b>	<b>(21,267)</b>	<b>-</b>	<b>1,720,023</b>

Source: Management Information

The following table summarizes the net book value of property, plant and equipment by subsidiary as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (99): Property, plant and equipment by subsidiary**

SAR in thousands	31 December 2019G (Management Information)	31 December 2020G (Management Information)	31 December 2021G (Management Information)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
The Company	656,079	574,157	583,233	(5.7%)	592,613	1.6%
Saudi Modern Company for Metals, Cables and Plastic Industry	252,177	241,746	237,871	(2.9%)	232,066	(2.4%)
Saudi Modern Company for Specialized Wires and Cables Industry	101,947	101,974	98,861	(1.5%)	98,625	(0.2%)
Saudi Modern Company for Telephone Cables Industry	28,493	25,670	27,668	(1.5%)	26,494	(4.2%)
Riyadh Cables Company and its subsidiaries	186,452	197,733	204,177	4.6%	181,499	(11.1%)
<b>Riyadh Cables company</b>	<b>39,088</b>	<b>41,384</b>	<b>40,644</b>	<b>2.0%</b>	<b>19,663</b>	<b>(51.6%)</b>
<b>National Cables Industry Company</b>	<b>147,364</b>	<b>156,349</b>	<b>163,534</b>	<b>5.3%</b>	<b>161,972</b>	<b>(1.0%)</b>
Saudi Modern Company for Cables Limited	3,404	3,123	2,933	(7.2%)	2,844	(3.0%)
<b>Total</b>	<b>1,228,550</b>	<b>1,144,404</b>	<b>1,154,744</b>	<b>(3.1%)</b>	<b>1,134,276</b>	<b>(1.8%)</b>

Source: Management Information

### Land

Land net book value amounted to SAR 222.7 million as at 30 June 2022G, which mainly consists of land in the third industrial city in Riyadh with a value of SAR 180.0 million. This land was purchased in the year 2013G. The remainder of the land balance relates to the Group's stores and branches.

### Buildings

Buildings net book value decreased from SAR 177.1 million as at 31 December 2019G to SAR 163.1 million as at 31 December 2020G as a result of the annual depreciation and the absence of any major additions recorded during the period.

Buildings net book value decreased from SAR 163.1 million as at 31 December 2020G to SAR 156.6 million as at 31 December 2021G as a result of the annual depreciation, offset by transfers from assets under construction amounting to SAR 5.7 million.

Buildings net book value decreased from SAR 156.6 million as at 31 December 2021G to SAR 130.3 million as at 30 June 2022G due to the reclassification of SAR 20.4 million of buildings to investment properties as they were leased to third parties. These investment properties were valued by an independent party as at 7 March 2022G for an amount of SAR 40 million, and management does not expect a significant difference in the indicated fair value compared to what was estimated on 7 March 2022G. Buildings are depreciated by around 64% as at 30 June 2022G.

### Machine and equipment

Machine and equipment related to the Group's cable factories and supporting factories such as raw material processing and packaging. Machine and equipment net book value decreased from SAR 651.2 million as at 31 December 2019G to SAR 633.6 million as at 31 December 2020G as a result of annual depreciation, which was partially offset by transfers from assets under construction amounting to SAR 12.3 million.

Machine and equipment net book value increased from SAR 633.6 million as at 31 December 2020G to SAR 663.1 million as at 31 December 2021G due to transfers from assets under construction amounting to SAR 59.3 million, offset by annual depreciation of SAR 30.8 million.

Machine and equipment net book value decreased from SAR 663.1 million as at 31 December 2021G to SAR 648.3 million as at 30 June 2022G mainly due to depreciation of SAR 15.6 million, partially offset by additions amounting to SAR 617 thousand during the same period. Machine and equipment are depreciated by 67% as at 30 June 2022G.

### Motor vehicles

Motor vehicles are mainly used for internal transport between factories. Motor vehicles net book value decreased from SAR 1.5 million as at 31 December 2019G to SAR 1.0 million as at 31 December 2020G and 31 December 2021G due to depreciation and the absence of major additions.

Motor vehicles net book value decreased from SAR 1.0 million as at 31 December 2021G to SAR 873 thousand as at 30 June 2022G as a result of depreciation and the absence of major additions. Motor vehicles are depreciated by around 95% as at 30 June 2022G.

### Furniture and fixtures

Furniture and fixtures net book value decreased from SAR 5.4 million as at 31 December 2019G to SAR 3.8 million as at 31 December 2020G as a result of annual depreciation and the absence of major additions. Net book value further decreased to SAR 2.8 million as at 31 December 2021G as a result of depreciation, offset by additions amounting to SAR 1.1 million and transfers to furniture and fixtures amounting to SAR 0.5 million.

Furniture and fixtures net book value decreased from SAR 2.8 million as at 31 December 2021G to SAR 2.5 million as at 30 June 2022G as a result of depreciation amounting to SAR 871 thousand, offset by additions amounting to SAR 617 thousand and transfers amounting to SAR 52 thousand. Furniture and fixtures are depreciated by around 91% as at 30 June 2022G.

### Tools

Tools net book value decreased from SAR 8.1 million as at 31 December 2019G to SAR 5.6 million as at 31 December 2020G as a result of depreciation and disposals and the absence of any major additions.

Tools net book value decreased to SAR 4.2 million as of 31 December 2021G as a result of depreciation, offset by additions amounting to SAR 1.4 million during the year.

Tools net book value tools increased from SAR 4.2 million as at 31 December 2021G to SAR 4.8 million as at 30 June 2022G as a result of additions amounting to SAR 1.9 million during the period. This was offset by a depreciation amounting to SAR 1.3 million. Tools are depreciated by around 91% as at 30 June 2022G.

### Laboratory equipment

Laboratory equipment is mainly used for quality control testing of raw materials, product samples and finished goods. Laboratory equipment net book value decreased from SAR 34.2 million as at 31 December 2019G to SAR 29.5 million as at 31 December 2020G as a result of depreciation, offset by additions amounting to SAR 2.5 million.

Laboratory equipment net book value decreased to SAR 22.9 million as at 31 December 2021G due to depreciation and the absence of major additions.

Laboratory equipment net book value decreased from SAR 22.9 million as at 31 December 2021G to SAR 20.5 million as at 30 June 2022G as a result of depreciation, offset by additions amounting to SAR 970 thousand. Laboratory equipment are depreciated by around 82% as at 30 June 2022G.

### Computers

Computers net book value decreased from SAR 3.6 million as at 31 December 2019G to SAR 3.3 million as at 31 December 2020G as a result of depreciation and the absence of any major additions.

Computers net book value increased from SAR 3.3 million as at 31 December 2021G to SAR 5.4 million as at 30 June 2022G driven by additions during the same period.

Computers net book value decreased from SAR 5.4 million as at 31 December 2021G to SAR 5.2 million as at 30 June 2022G as a result of depreciation. Computers are depreciated by around 71% as at 30 June 2022G.

### Strategic spare parts

Strategic spare parts are used exclusively for machinery and equipment. Strategic spare parts net book value decreased from SAR 7.8 million as at 31 December 2019G to SAR 6.8 million as at 31 December 2020G, and then to SAR 6.4 million as at 31 December 2021G due to depreciation as no major additions were recorded during the period.

Strategic spare parts net book value decreased from SAR 6.4 million as at 31 December 2021G to SAR 6.2 million as at 30 June 2022G, as a result of depreciation, offset by additions of SAR 508 thousand. Strategic spare parts are depreciated by around 40% as at 30 June 2022G.

### Assets under construction

Assets under construction relate to the machinery and equipment needed for the Group's factories. Assets under construction net book value decreased from SAR 116.7 million as at 31 December 2019G to SAR 74.7 million as at 31 December 2020G as a result of transfers amounting to SAR 74.6 million to intangible assets related to the capitalization of the "SAP" system.

Assets under construction net book value decreased to SAR 69.5 million as at 31 December 2021G as a result of transfers amounting to SAR 76.5 million related to buildings (amounting to SAR 5.6 million), machinery and equipment (amounting to SAR 66.2 million) and others, offset by additions amounting to SAR 60.4 million related to the expansions of the production plants. It is worth noting that the committed capital related to assets under construction amounted to SAR 30.0 million as at 31 December 2021G.

Assets under construction net book value increased from SAR 69.5 million as at 31 December 2021G to SAR 93.0 million as at 30 June 2022G as a result of additions amounting to SAR 23.4 million related to the expansion of the production plants.

The following table summarizes the expansionary committed capital by subsidiary as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (100): Expansionary committed capital by subsidiary**

In SR thousands	31 December 2019G (Management Information)	31 December 2020G (Management Information)	31 December 2021G (Management Information)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G – 30 June 2022G Variance
The Company	12,456	21,091	27,455	48.5%	22,858	(16.7%)
Saudi Modern Company for Metals, Cables and Plastic Industry	1,569	2,742	351	(52.7%)	1,091	210.9%
Saudi Modern Company for Specialized Wires and Cables Industry	575	167	1,933	83.4%	610	(68.5%)
Saudi Modern Company for Telephone Cables Industry	-	-	260	0.0%	260	(7.7%)
<b>Total</b>	<b>14,600</b>	<b>24,000</b>	<b>30,000</b>	<b>43.3%</b>	<b>24,800</b>	<b>(17.3%)</b>

Source: Management Information

The Group has committed capital related to the expansion of the plants amounting to SAR 14.6 million as at 31 December 2019G and SAR 24 million as at 31 December 2020G and SAR 30 million as at 31 December 2021G and SAR 24.8 million as at 30 June 2022G.

## B- Intangible assets

The following table summarizes the intangible assets as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (101): Intangible assets:**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G – 30 June 2022G variance
<b>Cost</b>						
Balance at the beginning of the year	-	-	74,568	na	74,697	0.2%
Additions during the year	-	74,568	128	na	-	(100.0%)
Cost at the end of the year	-	74,568	74,697	na	74,697	0.0%
Balance at the beginning of the year	-	-	2,486	na	7,458	200.0%
Amortizations during the year	-	2,486	4,972	na	2,492	(49.9%)
Accumulated amortization at the end of the year	-	2,486	7,458	na	9,950	33.4%
<b>Net book value at the end of the year</b>	<b>-</b>	<b>72,083</b>	<b>67,239</b>	<b>na</b>	<b>64,747</b>	<b>(3.7%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and management information.

### Intangible assets

Intangible assets mainly relate to the “SAP” system that was capitalized and transferred from assets under construction, amounting to SAR 74.6 million as at 31 December 2020G.

Intangible assets decreased from SAR 72.1 million as at 31 December 2020G to SAR 67.2 million as at 31 December 2021G as a result of the amortization during the same period.

Intangible assets decreased from SAR 67.2 million as of 31 December 2021G to SAR 64.7 million as at 30 June 2022G as a result of the amortization during the same period.

### C- Investments at fair value through other comprehensive income

The following table summarizes investments at fair value through other comprehensive income as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (102): Investments at fair value through other comprehensive income**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
Natural Gas Distribution Company	1,917	3,833	46,153	390.7%	26,373	(42.9%)
International Company for Insulation Materials	471	471	471	0.0%	471	(0.0%)
STC Solutions Company	-	-	1,163	na	1,222	5.1%
Alnayfat Company	-	-	353	na	284	(19.6%)
Saudi Tadawul Group	-	-	1,495	na	2,246	50.2%
Almunajem Foods Company	-	-	290	na	-	(100.0%)
<b>Total</b>	<b>2,387</b>	<b>4,304</b>	<b>49,925</b>	<b>357.3%</b>	<b>30,596</b>	<b>(38.7%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and management information.

### Natural Gas Distribution Company

The Group invested in the Natural Gas Distribution Company in 2002G with an investment share of 7.67%. The investment value increased from SAR 1.9 million as at 31 December 2019G to SAR 3.8 million as at 31 December 2020G due to the increase in the Natural Gas Distribution Company's share capital by 50%, which represents 383,333 shares at SAR 10 per share and the Group's participation in this increase in capital.

The investment value increased from SAR 3.8 million as at 31 December 2020G to SAR 46.2 million as at 31 December 2021G, as the Natural Gas Distribution Company following the listing of the Company on the Saudi parallel market “Nomu” in 2021G whereby the share price reached SAR 120.4 as at 31 December 2021G.

The investment value decreased from SAR 46.2 million as at 31 December 2021G to SAR 26.4 million as at 30 June 2022G as a result of a drop in the share price from SAR 120.4 to SAR 68.8 during the same period.

### International Company for Insulation Materials

The Group's ownership in the International Company for Insulation Materials is 19.7%. The investment value remained stable at SAR 471 thousand during the period. It should be noted that the company is not listed, and Management has estimated that there is no material difference between its fair value and its book value.

### STC Solutions Company

The Group's ownership is 0.050% representing the Group's investment in 11,881 shares at a market price of SAR 188.2 as at 31 December 2021G.

The investment value remained relatively stable at around SAR 1.2 million as at 31 December 2021G and 30 June 2022G.

### Al Nayifat Company

The Group's ownership is 0.011%, representing the Group's investment in 11,222 shares at a market price of SAR 31.5 as at 31 December 2021G.

The investment value remained stable at around SAR 0.3 million as at 31 December 2021G and 30 June 2022G.

### Saudi Tadawul Group

The Group's ownership is 0.010%, representing the Group's investment in 6,178 shares at a market price of SAR 125.8 as at 31 December 2021G.

The investment value increased from SAR 1.5 million as at 31 December 2021G to SAR 2.2 million as at 30 June 2022G as a result of the increase in the share price from SAR 125.8 to SAR 189 during the same period.

### Almunajem Foods Company

The Group's investment of 0.008% representing 4,994 shares in Almunajem Foods Company as of 30 June 2022G was liquidated.

### D- Right-of-use assets

The following table summarizes the right-of-use assets as at 31 December 2019G, 2020G and 2021G and as at 30 June 2022G:

**Table (103): Right-of-use assets**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 June 2022G (Management Information)	31 December 2021G-31 June 2022G Variance
As at 1 January	-	14,429	12,639	na	10,842	(14.2%)
Assets recorded during the year	16,214	-	-	na	-	na
Depreciation charged during the year	(1,785)	(1,790)	(1,798)	0.4%	(743)	(58.7%)
<b>Balance as of 31 December</b>	<b>14,429</b>	<b>12,640</b>	<b>10,842</b>	<b>(13.3%)</b>	<b>10,099</b>	<b>(6.9%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and management information.

Right-of-use assets mainly relate to staff housing, offices, warehouses and land leases (for some factories in the Second Industrial Area).

Right-of-use assets net book value decreased from SAR 14.4 million as at 31 December 2019G to SAR 12.6 million as at 31 December 2020G, then to SAR 10.8 million as at 31 December 2021G, and then to SAR 10.1 million as at 30 June 2022G as a result of the annual depreciation.

### E- Investment properties

Investment properties relate to buildings that were reclassified from property, plant and equipment to investment properties in 2022G as they were leased to third parties, which amounted to SAR 20.4 million as at 30 June 2022G. These investment properties were valued by an independent party on 7 March 2022G at a fair value of SAR 40 million. Management does not expect a material difference in the fair value referred to compared to what was estimated on 7 March 2022G.

## Current assets

### F- Inventory

The following table summarizes the inventory as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (104): Inventory**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
Raw materials	210,094	199,546	291,775	17.8%	364,466	24.9%
Finished goods	589,068	741,444	868,135	21.4%	822,315	(5.3%)
Work in progress	133,635	145,384	339,653	59.4%	621,126	82.9%
Goods-in-transit	60,698	15,775	24,519	(36.4%)	18,455	(24.7%)
Packaging material	18,645	24,479	35,018	37.0%	45,288	29.3%
Spare parts	71,776	68,243	71,055	(0.5%)	70,532	(0.7%)
Others	2,919	1,158	5,054	31.6%	3,393	(32.9%)
<b>Total</b>	<b>1,086,835</b>	<b>1,196,029</b>	<b>1,635,209</b>	<b>22.7%</b>	<b>1,945,575</b>	<b>19.0%</b>
Provision for slow moving inventory	(45,982)	(50,983)	(49,660)	3.9%	(49,660)	0.0%
<b>Net inventories</b>	<b>1,040,853</b>	<b>1,145,046</b>	<b>1,585,549</b>	<b>23.4%</b>	<b>1,895,915</b>	<b>19.6%</b>
Average days inventory outstanding (days)	97	120	135	38	118	(17)

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G and management information.

### Raw materials

**Table (105): Raw materials**

SAR in thousands	31 December 2019G (Management information)	31 December 2020G (Management information)	31 December 2021G (Management information)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management information)	31 December 2021G- 30 June 2022G variance
Copper	46,794	24,923	24,585	(27.5%)	30,554	24.3%
Aluminum	15,561	6,232	39,342	59.0%	12,633	(67.9%)
Others	147,741	168,391	227,848	24.2%	321,278	41.0%
<b>Total</b>	<b>210,094</b>	<b>199,546</b>	<b>291,775</b>	<b>17.8%</b>	<b>364,466</b>	<b>24.9%</b>

Source: Management information

Raw materials are mainly comprised of aluminum and copper among the other materials needed to manufacture the cables. Copper is procured through long-term contracts with international suppliers (Trafigura, Glencore and others), whereas aluminum is purchased locally through a long-term contract mainly with the "Saudi Arabian Mining Company" (Ma'aden). Other components are purchased through local suppliers such as the "Saudi Basic Industries Corporation" (SABIC), Rabigh Refining and Petrochemical Company, and others.

To mitigate risks of raw material shortages, stock levels are continuously monitored such that a 20–30-day safety stock of strategic items is maintained. Furthermore, the Group holds inventory on consignment from Trafigura (i.e., these are not recorded on the Group's books). Consignment stock is utilized in the event of shipment delays. The Group is accordingly invoiced at the concurrent LME price plus a pre-agreed premium.



The Group entered into a variety of future contracts to hedge against the fluctuations in copper and aluminum market prices, to meet the Group's expectation in utilization of raw materials in its manufacturing operations. The effect resulting from closing these contracts (contracts to buy or sell non-financial instruments or contracts for self-use that are not classified as hedging instruments) is recorded in the cost of revenue in the consolidated statement of profit or loss and other comprehensive income.

The Group reviews the raw material prices periodically and hedges the inventory position at each month end to limit price exposure, especially for **"Saudi Modern Company for Specialized Wires and Cables Industry"** which could be exposed to raw material cost fluctuations given the nature of its business through its branches. We understand from Management that the volatility in raw material prices (namely copper) is typically witnessed for less than 3 months period whereby the entity produces to stock for 3 months' worth of inventory. This would generally include the fast-moving items based on management's expertise in market trends and the highest products in demand.

Average days inventory outstanding (days) increased from 97 days as at 31 December 2019G to 120 days as at 31 December 2020G mainly as a result of the decrease in branch sales during the COVID-19 pandemic, which led to a slowdown in inventory movement. Average days inventory outstanding (days) increased from 120 days as at 31 December 2020G to 135 days as at 31 December 2021G due to the strategic stock of inventory related to orders related for the Saudi Electricity Company ("**SEC**") expected to be delivered in 2022G.

Average days inventory outstanding (days) decreased from 135 days as at 31 December 2021G to 118 days as at 30 June 2022G due to the delivery of orders that had been stocked related to the Saudi Electricity Company ("**SEC**").

### Raw materials

The period between receiving the raw materials and supplying the order to the customer is between 30 and 45 days, and this period may vary between customers according to the supply schedule. Raw materials decreased from SAR 210.1 million as at 31 December 2019G to SAR 199.5 million as at 31 December 2020G due to a decrease in purchases and production. Raw materials increased from SAR 199.5 million as at 31 December 2020G to SAR 291.8 million as at 31 December 2021G due to the increase in copper and aluminum prices and the increase in the quantities of other materials during the same period.

Raw materials increased from SAR 291.8 million as at 31 December 2021G to SAR 364.5 million as at 30 June 2022G as a result of the increase in purchases and production in line with the increase in quantities sold, in addition to the increase in the prices of copper and aluminum metals and an increase in the quantities of other materials during the same period.

### Finished goods

Finished goods increased from SAR 589.1 million as at 31 December 2019G to SAR 741.4 million as at 31 December 2020G, mainly due to the decrease in branch sales as a result of the impact of the COVID-19 pandemic, which led to an increase in inventory levels during the same period. Finished goods increased from SAR 741.4 million as at 31 December 2020G to SAR 868.1 million on 31 December 2021G as a result of the strategic storage of orders related to the Saudi Electricity Company ("**SEC**") that are expected to be delivered in 2022G.

Finished goods decreased from SAR 868.1 million as at 31 December 2021G to SAR 822.3 million as at 30 June 2022G, mainly as a result of the delivery of the goods to the Saudi Electricity Company ("**SEC**").

### Work in progress

The work in progress relates to semi-finished products subject to quality control and testing. The value of the work in progress increased from SAR 133.6 million as at 31 December 2019G to SAR 145.4 million as at 31 December 2020G, and then to SAR 339.7 million as at 31 December 2021G as a result of the strategic storage of orders related to the Saudi Electricity Company ("**SEC**") that are expected to be delivered in the 2022G.

The value of work-in-progress increased from SAR 339.7 million as at 31 December 2021G to SAR 621.1 million as at 30 June 2022G, in line with the increase in sales and purchases of raw materials.

### Goods-in-transit

The goods-in-transit relate to transfers of copper from the suppliers to the warehouse of the **"National Cable Industry Company"** in Sharjah, United Arab Emirates. Goods-in-transit decreased from SAR 60.7 million as at 31 December 2019G to SAR 15.8 million as at 31 December 2020G, and then increased to SAR 24.5 million as at 31 December 2021G, as it depends on the volume of shipments and goods in each financial period.

Goods-in-transit decreased from SAR 24.5 million as at 31 December 2021G to SAR 18.5 million as at 30 June 2022G, as it depends on the volume of shipments and goods in each financial period.

### Packaging material

Packaging material increased from SAR 18.6 million as at 31 December 2019G to SAR 24.5 million as at 31 December 2020G, and then to SAR 35.0 million as at 31 December 2021G, in line with the increase in the value of finished goods.

Packaging material increased from SAR 35.0 million as at 31 December 2021G to SAR 45.3 million as at 30 June 2022G, in line with the increase in the quantities sold during the same period.

### Spare parts

Spare parts are recurring replacement parts for regular factory maintenance that are maintained as part of inventory. Spare parts remained relatively stable at around SAR 71 million as at 31 December 2019G, 2020G, and 2021G.

Spare parts decreased from SAR 71.0 million as at 31 December 2021G to SAR 70.5 million as at 30 June 2022G, as it depends on the Group's needs in each financial period.

### Others (project accessories)

Others mainly comprised of accessories for turnkey projects. Others decreased from SAR 2.9 million as at 31 December 2019G to SAR 1.1 million as at 31 December 2020G, in line with the decrease in turnkey projects.

Others increased to SAR 5.0 million as of 31 December 2021G, in line with the increase in turnkey projects revenue.

Others decreased from SAR 5.1 million as at 31 December 2021G to SAR 3.4 million as at 30 June 2022G in line with the decrease in turnkey projects revenue.

### Provision for slow moving inventory

The following table summarizes the movement in the provision for slow moving inventory as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (106): Movement in the provision for slow moving inventory**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G-30 June 2022G variance
Balance at the beginning of the year	58,736	45,982	50,983	(6.8%)	49,660	(2.6%)
Provision during the year	3,603	7,753	1,442	(36.7%)	-	(100.0%)
Reversal of provision during the year	(16,357)	(2,753)	(2,765)	(58.9%)	-	(100.0%)
<b>Balance at the end of the year</b>	<b>45,982</b>	<b>50,983</b>	<b>49,660</b>	<b>3.9%</b>	<b>49,660</b>	<b>0.0%</b>

Source: The Consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and management information.

The Group conducts a periodic inventory count, identifies idle inventory and unusable inventory based on the assessment of the quality testing team, and accordingly makes the decision to either use it in its current condition or classify it as scrap and therefore sell it at a reduced price. The Group has a provisioning policy for inventory where the provision is calculated as follows: 25% for balances 6-9 months old, 50% for balances 9-12 months old and 100% for balances older than one year. The provisioning policy only applies to the non-recyclable portion (35%) of the inventory.

Inventory aged for more than 365 days amounted to SAR 59.0 million as at 31 December 2021G (about 6.8% of the total balance of finished goods). Management has provided for SAR 49.7 million (around 84.2%) of the outstanding balance which relates to the non-recyclable portion (35%) of the finished goods.

Inventory aged for more than 365 days amounted to SAR 44.0 million as at 30 June 2022G (around 5.4% of the total balance of finished goods). Management has provided for SAR 49.7 million of the outstanding balance which relates to the non-recyclable portion (35%) of the finished goods and the remainder relates to raw materials and spare parts that are aged for more than 1 year.

### G- Trade receivables

The following table summarizes the trade receivables as at 31 December 2019G, 2020G and 2021G and as at 30 June 2022G:

**Table (107): Trade receivables**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
Trade receivables	1,198,965	877,007	1,011,313	(8.2%)	1,431,668	41.6%
Allowance for expected credit losses	(114,714)	(58,021)	(48,649)	(34.9%)	(48,649)	0.0%
<b>Net trade receivables</b>	<b>1,084,251</b>	<b>818,985</b>	<b>962,665</b>	<b>(5.8%)</b>	<b>1,383,019</b>	<b>43.7%</b>
Average days sales outstanding (days)	87	73	72	(8.9%)	77	6.4%

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, the consolidated reviewed financial statements for the six-month period ending 30 June 2022G

The following table summarizes the movement in provision for expected credit losses for trade receivables as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (108): Movement in provision for expected credit losses for trade receivables**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
Balance at the beginning of the year	81,289	114,714	58,021	(15.5%)	48,649	(16.2%)
Allowance / (reversal of) allowance for expected credit losses	33,456	(12,140)	(8,671)	na	-	(100.0%)
Utilization of provisions during the year	-	(44,553)	(701)	na	-	(100.0%)
Currency exchange differences	(30)	-	-	na	-	na
<b>Balance at the end of the year</b>	<b>114,714</b>	<b>58,021</b>	<b>48,649</b>	<b>(34.9%)</b>	<b>48,649</b>	<b>0.0%</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, the consolidated reviewed financial statements for the six-month period ending 30 June 2022G.

The following table summarizes the trade receivables by client as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (109): Trade receivables by client**

SAR in thousands	31 December 2019G (Management Information)	31 December 2020G (Management Information)	31 December 2021G (Management Information)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
Saudi Electricity Company	34,527	14,091	62,092	34.1%	252,471	306.6%
Exports	596,438	364,181	442,638	(13.9%)	514,700	16.3%
Branches	224,830	170,079	243,900	4.2%	322,488	32.2%
Domestic	247,001	233,003	165,417	(18.2%)	210,003	27.0%
Turnkey projects	96,168	95,651	97,257	0.6%	132,006	35.7%
<b>Total receivables</b>	<b>1,198,965</b>	<b>877,006</b>	<b>1,011,305</b>	<b>(8.2%)</b>	<b>1,431,668</b>	<b>41.6%</b>
Provision for expected credit losses	(114,714)	(58,021)	(48,640)	(34.9%)	(48,649)	0.0%
<b>Net trade receivables</b>	<b>1,084,251</b>	<b>818,985</b>	<b>962,665</b>	<b>(5.8%)</b>	<b>1,383,019</b>	<b>43.7%</b>

Source: Management Information

Net trade receivables decreased from SAR 1,084.3 million as at 31 December 2019G to SAR 819.0 million as at 31 December 2020G in line with the decrease in revenue mainly due to the COVID-19 pandemic, which mainly affected branch sales customers, domestic sales, and exports. As a result, the average days sales outstanding decreased from 87 days as at 31 December 2019G to 73 days as at 31 December 2020G due to general increase in collections.

Net trade receivables increased from SAR 819.0 million as at 31 December 2020G to SAR 962.7 million as at 31 December 2021G, in line with the increase in revenue mainly due to the increase in the average copper and aluminum "LME" price during the same period. Despite the increase in revenue and receivables, the average days sales outstanding recorded 73 days as at 31 December 2020G and 72 days as at 31 December 2021G as a result of the periodic follow-up for collections by the Group's management.

Net trade receivables increased from SAR 962.7 million as at 31 December 2021G to SAR 1,383.0 million as at 30 June 2022G in line with the increase in revenue due to the increase in the quantities sold and the average copper and aluminum "LME" prices during the period. The average days sales outstanding increased from 72 days as at 31 December 2021G to 77 days as at 30 June 2022G due to the change in the mix of customers.

The Group provides for doubtful accounts receivable based on the calculation of expected credit losses in accordance with IFRS 9. Provisions amounting to SAR 35.5 million were recorded in 2019G and were reversed in 2020G and 2021G by SAR 12.1 million and SAR 8.7 million respectively due to settlements of overdue balances of some clients.

The provision for expected credit loss as at 31 December 2020G, 2021G and 30 June 2022G mainly relates to a client with a legal case whose balance amounts to around SAR 34 million.

**Table (110): Ageing of trade receivables:**

SAR in thousands	Up to 90 days	91 days - 180 days	181 days - 270 days	271 days - 365 days	more than 365 days	Trade receivables as at 31 December 2021G
2021G	956,142	7,304	6,393	1,587	39,888	1,011,313

Source: The consolidated audited financial statements for the financial year ending 31 December 2021G

SAR in thousands	Up to 90 days	91 days - 180 days	181 days - 270 days	271 days - 365 days	more than 365 days	Trade receivable as at 31 December 2021G
2022G	1,345,097	14,887	6,662	3,900	61,114	1,431,659

Source: Management Information

Receivable balances due for less than 90 days accounted for around 95% of the total trade receivable balance as of 31 December 2021G. Outstanding balances for more than 365 days amounted to SAR 39.9 million, out of which SAR 34 million relates to a client with a legal case.

Receivable balances of less than 90 days accounted for around 95% of the total trade receivable balance as of 30 June 2022G. Outstanding balances for more than 365 days amounted to SAR 61.1 million, primarily related to the “Saudi Modern Company for Specialized Wires and Cables Industry”.

#### H- Contract assets

The following table summarizes contract assets as at 31 December 2019G, 2020G and 2021G and as at 30 June 2022G:

**Table (111): Contract assets**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G-30 June 2022G variance
Total costs incurred up to reporting date	295,109	304,266	281,703	(2.3%)	-	(100.0%)
Total income recognized up to reporting date	33,630	30,454	36,609	4.3%	-	(100.0%)
<b>Total contract assets</b>	<b>328,738</b>	<b>334,720</b>	<b>318,312</b>	<b>(1.6%)</b>	-	<b>(100.0%)</b>
Progress billings	(314,929)	(327,898)	(306,565)	(1.3%)	-	(100.0%)
<b>Net contract assets</b>	<b>13,809</b>	<b>6,822</b>	<b>11,747</b>	<b>(7.8%)</b>	-	<b>(100.0%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and management information

Contract assets decreased from SAR 13.8 million as at 31 December 2019G to SAR 6.8 million as at 31 December 2020G as a result of the delivery of some existing projects mainly related to projects with electricity and water companies such as Dubai Electricity and Water Authority (“DEWA”) and Sharjah Electricity and Water Authority (“SEWA”) in the United Arab Emirates along with other projects. The decrease in contract assets is in line with the decrease in turnkey project revenue. Contract assets increased from SAR 6.8 million as at 31 December 2020G to SAR 11.7 million as at 31 December 2021G as a result of a new project with Dubai Electricity and Water Authority (“DEWA”) in addition to other new turnkey projects, in line with the increase in turnkey projects revenue in 2021G. It is worth noting that as at 30 June 2022G, contract assets were classified as contract liabilities within current liabilities due to costs incurred for the projects, mainly with the Dubai Electricity and Water Authority (“DEWA”) that exceeded generated revenue during the same period.

#### I- Advances and other current assets

The following table summarizes advances and other current assets as at 31 December 2019G, 2020G and 2021G, and as at 30 June 2022G:

**Table (112): Advances and other current assets**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G-30 June 2022G variance
Value added tax	2,573	1,000	-	na	-	na
Advances to suppliers	11,485	16,482	28,481	57.5%	51,345	80.3%
Suppliers – debit balances	-	-	11,750	na	-	(100.0%)
Refundable deposits - customs	4,933	2,213	2,118	(34.5%)	1,005	(52.6%)
Prepaid expenses	15,241	5,492	6,170	(36.4%)	10,278	66.6%
Employees’ receivables	2,459	1,244	3,555	20.2%	4,115	15.8%
Other	7,814	7,163	7,528	(1.8%)	11,518	53.0%
<b>Total</b>	<b>44,506</b>	<b>33,593</b>	<b>59,602</b>	<b>15.7%</b>	<b>78,260</b>	<b>31.3%</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G.

### Value added tax

The value added tax decreased from SAR 2.6 million as at 31 December 2019G to SAR 1.0 million as at 31 December 2020G to nil as at 31 December 2021G as a result of reclassifying it under accrued expenses and other current liabilities.

### Advances to suppliers

Advances to suppliers increased from SAR 11.5 million as at 31 December 2019G to SAR 16.5 million as at 31 December 2020G as a result of the increase in advance payments for the purchase of raw materials. Advances to suppliers increased to SAR 28.4 million as at 31 December 2021G due to the advances for raw material purchases and fixed assets suppliers for the purchase of an integrated production line.

Advances to suppliers increased from SAR 28.4 million as at 31 December 2021G to SAR 51.3 million as at 30 June 2022G due to advance payments for the purchase of raw materials in line with the increase in sales.

### Suppliers – debt balances

Suppliers' debt balances represent the value of discounts due for the year from the Group's suppliers and amounted to SAR 11.8 million as at 31 December 2021G due to purchase discounts from the Saudi Basic Industries Corporation ("SABIC").

### Refundable deposits – customs

Refunded deposits with customs decreased from SAR 4.9 million as at 31 December 2019G to SAR 2.2 million as at 31 December 2020G, then to SAR 2.1 million as at 31 December 2021G and SAR 1.0 million on 30 June 2022G as a result of refunded deposits during the period.

### Prepaid expenses

Prepaid expenses comprised of prepaid rent, insurance and showroom expenses. Prepaid expenses decreased from SAR 15.2 million as at 31 December 2019G to SAR 5.5 million as at 31 December 2020G due to the decrease in iqamas and work permit fees in light of the COVID-19 pandemic. Prepaid expenses increased from SAR 5.5 million as at 31 December 2020G to SAR 6.2 million as at 31 December 2021G due to the increase in insurance fees and prepaid expenses related to the Middle East Electricity Exhibition that was held in the United Arab Emirates.

Prepaid expenses increased from SAR 6.2 million as at 31 December 2021G to SAR 10.3 million as at 30 June 2022G due to prepaid insurance expenses.

### Employees' receivables

Employee receivables relate to employee loans, which decreased from SAR 2.5 million as at 31 December 2019G to SAR 1.2 million as at 31 December 2020G due to a decrease in advances to employees. Employee receivables increased from SAR 1.2 million as at 31 December 2020G to SAR 3.6 million as at 31 December 2021G as a result of the increase in demand for loans from employees during the period.

Employees' receivables increased from SAR 3.6 million as at 31 December 2021G to SAR 4.1 million as at 30 June 2022G as a result of the increase in demand for loans from employees during the period.

### Others

Other current assets relate to deposits for public utilities and insurance, which remained relatively stable at around SAR 7.5 million as at 31 December 2019G, 2020G and 2021G.

Other current assets increased from SAR 7.5 million as at 31 December 2021G to SAR 11.5 million as at 30 June 2022G due to accrued income amounting to SAR 6.1 million related to rent from investment properties.

Advances to purchase financial assets relate to an advance payment to other parties for the purpose of investing in financial assets, which amounted to SAR 21 million as at 31 December 2019G. It is worth noting that the investment request was canceled, and the amount was refunded in 2020G.

## J- Cash and cash equivalents

The following table summarizes cash and cash equivalents as at 31 December 2019G, 2020G and 2021G, and as at 30 June 2022G:

**Table (113): Cash and cash equivalents**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
Bank balances	53,121	63,746	49,968	(3.0%)	95,726	91.6%
Cash in hand	494	507	389	(11.3%)	1,370	252.6%
<b>Total</b>	<b>53,615</b>	<b>64,253</b>	<b>50,356</b>	<b>(3.1%)</b>	<b>97,096</b>	<b>92.8%</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and management information

The balance of cash and cash equivalents increased from SAR 53.6 million as at 31 December 2019G to SAR 64.3 million as at 31 December 2020G as a result of the collection of receivables, offset by the repayment of Islamic financing loans during the same period. The balance of cash and cash equivalents decreased from SAR 64.3 million as at 31 December 2020G to SAR 50.4 million as at 31 December 2021G as a result of the increase in receivables and inventory balances during the same period, offset by proceeds from Islamic financing loans.

The balance of cash and cash equivalents increased from SAR 50.4 million as at 31 December 2021G to SAR 97.1 million as at 30 June 2022G a result of minor additions to property, equipment and machinery, and increase in the proceeds from Islamic financing loans.

## Equity

The following table summarizes equity as at 31 December 2019G, 2020G and 2021G, and as at 30 June 2022G:

**Table (114): Equity**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
Share Capital	1,500,000	1,500,000	1,500,000	-	1,500,000	0.0%
Statutory reserve	207,268	229,111	253,094	10.5%	253,094	0.0%
Retained earnings	189,480	207,954	261,078	17.4%	174,714	(33.1%)
Acquisition reserve of a subsidiary	22,725	22,725	22,725	0.0%	22,725	0.0%
Hedging contracts reserve	-	-	-	na	(31,901)	na
Foreign operations translation reserve	(604)	(429)	(1,264)	44.7%	(1,264)	0.0%
<b>Equity attributable to the shareholders of the company</b>	<b>1,918,869</b>	<b>1,959,361</b>	<b>2,035,634</b>	<b>3.0%</b>	<b>1,917,369</b>	<b>(5.8%)</b>
Non-controlling interest	392	(36)	433	5.1%	452	4.3%
<b>Total equity</b>	<b>1,919,261</b>	<b>1,959,326</b>	<b>2,036,067</b>	<b>3.0%</b>	<b>1,917,820</b>	<b>(5.8%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G.

### Share capital

The capital of the Group as at 30 June 2022G consists of 1.5 million shares with a nominal value of SAR 10 per share.

### Statutory reserve

In accordance with corporate regulations in the Kingdom of Saudi Arabia, the Company has established a statutory reserve by allocating 10% of the net profit for the year until the reserve equals 30% of the share capital.

### Retained earnings

Retained earnings consist of accumulated net income after deducting dividends and transfers to reserves.

Retained earnings increased from SAR 189.5 million as at 31 December 2019G to SAR 208.0 million as at 31 December 2020G due to comprehensive income for the year, which amounted to SAR 218.8 million in 2020G, offset by dividends amounting to SAR 178.5 million in 2020G and transfers to the statutory reserve amounting to SAR 21.8 million.

Retained earnings increased to SAR 261.1 million as at 31 December 2021G due to comprehensive income for the year, which amounted to SAR 247.1 million in 2021G, offset by dividends amounting to SAR 196.2 million in 2021G, and transfers to statutory reserves amounting to SAR 24.0 million.

Retained earnings decreased from SAR 261.1 million as at 31 December 2021G to SAR 174.7 million as at 30 June 2022G as a result of the declaration of dividends amounting to SAR 216 million related to 2021G results.

### Acquisition reserve of a subsidiary

The reserve for the acquisition of a subsidiary relates to the additional costs incurred by the Group as a result of the acquisition of “**Alrowad Company for Production of Electrical Cables**” by the “**National Cables Industry Company**” and it remained stable at SAR 22.7 million as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G.

### Contract hedge reserve

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the defined and qualified derivative is recognized as cashflows hedges in other comprehensive income accumulated in equity. The profit or loss related to ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (e.g., when the expected sale of the hedged item occurs). The profit or loss related to the effective portion of the value of the commodity is recognized in the statement of profit or loss under “**Cost of revenue**”.

However, when the expected transaction that has been hedged results in recognition of a non-financial asset (for example, inventory), the amounts accumulated are transferred from equity and included in the initial cost measurement. Ultimately, the amounts accumulated are recognized in the cost of inventories.

Upon expiration, termination, sale, or transacting the hedge instrument, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount accumulated remains within equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the profit or loss accumulated that was recognized in equity is transferred to the consolidated statement of profit or loss under “**Revenue or Cost of Revenue**”.

The Group has adopted a comprehensive system for measuring and managing risks. Part of the risk management process is related to managing the Group’s exposure to fluctuations in raw material prices to limit its exposure to inventory price fluctuation risk to acceptable levels as determined by the Board of Directors.

The Group uses commodity future contracts to hedge against price fluctuations of copper, aluminum and lead. The purpose and details of the hedging strategy are documented, and the change in value of hedging instruments are accounted for in the profit and loss and other comprehensive income statement at fair value.



The Group purchases copper and lead on an ongoing basis as its operating activities require continuous supplies of these materials. The increased volatility in the prices of these materials has led Management to enter into future contracts in the beginning of 2022G for materials used to produce extra high voltage cables. The effective portion of the hedging contracts amounted to a loss amounting to SAR 31.9 million in the six-month period ending 30 June 2022G due to the decrease in the fair value of the hedging contracts and the cash flows of the hedged items during the period.

The hedging contract reserve amounted to SAR 31.9 million as a result of a decrease in the fair value of the hedging contracts and the cash flows of the hedged items during the same period.

### Foreign operations translation reserve

The foreign operations translation reserve remained relatively stable with an average of SAR 516 thousand as at 31 December 2019G and 2020G and increased to SAR 1.3 million as at 31 December 2021G as a result of the fluctuation of the Iraqi dinar.

The foreign operations translation reserve remained relatively stable at SAR 1.3 million as at 30 June 2022G.

### Non-controlling interest

The non-controlling interest decreased from SAR 392 thousand as at 31 December 2019G to SAR 36 thousand as at 31 December 2020G as a result of the decrease in the profits of the company "Arabian Gulf Company for Electrical Cables" in Kuwait and the decrease in the profits of the company "Egyptian Riyadh Cable for Electrical Works" in Egypt. The non-controlling interest increased from SAR 36 thousand as at 31 December 2020G to SAR 433 thousand as at 31 December 2021G as a result of the increase in the profits of the company "Arabian Gulf Company for Electrical Cables" in Kuwait and the increase in the profits of the company "Egyptian Riyadh Cable for Electrical Works" in Egypt.

The non-controlling interest increased from SAR 433 thousand as at 31 December 2021G to SAR 452 thousand as at 30 June 2022G as a result of the increase profits of the company "Arabian Gulf Company for Electrical Cables" in Kuwait, offset by a decrease in the profits of the company "Egyptian Riyadh Cable for Electrical Works" in Egypt.

The following table summarizes the dividends that the Group distributed as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (115): Cash dividends distributed as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
Opening balance	231,348	189,480	207,953	(5.2%)	261,078	25.5%
Profit for the year	196,881	218,429	239,832	10.4%	153,269	(36.1%)
Other comprehensive income for the year	10,939	388	33,775	75.7%	(23,632)	(170.0%)
<b>Total other comprehensive income for the year</b>	<b>207,820</b>	<b>218,817</b>	<b>273,609</b>	<b>14.7%</b>	<b>97,736</b>	<b>(64.3%)</b>
Net profit transferred to statutory reserve	(19,688)	(21,843)	(23,983)	10.4%	-	(100.0%)
Dividends	(230,000)	(178,500)	(196,500)	(7.6%)	(216,000)	9.9%
<b>Total</b>	<b>189,480</b>	<b>207,953</b>	<b>261,078</b>	<b>17.4%</b>	<b>174,715</b>	<b>(33.1%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and management Information

## Non-current liabilities

### K- Employees' end-of-service benefit obligations

**Table (116): Employees' end-of-service benefit obligations:**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
1 January	102,236	96,146	96,427	(2.9%)	107,411	11.4%
Current service cost	13,270	9,137	10,143	(12.6%)	6,875	(32.2%)
Interest cost	3,700	2,493	2,687	(14.8%)	1,283	(52.2%)
Paid during the year	(12,116)	(10,961)	(10,830)	(5.5%)	(6,863)	(36.6%)
Change in actuarial assumptions	(10,939)	(388)	8,984	-	4,603	(48.8%)
Translation differences	(5)	-	-	-	-	na
<b>31 December</b>	<b>96,146</b>	<b>96,427</b>	<b>107,411</b>	<b>5.7%</b>	<b>113,309</b>	<b>5.5%</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and management information

The following table summarizes the significant actuarial assumptions as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (117): Sensitivity analysis of actuarial assumptions**

SAR in thousands	31 December 2019G (Audited)		31 December 2020G (Audited)		31 December 2021G (Audited)		30 June 2022G (Management Information)	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (change 1%)	(84,937)	(84,937)	83,264	96,935	(92,185)	(107,688)	na	na
Salary growth rate (change 1%)	98,028	98,028	96,928	83,152	(107,671)	(92,066)	na	na

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G and management information

The Company operates defined benefit plans in line with the requirements of labor law in the countries in which the Group operates in. Payments under the plan are based on employees' salaries and allowances and their cumulative years of service at the date of their employment termination.

Employees' end-of-service benefit obligations increased from an average of SAR 96.2 million as at 31 December 2019G and 31 December 2020G to SAR 107.4 million as at 31 December 2021G and to SAR 113.3 million as at 30 June 2022G driven by actuarial losses amounting to SAR 9.0 million as at 31 December 2021G and SAR 4.6 million as at 30 June 2022G. The actuarial valuation is performed annually at the end of each financial year.

**L- Lease liabilities (current and non-current portion)**

Lease liabilities decreased from SAR 14.7 million as at 31 December 2019G to SAR 12.5 million as at 31 December 2020G and then to SAR 11.0 million as at 31 December 2021G as a result of the scheduled lease payments.

Lease liabilities decreased from SAR 11.0 million as at 31 December 2021G to SAR 9.8 million as at 30 June 2022G as a result of scheduled lease payments.

**Current liabilities****M- Islamic finance facilities**

The following table summarizes the Islamic financing facilities as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (118): Islamic financing facilities**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
1 January	853,550	1,209,532	858,675	0.3%	1,324,175	4.2%
Withdrawn during the year	2,924,412	2,746,225	3,280,438	5.9%	2,118,808	(35.4%)
Paid during the year	(2,568,430)	(3,097,082)	(2,814,938)	4.7%	(1,835,913)	(34.8%)
<b>31 December</b>	<b>1,209,532</b>	<b>858,675</b>	<b>1,324,175</b>	<b>4.6%</b>	<b>1,607,070</b>	<b>21.4%</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G.

The following table summarizes the Islamic financing facilities by bank as at 30 June 2022G:

**Table (119): Islamic financing facilities by bank**

SAR in thousands	Amount	Utilization as at 30 June 2022G	Utilization rate as at June 2022G
Arab National Bank	1,000,000	477,425	47.7%
Saudi British Bank	600,000	359,875	60.0%
Saudi Fransi Bank	400,000	196,900	49.2%
Saudi National Bank	650,000	432,600	66.6%
Gulf International Bank	357,500	140,270	39.2%
<b>Total</b>	<b>3,007,500</b>	<b>1,607,070</b>	<b>53.4%</b>

Source: Management Information.

The following table summarizes Islamic financing facilities by bank and type of facility as at 31 December 2021G:

**Table (120): Islamic financing facilities by bank and type of facility**

SAR in thousands	Type of financing	Amount	Utilization as at 31 December 2021G	Type of guarantee	Terms
Arab National Bank	Overdraft	10,625	-	Promissory note	<ul style="list-style-type: none"> <li>Provide the bank, within a period not exceeding 120 days at the end of each financial year, with a copy of the audited financial statements.</li> </ul>
	Short term debt	1,000,000	422,150		
	Foreign exchange	50,000	-		
Saudi British Bank	Short term debt	600,000	300,330	Promissory note	<ul style="list-style-type: none"> <li>The leverage ratio shall not exceed 1:3 per period.</li> <li>The debt ratio shall not exceed 1.75 for each period.</li> <li>The minimum tangible net worth should not exceed 1,200 million Saudi riyals for each period.</li> <li>Submit semi-annual, unaudited consolidated financial statements within 90-120 days.</li> </ul>
	Foreign exchange	1,875	-		
	Short term debt	350,000	156,500		
Saudi Fransi Bank	Multi-purpose	50,000	-	Promissory note	<ul style="list-style-type: none"> <li>The leverage ratio shall not exceed 1:3.</li> <li>The liquidity ratio shall not be less than 1:1.</li> <li>Providing the bank with consolidated internal financial statements quarterly within 90 days.</li> </ul>
	Foreign exchange	35,000	-		
	Short term debt	650,000	338,950		
Saudi National Bank	Foreign exchange	50,000	-	Promissory note	<ul style="list-style-type: none"> <li>The leverage ratio shall not exceed 1:3.</li> <li>The liquidity ratio shall not be less than 1:1.</li> <li>The debt coverage ratio shall not be less than 1.5 times.</li> <li>The net debt/EBITDA ratio shall not exceed 8 times.</li> </ul>
	Overdraft	11,250	-		
Gulf International Bank	Short term debts	263,750	106,827	Promissory note	<ul style="list-style-type: none"> <li>The leverage ratio shall not exceed 1:3.</li> <li>The liquidity ratio shall not be less than 1:1.</li> </ul>
	Foreign exchange	82,500	-		
	<b>Total</b>	-	<b>3,155,000</b>		

Source: Management Information

The following table summarizes Islamic financing facilities by bank and type of facility as at 30 June 2022G:

**Table (121): Islamic financing facilities by bank and type of facility**

SAR in thousands	Type of financing	Amount	Utilization as at 30 June 202G	Type of guarantee	Terms
Arab National Bank	Overdraft	-	-	Promissory note	<ul style="list-style-type: none"> <li>Provide the bank, within a period not exceeding 120 days at the end of each financial year, with a copy of the audited financial statements.</li> </ul>
	Short term debt	1,000,000	477,425		
Saudi British Bank	Short term debt	600,000	359,875	Promissory note	<ul style="list-style-type: none"> <li>The leverage ratio shall not exceed 1:3 per period.</li> <li>The debt ratio shall not exceed 1.75 for each period.</li> <li>The minimum tangible net worth should not exceed 1,200 million Saudi riyals for each period.</li> <li>Submit semi-annual, unaudited consolidated financial statements within 90-120 days.</li> </ul>
	Foreign exchange				
Saudi Fransi Bank	Short term debt	-	-	Promissory note	<ul style="list-style-type: none"> <li>The leverage ratio shall not exceed 1:3.</li> <li>The liquidity ratio shall not be less than 1:1.</li> <li>Providing the bank with consolidated internal financial statements quarterly within 90 days.</li> </ul>
	Multi-purpose	350,000	196,900		
	Foreign exchange	50,000	-		
Saudi National Bank	Short term debt	650,000	432,600	Promissory note	<ul style="list-style-type: none"> <li>The leverage ratio shall not exceed 1:3.</li> <li>The liquidity ratio shall not be less than 1:1.</li> <li>The debt coverage ratio shall not be less than 1.5 times.</li> <li>The net debt/EBITDA ratio shall not exceed 8 times.</li> </ul>
	Foreign exchange	-	-		
Gulf International Bank	Overdraft	-	-	Promissory note	<ul style="list-style-type: none"> <li>The leverage ratio shall not exceed 1:3.</li> <li>The liquidity ratio shall not be less than 1:1.</li> </ul>
	Short term debts	357,500	140,270		
	Foreign exchange	-	-		
<b>Total</b>	-	<b>3,007,500</b>	<b>1,607,070</b>	-	-

Source: Management Information

The Group entered into credit facility agreements with several local banks to finance the working capital during the three financial years ending 31 December 2019G, 2020G and 2021G at Islamic Murabaha interest rates agreed upon with the banks. All credit facilities have been granted under promissory notes approved by some members of the Board of Directors in accordance with the powers granted to them and approved by the Board of Directors of the Group. The interest rates on short-term loans are based on the internal lending ratios in Saudi banks (SIBOR) plus a variable rate during the year.

It is worth noting that all loans are secured by promissory notes and there are no loans secured by personal guarantees.

Islamic financing facilities decreased from SAR 1,209.5 million as at 31 December 2019G to SAR 858.7 million as at 31 December 2020G as a result of settlements during the period. Islamic financing facilities increased from SAR 858.7 million as at 31 December 2020G to SAR 1,324.2 million as at 31 December 2021G as a result of the increase in the balance withdrawn and utilized during the period.

Islamic financing facilities increased from SAR 1,324.2 million as at 31 December 2021G to SAR 1,607.1 million as at 30 June 2022G as a result of the increase in the balance withdrawn and utilized during the period.

## N- Accrued expenses and other current liabilities

The following table summarizes the accrued expenses and other current liabilities as at 31 December 2019G, 2020G and 2021G, and as at 30 June 2022G:

**Table (122): Accrued expenses and other liabilities**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
Advances from customers	37,082	36,894	50,344	16.5%	75,622	50.2%
Employees related accruals	12,183	18,304	21,397	32.5%	19,662	(8.1%)
Accrued project expenses	4,947	3,271	1,884	(38.3%)	-	(100.0%)
Accrued expenses	30,862	28,614	21,940	(15.7%)	37,612	71.4%
Accrued VAT	6,648	20,799	45,253	160.9%	45,778	1.2%
Accrued dividends	-	-	-	-	216,000	na
Financial derivatives	-	-	-	-	21,217	na
Other expenses	-	-	-	na	4,205	na
<b>Total</b>	<b>91,721</b>	<b>107,882</b>	<b>140,817</b>	<b>23.9%</b>	<b>420,095</b>	<b>198.3%</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G.

### Advances from customers

Advances from customers amounted to about SAR 37.0 million as at 31 December 2019G and 31 December 2020G and increased to SAR 50.3 million as at 31 December 2021G as a result of the increase in copper and aluminum prices in line with the increase in average "LME" metal prices during the same period.

Advances from customers increased from SAR 50.3 million as at 31 December 2021G to SAR 75.6 million as at 30 June 2022G as a result of the increase in quantities sold and the increase in copper and aluminum prices in line with the increase in average "LME" metal prices during the same period.

### Employees' related accruals

Employees' related accruals comprised of accrued vacation days, air tickets and others. Employees' related accruals increased from SAR 12.2 million as at 31 December 2019G to SAR 18.3 million as at 31 December 2020G as a result of the impact of the COVID-19 pandemic, which led to an increase in accrued vacation days and air travel ticket expenses.

Employees' related accruals increased from SAR 18.3 million as at 31 December 2020G to SAR 21.4 million as at 31 December 2021G due to the increase in accrued vacation days and air travel ticket expenses.

Employees' related accruals decreased from SAR 21.4 million as at 31 December 2021G to SAR 19.7 million as at 30 June 2022G due to the decrease in accrued vacation days as employees were encouraged to take leaves during the first half of 2022G as travel restrictions were eased.

### Accrued project expenses

Accrued project expenses decreased from SAR 4.9 million as at 31 December 2019G to SAR 3.3 million as at 31 December 2020G, in line with the decrease in turnkey projects revenue.

Accrued project expenses decreased from SAR 3.3 million as at 31 December 2020G to SAR 1.9 million as at 31 December 2021G as a result of the delivery of some existing projects with the Saudi Electricity Company ("SEC").

Accrued project expenses decreased from SAR 1.9 million as at 31 December 2021G to nil as at 30 June 2022G due to a slowdown in turnkey projects during the same period.

### Accrued expenses

Accrued expenses comprised of accumulated electricity, telephone, bonuses, sales commissions and management fees. Accrued expenses decreased from SAR 30.9 million as at 31 December 2019G to SAR 28.6 million as at 31 December 2020G as a result of the government's initiatives to reduce public utility bills in 2020G in light of the COVID-19 pandemic.

Accrued expenses decreased to SAR 21.9 million as at 31 December 2021G, as a result of the decrease in the accrued bonus due to the employees who participated in the implementation of the "SAP" system in 2020G.

Accrued expenses increased from SAR 21.9 million as at 31 December 2021G to SAR 37.6 million as at 30 June 2022G as a result of the increase in employees' accrued bonus that were paid in July 2022G.

### Accrued VAT

Accrued VAT relates to tax paid on sales after deducting tax paid on purchases. Accrued VAT increased from SAR 6.6 million as at 31 December 2019G to SAR 20.8 million as at 31 December 2020G as a result of the increase in VAT tax rate from 5% to 15% during the same period.

Accrued VAT increased from SAR 20.8 million as at 31 December 2020G to SAR 45.3 million as at 31 December 2021G and further to SAR 45.8 million as at 30 June 2022G as a result of the time difference between taxes paid on sales versus taxes paid on purchases.

### Financial Derivatives

The Group adopted a comprehensive system for measuring and managing risks. Part of the risk management process is related to managing the Group's exposure to fluctuations in raw material prices to limit its exposure to inventory price fluctuation risk to acceptable levels as determined by the Board of Directors. The Group uses commodity future contracts to hedge against price fluctuations of copper, aluminum and lead. The purpose and details of the hedging strategy are documented, and the change in value of hedging instruments are accounted for in the profit and loss and other comprehensive income statement at fair value. The Group purchases copper and lead on an ongoing basis as its operating activities require continuous supplies of these materials. The increased volatility in the prices of these materials has led Management to enter into future contracts in the beginning of 2022G for materials used to produce extra high voltage cables.

The value of the financial derivatives amounted to SAR 21.2 million as at 30 June 2022G, which represents the change in the fair value during the same period.

### Accrued dividends

The Group approved dividend distributions amounting to SAR 216 million related to the financial year 2021G.

### O- Trade payables

Trade payables increased from SAR 90.0 million as at 31 December 2019G to SAR 127.6 million as at 31 December 2020G as a result of the Group's change in strategy from directly paying its liabilities to paying it on maturity date.

Trade payables increased from SAR 127.6 million as at 31 December 2020G to SAR 221.0 million as at 31 December 2021G due to an increase in the value of purchases in line with the increase in average copper and aluminum "LME" prices during the period, and farther settlement dates by the suppliers.

Trade payables increased from SAR 221.0 million as at 31 December 2021G to SAR 506.5 million as at 30 June 2022G as a result of the increased purchases in line with the increase in demand, in addition to the increase in average copper and aluminum "LME" prices during the period. Non-commercial payables also increased from SAR 19.4 million as at 31 December 2021G to SAR 48.6 million as at 30 June 2022G in line with the increase in production during the same period.

## P- Provisions

The following table summarizes the provisions as at 31 December 2019G, 2020G and 2021G, and as at 30 June 2022G:

**Table (123): Provisions**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G-30 June 2022G variance
Provision for onerous contracts	55,438	105,831	78,039	18.6%	91,481	17.2%
Provision for lawsuits	4,474	4,474	4,474	0.0%	4,474	0.0%
<b>Total</b>	<b>59,912</b>	<b>110,305</b>	<b>82,513</b>	<b>17.4%</b>	<b>95,955</b>	<b>16.3%</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G.

### Provision for onerous contracts

Provisions for onerous contracts relate to contracts entered by the Group in which unavoidable costs of meeting the contractual obligations exceed the financial returns expected to be received under the contract. The contract is considered burdened with obligations if the company enters into a contract in which the unavoidable costs of fulfilling the contractual obligations exceed the financial returns expected from the contract, which may result from a change in the date of supply of the finished products and the pre-agreed date upon receipt of the purchase orders from customers. Provisions for onerous contracts increased from SAR 55.4 million as at 31 December 2019G to SAR 105.8 million as at 31 December 2020G as a result of an increase in the volumes of contracts during the period.

Provisions for onerous contracts decreased from SAR 105.8 million as at 31 December 2020G to SAR 78.0 million as at 31 December 2021G, as a result of the delivery of contracts during the period.

Provisions for onerous contracts increased from SAR 78.0 million as at 31 December 2021G to SAR 91.5 million as at 30 June 2022G as a result of an increase in the volumes of contracts during the period.

### Provision for lawsuits

The provision for lawsuits amounting to SAR 4.5 million represents management's best estimate against a lawsuit brought against the Group by one of its clients and has remained stable as at 31 December 2019G, 2020G, 2021G and 30 June 2022G.

## Q- Contract liabilities

The following table summarizes the contract liabilities as at 31 December 2019G, 2020G, and 2021G, and as at 30 June 2022G:

**Table (124): Contract liabilities**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G-30 June 2022G variance
Total costs incurred up to reporting date	-	-	-	na	292,521	na
Total income recognized up to reporting date	-	-	-	na	38,974	na
<b>Total contract assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>na</b>	<b>331,495</b>	<b>na</b>
Progress billings	-	-	-	na	(356,014)	na
<b>Net contract assets / (liabilities)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>na</b>	<b>(24,519)</b>	<b>na</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and management information

Contract liabilities amounted to SAR 24.5 million as at 30 June 2022G as a result of turnkey projects, mainly in relation to the project with Dubai Electricity and Water Authority ("DEWA"), whereby the incurred costs exceeded the generated revenue.



## R- Provision for Zakat and income tax

The following table summarizes the movement in the provision for Zakat and income tax as at 31 December 2019G, 2020G and 2021G, and as at 30 June 2022G:

**Table (125): The movement in the provision for Zakat and income tax**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
1 January	20,403	22,124	29,422	20.1%	29,690	0.9%
Provision for the year	31,875	32,137	31,376	(0.8%)	15,115	(51.8%)
Settlements	(5,167)	-	-	na	(63)	na
Payments made during the year	(24,987)	(24,838)	(31,108)	11.6%	(25,414)	(18.3%)
<b>31 December</b>	<b>22,124</b>	<b>29,422</b>	<b>29,690</b>	<b>15.8%</b>	<b>19,328</b>	<b>(34.9%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements for the six-month period ending 30 June 2022G

Zakat is calculated in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom on the shares of Saudi shareholders and on the basis of accrual principle, and the Zakat expense is recorded in the consolidated statement of profit or loss. Differences, if any, arising from the final returns are adjusted in the year of completion. Income tax is also calculated at the rates specified on the adjusted share of the income of foreign shareholders determined in accordance with the Saudi regulations in the Kingdom of Saudi Arabia. It is included in the consolidated statement of profit or loss and other comprehensive income. For subsidiaries that are incorporated and operated outside the Kingdom of Saudi Arabia, the tax provision is calculated according to the tax regulations of their countries when it is material.

The Group obtained a Zakat certificate for the year 2021G, valid until 30 April 2023G. Zakat expense has been relatively stable at around SAR 32 million in 2019G, 2020G and 2021G. It is worth noting that the Group received a final assessment until 31 December 2015G, and the assessments for the years 2016G to 2021G are still under review by the Zakat, Tax and Customs Authority. It is worth noting that the Group received from the Zakat, Tax and Customs Authority a claim amounting to SAR 36.9 million, which relates to an initial assessment for the year 2016G.

## S- Transactions and balances with related parties

**Table (126): Related party balances:**

SAR in thousands	Relationship	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
<b>Advances for the purchase of financial assets - due from related parties</b>							
Al Atheer for Real Estate Development Co.	Joint management	21,000	-	-	na	-	na
<b>Total</b>	<b>-</b>	<b>21,000</b>	<b>-</b>	<b>-</b>	<b>na</b>	<b>-</b>	<b>na</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and management information.

### Al Atheer for Real Estate Development Co.

Related party balance amounting to SAR 21 million relates to the advances to purchase financial assets amounting to amounting to SAR 21 million as at 31 December 2019G, which was subsequently canceled.

**Table (127): Due to related parties - classified as trade payable**

SAR in thousands	Relationship	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
Seera Holding Group	One of the shareholders is a member of the board of directors of the company	25	27	27	3.9%	-	na
Masdar Technical Supplies	One of the shareholders is a member of the board of directors of the company	-	-	2	-	-	na
<b>Total</b>		<b>25</b>	<b>27</b>	<b>29</b>	<b>7.7%</b>	<b>-</b>	<b>na</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and management information.

### Seera Holding Group

Seera Holding Group balances relate to travel and freight services. It remained relatively stable at SAR 26 thousand as at 31 December 2019G, 2020G and 2021G.

### Masdar Technical Supplies

Masdar Technical Supplies balances relate to the purchase of spare parts and consumables and amounted to SAR 2 thousand as of 31 December 2021G.

**Table (128): Due from related parties - classified as trade receivables**

SAR in thousands	Relationship	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
Thabat Contracting Company	Owned by a shareholder	1,469	1,516	879	(22,6%)	2,590	194.7%
Masdar Building Material	Owned by a shareholder	2,051	2,312	1,986	(1.6%)	7,705	288.0%
<b>Total</b>		<b>3,520</b>	<b>3,828</b>	<b>2,864</b>	<b>(1.6%)</b>	<b>10,295</b>	<b>259.5%</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and management information.

### Thabat Contracting Company

Thabat Contracting Company balance relate to cable sales. It increased from SAR 1.4 million as at 31 December 2019G to SAR 1.5 million as at 31 December 2020G as a result of the increase in sales.

Thabat Contracting Company balance decreased to SAR 879 thousand as at 31 December 2021G as a result of the settlements during the period.

Thabat Contracting Company balance increased from SAR 879 thousand as at 31 December 2021G to SAR 2.6 million as at 30 June 2022G as a result of the increase in sales.

### Masdar Building Material

Masdar Building Materials Company balance relate to cable sales. It remained relatively stable at SAR 2.1 million as at 31 December 2019G, 2020G, and 2021G, and increased to SAR 7.7 million as at 30 June 2022G due to the increase in sales.

**Table (129): Transactions with related parties**

SAR in thousands	Relationship	Transaction	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
Masdar Building material	Owned by a shareholder	Purchases	1,428	1,151	1,947	16.8%	317	(83.7%)
Masdar Building material	Owned by a shareholder	Sales	13,277	16,570	33,250	58.3%	14,293	(57.0%)
Seera Holding Group	One of the shareholders is a member of the board of directors of the company	Purchases	54	2	-	na	-	na
Thabat Contracting Company	Owned by a shareholder	Sales	9,845	6,358	3,391	(41.3%)	6,622	95.3%
<b>Total</b>			<b>24,604</b>	<b>24,081</b>	<b>35,197</b>	<b>(19.4%)</b>	<b>21,232</b>	<b>(39.7%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and management information.

**Table (130): Compensation of key management personnel**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G- 30 June 2022G variance
Short-term salaries and benefits	18,796	16,363	18,426	(1.0%)	9,213	(50.0%)
End of service benefits	398	347	517	14.0%	258	(50.0%)
<b>Total</b>	<b>19,194</b>	<b>16,710</b>	<b>18,943</b>	<b>(0.7%)</b>	<b>9,472</b>	<b>(50.0%)</b>

Source: The consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and management information.

### Contingent liabilities

The Group has outstanding letters of bank guarantees and letters of credit amounting to SAR 622 million as at 31 December 2019G, SAR 457 million as at 31 December 2020G, SAR 525 million as at 31 December 2021G and SAR 556 million as at 30 June 2022G.

The Group also has committed capital related to the expansion of the Groups plants amounting to SAR 14.6 million as at 31 December 2019G, SAR 24 million as at 31 December 2020G, SAR 30 million as at 31 December 2021G, and SAR 24.8 million as at 30 June 2022G.

The following table summarizes the expansionary committed capital by subsidiary as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:

**Table (131): Expansionary committed capital by subsidiary**

SAR in thousands	31 December 2019G (Management Information)	31 December 2020G (Management Information)	31 December 2021G (Management Information)	Compound annual growth rate 2019G-2021G	30 June 2022G (Management Information)	31 December 2021G-30 June 2022G variance
The Company	12,456	21,091	27,455	48.5%	22,858	(16.7%)
Saudi Modern Company for Metals, Cables and Plastic Industry	1,569	2,742	351	(52.7%)	1,091	210.9%
Saudi Modern Company for Specialized Wires and Cables Industry	575	167	1,933	83.4%	610	(68.5%)
Saudi Modern Company for Telephone Cables Industry	-	-	260	0.0%	260	(7.7%)
<b>Total</b>	<b>14,600</b>	<b>24,000</b>	<b>30,000</b>	<b>43.3%</b>	<b>24,800</b>	<b>(17.3%)</b>

Source: Management Information.

## 6.9 Cash flow statement

**Table (132): Cash flow statement**

SAR in thousands	2019G (Audited)	2020G (Audited)	2021G (Audited)	30 June 2021G (Reviewed)	30 June 2022G (Reviewed)
<b>Operating activities</b>					
Profit for the year / period before Zakat	228,880	250,260	271,373	134,721	168,465
<b>Adjustments:</b>					
Provision / (reversal of) for expected credit losses	33,456	(12,140)	(8,671)	(3,578)	-
Allowance / (reversal) for slow moving inventory, net	(12,754)	5,001	(1,323)	(1,490)	-
Finance costs	40,180	24,558	26,896	13,124	24,031
Depreciation	66,759	62,161	63,392	33,822	30,677
Depreciation of right-of-use of assets	1,785	1,790	1,798	897	743
Depreciation of investment properties	-	-	-	-	345
Provisions	(19,253)	50,393	(27,792)	(41,092)	13,442
Gain/loss from disposal of property, plant and equipment	268	(68)	256	-	-
Interest on lease liabilities	841	276	399	203	191
Employees' benefit obligations	16,965	11,630	12,830	6,200	8,158
<b>Cash flow from operations before changes</b>	<b>357,125</b>	<b>393,859</b>	<b>339,159</b>	<b>142,807</b>	<b>246,053</b>
<b>Working capital changes</b>					
Account receivables	(234,112)	277,405	(135,009)	(281,471)	(420,418)
Contract liabilities	(24,176)	-	-	-	24,519
Contract assets	(4,641)	6,987	(4,925)	(5,815)	11,747
Inventory	986	(109,194)	(439,180)	(219,039)	(310,366)

SAR in thousands	2019G (Audited)	2020G (Audited)	2021G (Audited)	30 June 2021G (Reviewed)	30 June 2022G (Reviewed)
Advances and other current assets	14,582	10,913	(26,008)	(58,617)	(18,659)
Advances to purchase financial assets	(21,000)	21,000	-	-	-
Trade and other payables	4,168	37,590	93,425	52,707	285,473
Accruals and other liabilities	(40,125)	16,161	34,732	59,877	31,378
Net finance costs paid	(38,419)	(24,558)	(28,695)	(13,124)	(24,031)
Zakat and income tax paid	(30,154)	(24,838)	(31,108)	(30,335)	(25,414)
Employees' benefit obligations paid	(12,116)	(10,961)	(10,830)	(5,773)	(6,863)
<b>Net cash flow generated from / (used in) operating activities</b>	<b>(27,882)</b>	<b>594,365</b>	<b>(208,438)</b>	<b>(358,782)</b>	<b>(206,582)</b>
<b>Investing activities</b>					
Payments to purchase of property, plant and equipment	(89,168)	(50,372)	(69,164)	(18,080)	(28,465)
Proceed from sale of property, plant and equipment	952	343	44	-	-
Proceeds for purchase of tangible assets	-	-	(128)	-	-
Payment for investments at fair value through other comprehensive income	-	-	(2,862)	-	-
Proceeds from sale of investments at fair value through other comprehensive income	-	-	-	-	300
<b>Net cash flows used in investing activities</b>	<b>(88,216)</b>	<b>(50,029)</b>	<b>(72,111)</b>	<b>(18,080)</b>	<b>(28,166)</b>
<b>Financing activities</b>					
Repayment of Islamic financing facilities during the period	(2,568,430)	(3,097,082)	(2,814,938)	(1,151,250)	(1,835,913)
Proceeds from Islamic financing facilities during the period	2,924,412	2,746,225	3,280,438	1,535,036	2,118,808
Repayment for lease liabilities under right-of-use assets	(2,366)	(2,478)	(1,922)	1,210	(1,345)
Dividend paid	(230,000)	(178,622)	(196,195)	(62)	(62)
<b>Net cash flows (used in)/generated from financing activities</b>	<b>123,615</b>	<b>(531,956)</b>	<b>267,383</b>	<b>382,514</b>	<b>281,488</b>
<b>Net change in cash and cash equivalents during the year / period</b>	<b>7,928</b>	<b>10,463</b>	<b>(13,166)</b>	<b>5,652</b>	<b>46,740</b>
Cash and cash equivalents at the beginning of the year / period	45,984	53,615	64,253	64,253	50,356
Effect of exchange rate changes on cash and cash equivalents	(297)	175	(731)	(86)	-
<b>Cash and cash equivalents at the end of the year / period</b>	<b>53,615</b>	<b>64,253</b>	<b>50,356</b>	<b>69,819</b>	<b>97,096</b>

Source: The consolidated audited financial statements for the financials years ending 31 December 2019G, 2020G, and 2021G, and the consolidated reviewed financial statements for the six-months period ending 30 June 2022G

**Net cash generated from / (used in) from operating activities**

Net cash generated from / (used in) operating activities increased from an outflow of SAR 27.9 million in 2019G to an inflow of SAR 594.4 million mainly driven by the increase in collection of receivables in 2020G amounting to SAR 277.4 million.

Net cash generated from / (used in) operating activities decreased from SAR 594.4 million in 2020G to an outflow of SAR 208.4 million in 2021G driven by the increase in inventory balances in 2021G as a result of stocking orders related to Saudi Electricity Company ("SEC") that are expected to be delivered in 2022G, coupled with the increase in receivables during the same period.

Net cash generated from / (used in) operating activities decreased from an outflow of SAR 358.8 million in the six-month period ending 30 June 2021G to an outflow of SAR 206.6 million in the six-month period ending 30 June 2022G driven by the increase in trade payables as a result of increase in the purchases in line with increase in demand over the same period.

**Net cash used in investing activities**

Net cash used in investing activities decreased from an outflow of SAR 88.2 million in 2019G to an outflow of SAR 50.0 million in 2020G driven by the decrease in additions made to property, plant and equipment in 2020G.

Net cash used in investing activities increased from an outflow of SAR 50.0 million in 2020G to an outflow of SAR 72.1 million in 2021G driven by additions to property, plant and equipment (which increased by around SAR 18.8 million) and investments at fair value through other comprehensive income amounting to SAR 2.9 million.

Net cash used in investing activities increased from an outflow of SAR 18.1 million in the six-month period ending 30 June 2021G to an outflow of SAR 28.2 million in the six-month period ending 30 June 2022G driven by the increase in additions to property, plant and equipment in the six-month period ending 30 June 2022G (which increased by around SAR 10.4 million) during the same period.

**Net cash generated from / (used in) financing activities**

Net cash generated from / (used in) financing activities decreased from an inflow of SAR 123.6 million in 2019G to an outflow amounting to SAR 532.0 million in 2020G driven by the increase in the repayment of Islamic financing facilities (which increased by around SAR 528.7 million).

Net cash generated from / (used in) financing activities increased from SAR 532.0 million in 2020G to an inflow of SAR 267.4 million in 2021G driven by the increase in the proceeds from Islamic financing facilities during the same period (which increased by around SAR 534.2 million).

Net cash generated from / (used in) financing activities decreased from an inflow of SAR 382.5 million in the six-month period ending 30 June 2021G to an inflow of SAR 281.5 million in the six-month period ending 30 June 2022G driven by the increase in repayments of financing facilities (which increased by around SAR 684.7 million), offset by proceeds from Islamic financing facilities amounting to SAR 583.8 million.

## 6.10 Subsidiaries analysis

Results of operations for the financial years ending 31 December 2019G, 2020G, 2021G and the six-month period ending 30 June 2021G and 30 June 2022G of "Saudi Modern Company for Metals, Cables and Plastic Industry", "Cables and Plastic Industry", "Saudi Modern Company for Specialized Wires and Cables Industry", "Saudi Modern Company for Telephone Cables Industry", "Riyadh Cables Company and its subsidiaries", and "National Cables Industry Company"

### Saudi Modern Company for Metals, Cables and Plastic Industry

The following table summarizes the statement of profit or loss and other comprehensive income of the Saudi Modern Company for Metals, Cables and Plastic Industry for the years ending 31 December 2019G, 2020G, and 2021G, and the six-month period ending on 30 June 2021G and 30 June 2022G:

**Table (133): Income statement**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	2021G-2022G variance
Revenue	1,470,333	667,810	899,996	(54.6%)	34.8%	(21.8%)	456,136	620,579	36.1%
Cost of revenue	(1,322,114)	(564,869)	(816,407)	(57.3%)	44.5%	(21.4%)	(417,180)	(569,722)	36.6%
<b>Gross profit</b>	<b>148,219</b>	<b>102,941</b>	<b>83,589</b>	<b>(30.5%)</b>	<b>(18.8%)</b>	<b>(24.9%)</b>	<b>38,956</b>	<b>50,857</b>	<b>30.6%</b>
Selling and marketing expenses	(35,396)	(24,433)	(26,432)	(31.0%)	8.2%	(13.6%)	(14,055)	(10,356)	(26.3%)
General and administrative expenses	(24,199)	(11,290)	(10,850)	(53.3%)	(3.9%)	(33.0%)	(6,685)	(7,319)	9.5%
(Allowance) / reversal of expected credit loss provision	(21,141)	23,204	5,871	(209.8%)	(74.7%)	na	3,578	-	(100.0%)
Other income/ (expenses)	2,457	(7,869)	3,365	(420.3%)	(142.8%)	17.0%	2,127	(4,543)	(313.6%)
<b>Operating profit</b>	<b>69,940</b>	<b>82,553</b>	<b>55,543</b>	<b>18.0%</b>	<b>(32.7%)</b>	<b>(10.9%)</b>	<b>23,921</b>	<b>28,640</b>	<b>19.7%</b>
Finance costs	(14,318)	(8,710)	(8,840)	(39.2%)	1.5%	(21.4%)	(4,084)	(5,252)	28.6%
Investment income	589	431	410	(26.8%)	4.9%	(16.5%)	183	132	(27.9%)
<b>Profit before Zakat and income tax</b>	<b>56,211</b>	<b>74,274</b>	<b>47,114</b>	<b>32.1%</b>	<b>(36.6%)</b>	<b>(8.4%)</b>	<b>20,020</b>	<b>23,520</b>	<b>17.5%</b>
Zakat and income tax	(4,995)	(7,071)	(4,132)	41.6%	(41.6%)	(9.0%)	(2,280)	(2,195)	(3.7%)
<b>Net profit for the year / period</b>	<b>51,216</b>	<b>67,203</b>	<b>42,982</b>	<b>31.2%</b>	<b>(36.0%)</b>	<b>(8.4%)</b>	<b>17,740</b>	<b>21,325</b>	<b>20.2%</b>
<b>Items that will not be reclassified to profit or loss:</b>									
Actuarial gain/(loss) on employees' defined benefit obligations	1,254	(293)	(931)	(123.4%)	217.7%	na	(465)	(504)	8.3%

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	2021G-2022G variance
Share of other comprehensive income from an associate	141	(116)	(155)	(182.3%)	33.6%	na	(78)	(38)	(51.0%)
Total comprehensive income	52,610	66,794	41,895	27.0%	(37.3%)	(10.8%)	17,196	20,782	20.9%
<b>Key Performance Indicators:</b>									
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	85,988	98,098	71,114	14.1%	(27.5%)	(9.1%)	31,810	35,885	12.8%
<b>As a percentage of revenue</b>					<b>percentage point</b>		<b>As a percentage of revenue</b>		<b>percentage point</b>
Gross profit	10.1%	15.4%	9.3%	5.3	(6.1)	(0.8)	8.5%	8.2%	(0.3)
Selling and distribution expenses	2.4%	3.7%	2.9%	1.3	(0.7)	0.5	3.1%	1.7%	(1.4)
General and administrative expenses	1.6%	1.7%	1.2%	0.0	(0.5)	(0.4)	1.5%	1.2%	(0.3)
Operating profit	4.8%	12.4%	6.2%	7.6	(6.2)	1.4	5.2%	4.6%	(0.6)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	5.8%	14.7%	7.9%	8.8	(6.8)	2.1	7.0%	5.8%	(1.2)
Net profit	3.5%	10.1%	4.8%	6.6	(5.3)	1.3	3.9%	3.4%	(0.5)

Source: The consolidated audited financial statements of the "Saudi Modern Company for Metals, Cables and Plastic Industry" for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements of the "Saudi Modern Company for Metals, Cables and Plastic Industry" for the six-month period ending 30 June 2022G.

## Revenue

Revenue decreased by 54.6% from SAR 1,470.3 million in 2019G to SAR 667.8 million in 2020G due to the decrease in the copper quantities sold from 29.8 thousand tons to 15.6 thousand tons and aluminum quantities sold from 31.6 thousand tons to 7.3 thousand tons whereby 2019G revenue included sales to the Saudi Electricity Company ("SEC"), which was transferred to the Riyadh Cables Group Company.

Revenue increased by 34.8% from SAR 667.8 million in 2020G to SAR 900.0 million in 2021G mainly due to the increase in the market price of metals whereby the average copper "LME" price per ton increased by 51.0% from SAR 23.1 thousand in 2020G to SAR 34.9 thousand in 2021G, and the average aluminum "LME" price per ton increased by 45.5% from SAR 6.4 thousand in 2020G to SAR 9.3 thousand in 2021G. This was offset by a decrease in the copper quantities sold from 15.6 thousand tons to 14.5 thousand tons and aluminum quantities sold from 7.3 thousand tons to 3.7 thousand tons during the same period.

Revenue increased by 36.1% from SAR 456.1 million in the six-month period ending 30 June 2021G to SAR 620.6 million in the six-month period ending 30 June 2022G mainly driven by the increase in quantities sold from 6.3 thousand tons to 10.1 thousand tons mainly related to low and medium voltage cables, coupled with the increase in average copper "LME" price per ton by 7.3% from SAR 34.1 thousand to SAR 36.6 thousand, and the increase in average aluminum "LME" price per ton by 36.9% from SAR 8.4 thousand to SAR 36.6 thousand during the same period.



### Cost of revenue

The cost of revenue decreased by 57.3% from SAR 1,322.1 million in 2019G to SAR 564.9 million in 2020G driven by the decrease in raw material costs from SAR 1,248.6 million in 2019G to SAR 493.7 million in 2020G in line with the decrease in the quantities sold during the period and the change in the mix of raw materials used in production, coupled with the decrease in maintenance costs by SAR 4.1 million during the same period.

The cost of revenue increased by 44.5% from SAR 564.9 million in 2020G to SAR 816.4 million in 2021G driven by the increase in raw material costs from SAR 493.7 million in 2020G to SAR 749.3 million in 2021G in line with the increase in the average copper and aluminum "LME" price per ton, offset by the decrease in the costs of type tests, which were higher in 2019G as a result of new customers acquired in Egypt and Iraq who requested testing of the Group's products.

The cost of revenue increased by 36.6% from SAR 417.2 million in the six-month period ending 30 June 2021G to SAR 569.7 million in the six-month period ending 30 June 2022G driven by the increase in raw material costs from SAR 383.7 million to SAR 534.2 million in line with the increase in sales and the increase in the market price of copper and aluminum, coupled with the increase in employee costs as a result of the increase in headcount by 40 employees to cater for the increased sales volume witnessed in the first half of 2022G.

### Gross profit

Gross profit decreased by 30.5% from SAR 148.2 million in 2019G to SAR 102.9 million in 2020G driven by the decrease in aluminum gross profit by SAR 71.6 million as a result of lower revenue in light of the COVID-19 pandemic. The gross profit margin increased from 10.1% to 15.4% due to lower raw material costs and higher average selling price for company's products.

Gross profit decreased by 18.8% from SAR 102.9 million in 2020G to SAR 83.6 million in 2021G driven by the decrease in copper gross profit by SAR 19.0 million. The gross profit margin decreased from 15.4% in 2020G to 9.3% in 2021G.

Gross profit increased by 30.6% from SAR 38.9 million in the six-month period ending 30 June 2021G to SAR 50.9 million in the six-month period ending 30 June 2022G driven by the increase in copper profit by SAR 14.0 million in line with the increase in revenue. The gross profit margin decreased from 8.5% in the six-month period ending 30 June 2021G to 8.2% in the six-month period ending 30 June 2022G.

### Selling and distribution expenses

It is worth noting that management monitors some expenses recorded under general and administrative expenses and selling and distribution expenses on a Group level rather than on an individual entity basis and allocates such expenses on a pro-rata basis based on the percentage of each entity's contribution to the Group's revenue. This is mainly due to management's approach of observing the performance as one whole Group whereby each entity is rather considered as a business unit.

Selling and distribution expenses decreased by 31.0% from SAR 35.4 million in 2019G to SAR 24.4 million in 2020G due to a decrease in shipping fees by SAR 4.7 million and sales commissions by SAR 2.7 million in line with the decrease in revenue during the same period.

Selling and distribution expenses increased by 8.2% from SAR 24.4 million in 2020G to SAR 26.4 million in 2021G due to an increase in sales commission of SAR 1.9 million in line with the increase in revenue.

Selling and distribution expenses decreased by 26.3% from SAR 14.1 million in the six-month period ending 30 June 2021G to SAR 10.4 million in the six-month period ending 30 June 2022G, mainly driven by the decrease in cargo charges of SAR 3.2 million.

### General and administrative expenses

It is worth noting that management monitors some expenses recorded under general and administrative expenses and selling and distribution expenses on a Group level rather than on an individual entity basis and allocates such expenses on a pro-rata basis based on the percentage of each entity's contribution to the Group's revenue. This is mainly due to management's approach of observing the performance as one whole Group whereby each entity is rather considered as a business unit.

General and administrative expenses decreased by 53.3% from SAR 24.2 million in 2019G to SAR 11.3 million in 2020G driven by the decrease in salaries and employees' related benefits by SAR 9.9 million as a result of the decrease in headcount from 119 to 64 employees coupled with the decrease in the average monthly employee cost from SAR 9,531 to SAR 8,325 during the same period.

General and administrative expenses decreased by 3.9% from SAR 11.3 million in 2020G to SAR 10.9 million in 2021G driven by the decrease in salaries and employees' related benefits by SAR 0.6 million due to the decrease in the average monthly employee cost from SAR 8,325 to SAR 7,087 during the same period.

General and administrative expenses increased by 9.5% from SAR 6.7 million in the six-month period ending 30 June 2021G to SAR 7.3 million in the six-month period ending 30 June 2022G driven by the increase in salaries and employees' related benefit benefits by SAR 0.4 million as a result of the increase in the number of employees from 64 to 72 employees during the same period.

#### **(Allowance) / reversal for expected credit loss provision**

Provision against expected credit loss is calculated based on IFRS 9 expected credit loss model.

The Group recorded an allowance amounting to SAR 21.1 million in 2019G and a reversal in 2020G and 2021G amounting to SAR 23.2 million and SAR 5.9 million, respectively.

The Group recorded a reversal amounting to SAR 3.6 million in the six-month period ending 30 June 2021G.

#### **Other income / (expenses)**

Other income decreased by 420.3% from an income amounting to SAR 2.5 million in 2019G to a loss amounting to SAR 7.9 million in 2020G as a result of foreign exchange losses amounting to SAR 8.3 million in 2020G mainly related to the fluctuation of the Iraqi dinar exchange rate.

Other income recorded income amounting to SAR 3.4 million in 2021G as a result of foreign exchange gains amounting to SAR 2.4 million in 2021G mainly related to fluctuation in the Iraqi dinar exchange rate.

Other income decreased by 213.6% from an income amounting to SAR 2.1 million in the six-month period ending 30 June 2021G to a loss amounting to SAR 4.5 million in the six-month period ending 30 June 2022G as a result of foreign exchange losses amounting to SAR 4.8 million in the six-month period ending 30 June 2022G, mainly related to the fluctuation of the Iraqi dinar exchange rate.

#### **Finance costs**

Finance costs decreased by 39.2% from SAR 14.3 million in 2019G to SAR 8.7 million in 2021G driven by the decrease in interest expenses charged by the parent company from SAR 11.5 million in 2019G to SAR 3.4 million in 2020G related to bank borrowings in the name of the parent company used by the company "**Saudi Modern Company for Metals, Cables and Plastic Industry**".

Finance costs increased by 1.5% from SAR 8.7 million in 2021G to SAR 8.8 million in 2021G as a result of an increase in bank borrowings during the same period.

Finance costs increased by 28.6% from SAR 4.1 million in the six-month period ending 30 June 2021G to SAR 5.3 million in the six-month period ending 30 June 2022G as a result of the increase in interest expenses charged by the holding company by SAR 1.2 million related to bank borrowings in the name of the parent company used by the company "**Saudi Modern Company for Metals, Cables and Plastic Industry**".

#### **Investment income**

Investment income relates to the share of profit from the Company's 20% investment in "**Saudi Modern Company for Cables Limited**" and it remained relatively stable in 2019G, 2020G and 2021G.

Investment income remained relatively stable in the six-month period ending 30 June 2021G and 30 June 2022G at around SAR 0.2 million.

#### **Zakat and income tax**

Zakat increased by 41.6% from SAR 5.0 million in 2019G to SAR 7.1 million in 2020G driven by the increase in earnings before tax.

Zakat decreased by 41.6% from SAR 7.1 million in 2020G to SAR 4.1 million in 2021G driven by the decrease in earnings before tax.

Zakat was relatively stable in the six-month period ending 30 June 2021G and 30 June 2022G and amounted to around SAR 2.2 million.

## Net profit

Net profit increased by 31.2% from SAR 51.2 million in 2019G to SAR 67.2 million in 2020G driven by the reversal of provisions against expected credit losses in 2020G and lower financing costs during the same period. The net profit margin increased from 3.5% in 2019G to 10.1% in 2020G.

Net profit decreased by 36.0% from SAR 67.2 million in 2020G to SAR 43.0 million in 2021G due to higher raw material costs in line with the increase in the average copper and aluminum "LME" price. Net profit margin decreased from 10.1% to 4.8% over the same period.

Net profit increased by 20.2% from SAR 17.7 million in the six-month period ending 30 June 2021G to SAR 21.3 million in the six-month period ending 30 June 2022G in line with the increase in revenue during the same period, offset by the increase in the average copper and aluminum "LME" price per ton coupled with foreign exchange losses and increase in financing costs. The net profit margin decreased from 3.9% to 3.4% during the same period.

The following table summarizes the balance sheet statement of the "Saudi Modern Company for Metals, Cables and Plastic Industry" as at 31 December 2019G, 2020G and 2021G, and as at 30 June 2021G and 30 June 2022G:

**Table (134): Balance sheet statement of the Saudi Modern Company for Metals, Cables and Plastic Industry as at 31 December 2019G, 2020G, 2021G and as at 30 June 2022G:**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
<b>Non-current assets</b>						
Property, plant and equipment	252,177	241,746	237,871	(2.9%)	232,066	(2.4%)
Investment in an associate	1,959	1,744	1,611	(9.3%)	1,295	(19.6%)
Financial assets in unquoted equity shares	175	175	175	0.0%	175	0.0%
Right-of-use assets	4,180	3,478	2,772	(18.6%)	2,572	(7.2%)
<b>Total non-current assets</b>	<b>258,491</b>	<b>247,143</b>	<b>242,429</b>	<b>(3.2%)</b>	<b>236,107</b>	<b>(2.6%)</b>
<b>Current assets</b>						
Inventories, net	305,787	170,068	269,292	(6.2%)	362,550	34.6%
Trade receivables, net	318,543	179,056	180,314	(24.8%)	196,595	9.0%
Prepayments and other current assets	6,648	7,965	28,226	106.0%	14,410	(48.9%)
Due from related parties	-	796,270	1,853,328	na	2,542,945	37.2%
Cash and cash equivalents	12,560	23,146	11,658	(3.7%)	13,597	16.6%
<b>Total current assets</b>	<b>643,539</b>	<b>1,176,504</b>	<b>2,342,818</b>	<b>90.8%</b>	<b>3,130,097</b>	<b>33.6%</b>
<b>Total assets</b>	<b>902,029</b>	<b>1,423,648</b>	<b>2,585,247</b>	<b>69.3%</b>	<b>3,366,204</b>	<b>30.2%</b>
<b>Equity</b>						
Share capital	100,100	215,100	215,100	46.6%	215,100	0.0%
Capital increase	115,000	-	-	na	-	na
Statutory reserve	50,050	56,770	61,068	10.5%	61,068	0.0%
Retained earnings	59,489	68,653	45,603	(12.4%)	23,323	(48.9%)

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
<b>Total equity attributable to shareholders of the company</b>	<b>324,639</b>	<b>340,524</b>	<b>321,772</b>	<b>(0.4%)</b>	<b>299,491</b>	<b>(6.9%)</b>
Non-controlling interests	392	(36)	433	5.1%	452	4.3%
<b>Total equity</b>	<b>325,031</b>	<b>340,488</b>	<b>322,205</b>	<b>(0.4%)</b>	<b>299,943</b>	<b>(6.9%)</b>
<b>Non-current liabilities</b>						
Employees' defined benefit obligations	9,625	10,385	11,013	7.0%	11,929	8.3%
Lease liabilities	3,276	2,217	1,913	(19.9%)	1,515	(20.8%)
Total non-current liabilities	12,901	12,602	12,926	(0.1%)	13,444	4.0%
Current liabilities						
Trade payables	18,374	41,544	146,722	182.6%	344,942	135.1%
Accrued expenses and other liabilities	18,448	16,891	22,773	11.1%	38,725	70.0%
Provision for Zakat and income tax	2,099	5,767	3,239	24.2%	4,317	33.3%
Due to related party	53,819	733,240	1,796,597	477.8%	2,407,322	34.0%
Provisions	5,001	39,271	18,791	93.8%	23,746	26.4%
Lease liabilities	1,337	1,370	1,044	13.2%	854	(18.3%)
Short-term credit facilities	465,020	232,475	260,950	(25.1%)	232,913	(10.7%)
<b>Total current liabilities</b>	<b>564,098</b>	<b>1,070,558</b>	<b>2,250,116</b>	<b>99.7%</b>	<b>3,052,817</b>	<b>35.7%</b>
<b>Total liabilities</b>	<b>576,998</b>	<b>1,083,161</b>	<b>2,263,041</b>	<b>98.0%</b>	<b>3,066,261</b>	<b>35.5%</b>
<b>Total equity and liabilities</b>	<b>902,029</b>	<b>1,423,648</b>	<b>2,585,247</b>	<b>69.3%</b>	<b>3,366,204</b>	<b>30.2%</b>

Source: The consolidated audited financial statements of the "Saudi Modern Company for Metals, Cables and Plastic Industry" for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements of the "Saudi Modern Company for Metals, Cables and Plastic Industry" for the six-month period ending 30 June 2022G.

## Assets

### Non-current assets

Non-current assets decreased from SAR 258.5 million as at 31 December 2019G to SAR 247.1 million as at 31 December 2020G driven by the depreciation of property, plant and equipment offset by additions to assets under construction.

Non-current assets decreased from SAR 247.1 million as at 31 December 2020G to SAR 242.4 million as at 31 December 2021G driven by the depreciation of property, plant and equipment offset by additions to assets under construction.

Non-current assets decreased from SAR 242.4 million as at 31 December 2021G to SAR 236.1 million as at 30 June 2022G driven by depreciation of property, plant and equipment offset by additions to assets under construction.

### Current assets

Current assets increased from SAR 643.5 million as at 31 December 2019G to SAR 1,176.5 million as at 31 December 2020G driven by the increase in dues from related parties amounting to SAR 796.2 million mainly related to balances due from **“Saudi Modern Company for Specialized Wires and Cables Industry”** by SAR 794.6 million.

Current assets increased from SAR 1,176.5 million as at 31 December 2020G to SAR 2,342.8 million as at 31 December 2021G driven by the increase in dues from related parties to reach SAR 1,853.3 million, which is mainly related to the increase in balances due from **“Saudi Modern Company for Specialized Wires and Cables Industry”**.

Current assets increased from SAR 2,342.8 million as at 31 December 2021G to SAR 3,130.1 million as at 30 June 2022G driven by the increase in dues from related parties from SAR 1,853.3 million to SAR 2,542.9 million, which mainly relates to the increase in balances due from **“Saudi Modern Company for Specialized Wires and Cables Industry”**.

### Equity and liabilities

#### Equity

Equity increased from SAR 325.0 million as at 31 December 2019G to SAR 340.5 million as at 31 December 2020G driven by the increase in share capital from SAR 100.1 million as at 31 December 2019G to SAR 215.1 million as at 31 December 2020G as a result of a decision by the Extraordinary General Assembly of the company on 25 June 2019G to increase the company's capital by SAR 115 million on condition settling amount dues to the Parent Company, coupled with the increase in retained earnings, which increased by SAR 9.2 million, as a result of the increase in net profit in 2020G compared to 2019G.

Equity decreased from SAR 340.5 million as at 31 December 2020G to SAR 322.2 million as at 31 December 2021G driven by the decrease in retained earnings by SAR 23.1 million as a result of the decrease in net profits in 2021G compared to 2020G.

Equity decreased from SAR 322.2 million as at 31 December 2021G to SAR 299.9 million as at 30 June 2022G driven by the decrease in retained earnings of SAR 22.3 million.

#### Liabilities

##### Non-current liabilities

Non-current liabilities comprised of employees' defined benefit obligations and lease liabilities. Non-current liabilities decreased from SAR 12.9 million as at 31 December 2019G to SAR 12.6 million as at 31 December 2020G driven by the decrease in lease liabilities from SAR 3.3 million as at 31 December 2019G to SAR 2.2 million as at 31 December 2020G as a result of payments settled.

Non-current liabilities increased from SAR 12.6 million as at 31 December 2020G to SAR 12.9 million as at 31 December 2021G driven by the increase in employees' defined benefit obligations from SAR 9.6 million as at 31 December 2020G to SAR 10.4 million as at 31 December 2021G as a result of changes in actuarial assumptions.

Non-current liabilities increased from SAR 12.9 million as at December 2021G to SAR 13.4 million as at 30 June 2022G driven by the increase in employees' defined benefit obligations by SAR 0.9 million as a result of changes in actuarial assumptions. This was offset by a decrease in lease liabilities by SAR 0.4 million as a result of payments settled.

##### Current liabilities

Current liabilities increased from SAR 564.1 million as at 31 December 2019G to SAR 1,070.6 million as at 31 December 2020G mainly driven by the increase in dues to related parties by SAR 679.4 million, which relates to a balance due to **“Saudi Modern Company for Specialized Wires and Cables Industry”**, coupled with the increase of provisions against onerous contracts by SAR 34.3 million, which relate to contracts entered by the Group in which unavoidable costs of meeting the contractual obligations exceed the financial returns expected to be received under the contract in which the costs exceed the financial returns expected to be obtained under the contract. This increase was offset by the decrease in short-term borrowings from SAR 465.0 million as at 31 December 2019G to SAR 232.5 million as at 31 December 2020G as a result of repayments during the year.

Current liabilities increased from SAR 1,070.6 million as at 31 December 2020G to SAR 2,250.1 million as at 31 December 2021G mainly driven by the increase in dues to related parties amounting to SAR 1,063.4 million mainly as a result of the increase in the balance due to **“Riyadh Cables Group Company”**. In addition, trade payables increased by SAR 105.2 million in line with the increase in the average copper and aluminum **“LME”** price per ton over the same period.

Current liabilities increased from SAR 2,250.1 million as at 31 December 2021G to SAR 3,052.8 million as at 30 June 2022G driven by the increase in dues to related parties amounting to SAR 610.7 million mainly as a result of the increase in the balance due to "Riyadh Cables Group Company". In addition, trade payables increased by SAR 198.2 million in line with the increase in quantities sold and the average copper and aluminum "LME" price per ton.

The following table summarizes the cash flow statement of the "Saudi Modern Company for Metals, Cables and Plastic Industry" for the years ending 31 December 2019G, 2020G and 2021G, and the six-month period ending 30 June 2021G and 30 June 2022G:

**Table (135): Cash flow statement**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	30 June 2021G (Reviewed)	30 June 2022G (Reviewed)
<b>Operating activities:</b>					
Income before Zakat and income tax	56,211	74,274	47,114	20,020	23,520
<b>Adjustments:</b>					
Depreciation of right-of-use assets	700	702	706	353	200
Finance costs	14,318	8,435	8,533	4,084	5,252
Depreciation	15,348	14,843	14,864	7,536	7,045
Allowance / reversal of provision for onerous contracts, net	(32,587)	34,270	12,783	-	-
Allowance / reversal of provision for slow-moving inventory	(1,016)	(1,108)	(418)	-	-
Allowance / reversal of provision for expected credit loss	21,141	(23,204)	(5,871)	3,578	-
Bad debt	-	(1,120)	-	-	-
Expenses for employees' defined benefit obligations	1,386	1,204	1,290	492	1,123
Share of profit in an associate	(589)	(431)	(410)	(183)	(132)
Loss/gain on sale of property, plant and equipment	310	-	87	-	-
<b>Cash flow from operations before working capital changes</b>	<b>75,223</b>	<b>107,865</b>	<b>78,678</b>	<b>35,879</b>	<b>37,008</b>
<b>Working capital changes</b>					
Trade receivables	(130,397)	163,812	4,614	26,813	(16,282)
inventories	(25,643)	136,828	(98,806)	(83,190)	(93,258)
Prepayments and other current assets	(2,690)	(1,317)	(20,261)	(20,929)	13,816
Trade and other payables	788	23,170	105,178	55,393	198,220
Due from/to related parties	108,555	(541,453)	3,889	81,338	(121,874)
Accrued expenses and other liabilities	(3,798)	(1,995)	4,559	4,499	15,952
Provision for onerous contracts	-	-	(33,263)	(17,561)	4,955
Finance costs paid	(1,989)	(4,495)	(4,703)	(3,931)	(5,086)
Zakat and tax paid	(4,251)	(3,403)	(6,659)	(5,947)	(1,118)
Employees' defined benefit obligations paid	(1,881)	(737)	(1,593)	(796)	(877)
<b>Net cash generated from operating activities</b>	<b>13,916</b>	<b>(121,725)</b>	<b>31,632</b>	<b>71,567</b>	<b>31,456</b>

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	30 June 2021G (Reviewed)	30 June 2022G (Reviewed)
<b>Investing activities</b>					
Payments for acquisition of property, plant and equipment	(18,300)	(4,413)	(11,076)	(4,166)	(1,240)
Proceeds from profit in an associate	308	530	388	388	410
<b>Net cash used in investing activities</b>	<b>(17,993)</b>	<b>(3,883)</b>	<b>(10,688)</b>	<b>(3,778)</b>	<b>(829)</b>
<b>Financing activities</b>					
Repayments of short-term loans	-	(121,850)	(533,975)	(302,975)	(337,750)
Proceeds from short-term loans	43,800	310,525	562,450	247,500	309,713
Dividend paid	(38,353)	(51,337)	(60,178)	(62)	(62)
Finance lease liabilities	(267)	(1,144)	(728)	(364)	(588)
<b>Net cash from/ (used in) financing activities</b>	<b>5,180</b>	<b>136,194</b>	<b>(32,431)</b>	<b>(55,900)</b>	<b>(28,688)</b>
Net change in cash and cash equivalents during the year	1,103	10,586	(11,487)	11,889	1,938
Cash and cash equivalents at the beginning of the year	11,456	12,560	23,146	23,146	11,658
<b>Cash and cash equivalents at the end of the year</b>	<b>12,560</b>	<b>23,146</b>	<b>11,658</b>	<b>35,035</b>	<b>13,597</b>

Source: The consolidated audited financial statements of the "Saudi Modern Company for Metals, Cables and Plastic Industry" for the financial years ending 31 December 2019G, 2020G, 2021G, and the consolidated reviewed financial statements of the "Saudi Modern Company for Metals, Cables and Plastic Industry" for the six-month period ending 30 June 2022G.

### Net cash flow generated from / (used in) operating activities

Net cash flow generated from operating activities decreased from an inflow of SAR 13.9 million in 2019G to an outflow of SAR 121.7 million in 2020G driven by dues from related parties that increased by SAR 541.5 million.

Net cash flow generated from operating activities increased from an outflow of SAR 121.7 million in 2020G to an inflow of SAR 31.6 million in 2021G driven by the increase in trade payables by SAR 105.2 million.

Net cash flow generated from operating activities decreased from an inflow of SAR 71.6 million in the six-month period ending 30 June 2021G to SAR 31.5 million in the six-month period ending 30 June 2022G driven by the increase in trade payables by SAR 198.2 million.

### Net cash flows used in investing activities

Net cash flow used in investing activities decreased from an outflow of SAR 18.0 million in 2019G to an outflow amounting to SAR 3.9 million in 2020G due to the decrease in additions to property, plant and equipment by SAR 13.8 million in addition to the increase in dividends received from subsidiaries by SAR 0.2 million.

Net cash flow used in investing activities increased from an outflow of SAR 3.9 million in 2020G to an outflow amounting to SAR 10.7 million in 2021G driven by additions to property, plant and equipment that increased by around SAR 6.6 million.

Net cash flow used in investing activities decreased from an outflow of SAR 3.8 million in the six-month period ending 30 June 2021G to an outflow of SAR 0.8 million in the six-month period ending 30 June 2022G driven by the decrease in additions to property, plant and equipment that decreased by around SAR 2.9 million.

### Net cash flows generated from / (used in) financing activities

Net cash flow from financing activities increased from an inflow of SAR 5.2 million in 2019G to an inflow of SAR 136.2 million in 2020G due to the increase in proceeds from short-term borrowings during the period by SAR 266.7 million. This increase was offset by the repayments of short-term loans amounting to SAR 121.8 million.

Net cash flows from financing activities decreased from an inflow of SAR 136.2 million in 2020G to an outflow amounting to SAR 32.4 million in 2021G driven by the increase in repayment of short-term loans by around SAR 412.1 million, coupled with the increase in dividends paid during year by SAR 8.8 million. This decrease was offset by an increase in the proceeds from short-term loans (which increased by around SAR 251.9 million).

Net cash flows from financing activities increased from an outflow of SAR 55.9 million in the six-month period ending 30 June 2021G to an outflow amounting to SAR 28.7 million in the six-month period ending 30 June 2022G driven by the increase in the proceeds from short-term loans by SAR 62.2 million, offset by the increase in the settlement of short-term loans (which increased by SAR 34.8 million).

### 1- Saudi Modern Company for Specialized Wires and Cables Industry

The following table summarizes the statement of profit or loss and other comprehensive income of "Saudi Modern Company for Specialized Wires and Cables Industry" for the years ending 31 December 2019G, 2020G and 2021G, and the six-month period ending 30 June 2021G and 30 June 2022G:

**Table (136): Income Statement**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
Revenue	1,514,763	1,405,430	1,789,194	(7.2%)	27.3%	8.7%	818,481	1,069,284	30.6%
Cost of revenue	(1,357,856)	(1,237,012)	(1,630,791)	(8.9%)	31.8%	9.6%	(737,447)	(985,471)	33.6%
<b>Gross profit</b>	<b>156,907</b>	<b>168,418</b>	<b>158,403</b>	<b>7.3%</b>	<b>(5.9%)</b>	<b>0.5%</b>	<b>81,034</b>	<b>83,813</b>	<b>3.4%</b>
General and administrative expenses	(26,245)	(26,200)	(30,717)	(0.2%)	17.2%	8.2%	(15,529)	(16,652)	7.2%
Selling and marketing expenses	(34,462)	(32,450)	(35,949)	(5.8%)	10.8%	2.1%	(16,893)	(18,177)	7.6%
Provision against expected credit losses	(18,850)	(15,354)	(719)	(18.5%)	(95.3%)	(80.5%)	-	-	-
Other income / (expenses)	950	2,768	990	191.4%	(64.2%)	2.1%	212	(1,002)	(573.0%)
<b>Operating profit</b>	<b>78,300</b>	<b>97,182</b>	<b>83,279</b>	<b>24.1%</b>	<b>(5.3%)</b>	<b>8.4%</b>	<b>48,824</b>	<b>47,982</b>	<b>(1.7%)</b>
Share of results of operations of an equity accounted investee	589	431	410	(26.8%)	4.9%	(16.5%)	183	132	(27.9%)
Finance costs	(13,044)	(9,471)	(9,138)	(27.4%)	(3.5%)	(16.3%)	(4,060)	(7,303)	79.9%
<b>Income before Zakat and income tax</b>	<b>65,844</b>	<b>88,142</b>	<b>83,279</b>	<b>33.9%</b>	<b>(5.3%)</b>	<b>12.6%</b>	<b>44,947</b>	<b>40,810</b>	<b>(9.2%)</b>
Zakat expense	(4,811)	(4,008)	(3,723)	(16.7%)	(7.1%)	(12.0%)	(3,000)	(3,000)	0.0%



SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	30 June 2021G-2022G variance
<b>Net profit / (losses) for the year / period</b>	<b>61,032</b>	<b>84,022</b>	<b>79,557</b>	<b>37.8%</b>	<b>(5.4%)</b>	<b>14.2%</b>	<b>41,947</b>	<b>37,810</b>	<b>(9.9%)</b>
<b>Items that will not be reclassified to profit or loss:</b>									
Re-measurements of post-employment benefit obligations	1,569	5	(1,968)	(99.7%)	(39460.0%)	na	(984)	(1,344)	36.6%
Share of the other comprehensive (loss) / income of an equity accounted investee	141	(116)	(155)	(182.3%)	33.6%	na	(78)	(38)	(51.0%)
<b>Total comprehensive income for the year / period</b>	<b>62,742</b>	<b>84,022</b>	<b>77,432</b>	<b>33.9%</b>	<b>(7.8%)</b>	<b>11.1%</b>	<b>40,885</b>	<b>36,428</b>	<b>(10.9%)</b>
<b>Key performance indicators:</b>									
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	87,686	104,723	99,075	19.4%	(5.4%)	6.3%	52,360	51,311	(2.0%)
<b>As a percentage of revenue</b>	<b>percentage point</b>			<b>As a percentage of revenue</b>			<b>percentage point</b>		
Gross profit	10.4%	12.0%	8.9%	1.6	(3.1)	(1.5)	9.9%	7.8%	(2.1)
General and administrative expenses	1.7%	1.9%	1.7%	0.1	(0.1)	(0.0)	1.9%	1.6%	(0.3)
Selling and marketing expenses	2.3%	2.3%	2.0%	0.0	(0.3)	(0.3)	2.1%	1.7%	(0.4)
Operating profit	5.2%	6.9%	5.1%	1.7	(1.8)	(0.0)	6.0%	4.5%	(1.5)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	5.8%	7.5%	5.5%	1.7	(1.9)	(0.3)	6.4%	4.8%	(1.6)
Net profit	4.0%	6.0%	4.4%	2.0	(1.5)	0.4	5.1%	3.5%	(1.6)

Source: The audited financial statements of the Saudi Modern Company for Specialized Wires and Cables Industry for the financial years ending 31 December 2019G, 2020G, 2021G, and the reviewed financial statements of the Saudi Modern Company for Specialized Wires and Cables Industry for the six-month period ending 30 June 2022G.

## Revenue

Revenue decreased by 7.2% from SAR 1,514.8 million in 2019G to SAR 1,405.4 million in 2020G driven by a decrease in copper cable sales by SAR 111.9 million on the back of lower retail demand and branch sales in 2020G as a result of the COVID-19 impact.

Revenue increased by 27.3% from SAR 1,405.4 million in 2020G to SAR 1,789.2 million in 2021G driven by the increase in copper and aluminum prices in line with the increase in "LME" metal prices.

Revenue increased by 30.6% from SAR 818.5 million in the six-month period ending 30 June 2021G to SAR 1,069.3 million in the six-month period ending 30 June 2022G as a result of the increase in copper revenue (which increased by SAR 246.4 million) in relation to low and medium voltage cables due to the higher quantities sold in response to the low competitive prices offered by the company to retail customers, coupled with the increase in copper prices in line with the increase in average LME prices over the same period.

## Cost of revenue

The cost of revenue decreased by 8.9% from SAR 1,357.9 million in 2019G to SAR 1,237.0 million in 2020G driven by the decrease in raw material costs by SAR 124.7 million as a result of the decrease in quantities sold during the same period. This was offset by the increase in employee costs by SAR 3.8 million as a result of an increase in the number of employees by 32 employees in 2020G.

The cost of revenue increased by 31.8% from SAR 1,237.0 million in 2020G to SAR 1,630.7 million in 2021G in line with the increase in the average copper and aluminum "LME" price, coupled with the increase in employee costs driven by the increase in the number of employees by 18 employees in 2021G.

The cost of revenue increased by 33.6% from SAR 737.4 million in the six-month period ending 30 June 2021G to SAR 985.5 million in the six-month period ending 30 June 2022G, in line with the increase in sales and average copper and aluminum "LME" prices.

## Gross profit

Gross profit increased by 7.3% from SAR 156.9 million in 2019G to SAR 168.4 million in 2020G driven by the increase in copper gross profit per ton from SAR 4.4 thousand to SAR 5.2 thousand during the same period as a result of the change in the sales mix.

Gross profit decreased by 5.9% from SAR 168.4 million in 2020G to SAR 158.4 million in 2021G driven by higher raw material costs in line with the increase in average copper and aluminum "LME" prices during the same period, coupled with the increase in employee costs during the same period.

Gross profit increased by 3.4% from SAR 81.0 million in the six-month period ending 30 June 2021G to SAR 83.8 million in the six-month period ending 30 June 2022G in line with the increase in revenue and competitive prices for copper provided by the company, which contributed to a decrease gross profit margin from 9.9% in the six-month period ending 30 June 2021G to 7.8% in the six-month period ending 30 June 2022G.

## General and administrative expenses

It is worth noting that management monitors some expenses recorded under general and administrative expenses and selling and distribution expenses on a Group level rather than on an individual entity basis and allocates such expenses on a pro-rata basis based on the percentage of each entity's contribution to the Group's revenue. This is mainly due to management's approach of observing the performance as one whole Group whereby each entity is rather considered as a business unit.

General and administrative expenses remained relatively stable in 2019G and 2020G at around SAR 26.2 million.

General and administrative expenses increased by 17.2% from SAR 26.2 million in 2020G to SAR 30.7 million in 2021G, driven by the increase in employee costs by SAR 2.8 million as a result of the increase in headcount from 123 to 135 employees.

General and administrative expenses increased by 7.2% from SAR 15.5 million in the six-month period ending 30 June 2021G to SAR 16.7 million in the six-month period ending 30 June 2022G driven by the increase in repair and maintenance costs by SAR 0.4 million depending on the need, and employee costs by SAR 0.6 million as a result of the increase in headcount from 169 to 190 employees during the same period.

### Selling and distribution expenses

It is worth noting that management monitors some expenses recorded under general and administrative expenses and selling and distribution expenses on a Group level rather than on an individual entity basis and allocates such expenses on a pro-rata basis based on the percentage of each entity's contribution to the Group's revenue. This is mainly due to management's approach of observing the performance as one whole Group whereby each entity is rather considered as a business unit.

Selling and distribution expenses decreased by 5.8% from SAR 34.5 million in 2019G to SAR 32.5 million in 2020G driven by the decrease in employee costs by around SAR 2.8 million as a result of the decrease in the headcount from 222 to 210 employees.

Selling and distribution expenses increased by 10.8% from SAR 32.5 million in 2020G to SAR 35.9 million in 2021G driven by the increase in employee costs by around SAR 1.8 million as a result of the increase in headcount by 4 employees in addition to the increase in the average monthly employee cost by 6.5%.

Selling and distribution expenses increased by 7.6% from SAR 16.9 million in the six-month period ending 30 June 2021G to SAR 18.2 million in the six-month period ending 30 June 2022G, in line with the increase quantities sold.

### Provision for expected credit loss

Provision for expected credit loss is based on IFRS 9 expected credit loss calculation.

Provisions amounting to SAR 18.9 million were recorded in 2019G, SAR 15.3 million in 2020G and SAR 0.7 million in 2021G, which relate to a specific client.

### Other income / (expenses)

Other income increased by 191.4% from SAR 950 thousand in 2019G to SAR 2.7 million in 2020G driven by exceptional revenue resulting from client settlement of old balances.

Other income decreased by 64.2% from SAR 2.7 million in 2020G to SAR 990 thousand in 2021G due to the recognition of an exceptional income resulting from settlement of old balances, offset by foreign exchange gain.

Other income decreased by 573.0% from an income amounting to SAR 212 thousand in the six-month period ending 30 June 2021G to an expense amounting to SAR 1.0 million in the six-month period ending on 30 June 2022G due to foreign exchange losses.

### Share of results of operations of an equity accounted investee

Share of results of operations of an equity accounted investee remained relatively stable, with an average of SAR 477 thousand in 2019G, 2020G and 2021G and an average of SAR 158 thousand in the six-month period ending on 30 June 2021G and 30 June 2022G, and it represents the Company's share in the profits of "Saudi Modern Company for Cables Limited".

### Finance costs

Financing costs decreased by 27.4% from SAR 13.0 million in 2019G to SAR 9.5 million in 2020G driven by the decrease in short-term loan balances and the SIBOR rate during the same period.

Financing costs decreased by 3.5% from SAR 9.5 million in 2020G to SAR 9.1 million in 2021G in line with the decrease in the SIBOR rate during the same period.

Financing costs increased by 79.9% from SAR 4.1 million in the six-month period ending 30 June 2021G to SAR 7.3 million in the six-month period ending 30 June 2022G driven by the increase in short-term loans and the SIBOR rate during the same period.

### Zakat expense

Zakat expense decreased by 16.7% from SAR 4.8 million in 2019G to SAR 4.0 million in 2020G.

Zakat expense decreased by 7.1% from SAR 4.0 million in 2020G to SAR 3.7 million in 2021G driven by the decrease in profits before Zakat and income tax.

Zakat expense remained relatively stable at around SAR 3.0 million in the six-month period ending 30 June 2021G and 30 June 2022G.

## Net profit

Net profit increased by 37.8% from SAR 61.0 million in 2019G to SAR 84.1 million in 2020G mainly driven by the improved contribution profit by SAR 15.3 million.

Net profit decreased by 5.4% from SAR 84.1 million in 2020G to SAR 79.5 million in 2021G driven by the increase in raw material costs in line with the increase in the average copper and aluminum "LME" price.

Net profit decreased by 9.9% from SAR 41.9 million in the six-month period ending 30 June 2021G to SAR 37.8 million in the six-month period ending 30 June 2022G as a result of the increase in raw material costs in line with the increase in the average copper and aluminum "LME" price during the period, coupled with financing costs.

The following table summarizes the balance sheet statement of "Saudi Modern Company for Specialized Wires and Cables Industry" as at 31 December 2019G, 2020G, and 2021G and as at June 30, 2022:

**Table (137): Balance sheet statement**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	Change for the period December 31, 2021G - June 30, 2022G
<b>Non-current assets:</b>						
Property, plant, and equipment	101,947	101,974	98,861	(1.5%)	98,625	(0.2%)
Right-of-use assets	4,210	3,656	3,103	(14.1%)	2,829	(8.8%)
Investment in an equity accounted investee	1,959	1,744	1,611	(9.3%)	1,295	(19.6%)
Financial assets at fair value through profit or loss	75	75	75	0.0%	75	0.0%
<b>Total non-current assets</b>	<b>108,191</b>	<b>107,449</b>	<b>103,650</b>	<b>(2.1%)</b>	<b>102,824</b>	<b>(0.8%)</b>
<b>Current assets:</b>						
Advances and other current assets	7,112	3,661	4,003	(25.0%)	1,852	(53.7%)
Inventories	210,891	226,018	346,076	28.1%	400,645	15.8%
Trade receivables, net	180,806	135,398	208,500	7.4%	287,107	37.7%
Cash and cash equivalents	1,037	1,363	431	(35.5%)	1,673	288.5%
Due from related parties	-	606,505	1,572,812	na	2,003,190	27.4%
Total current assets	399,846	972,945	2,131,821	130.9%	2,694,468	26.4%
<b>Total assets</b>	<b>508,036</b>	<b>1,080,395</b>	<b>2,235,471</b>	<b>109.8%</b>	<b>2,797,292</b>	<b>25.1%</b>
<b>Equity</b>						
Share Capital	25,100	25,100	25,100	0.0%	25,100	0.0%
Statutory reserve	12,550	12,550	12,550	0.0%	12,550	0.0%
Retained earnings	62,398	85,388	78,687	12.3%	35,559	(54.8%)
<b>Total equity</b>	<b>100,048</b>	<b>123,038</b>	<b>116,337</b>	<b>7.8%</b>	<b>73,209</b>	<b>(37.1%)</b>
<b>Non-current liabilities:</b>						
Post-employment benefits	22,493	22,961	25,307	6.1%	26,038	2.9%
Lease liabilities - non-current portion	3,551	3,028	2,381	(18.1%)	2,181	(8.4%)
<b>Total non-current liabilities</b>	<b>26,044</b>	<b>25,989</b>	<b>27,689</b>	<b>3.1%</b>	<b>28,219</b>	<b>1.9%</b>

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	Change for the period December 31, 2021G - June 30, 2022G
<b>Current liabilities</b>						
Short-term loans	300,912	78,850	171,850	(24.4%)	24,000	(86.0%)
Accrued expenses and other liabilities	14,719	12,043	12,484	(7.9%)	19,495	56.2%
Lease liabilities	520	314	439	(8.2%)	439	0.0%
Trade payables	2,860	4,278	1,480	(28.1%)	1,869	26.3%
Provision for onerous contracts	834	8,788	5,094	147.2%	813	(84.0%)
Provision for Zakat and income tax	2,143	3,691	3,673	30.9%	3,666	(0.2%)
Due to related parties	59,957	823,403	1,896,426	462.4%	2,645,583	39.5%
<b>Total current liabilities</b>	<b>381,945</b>	<b>931,368</b>	<b>2,091,445</b>	<b>134.0%</b>	<b>2,695,864</b>	<b>28.9%</b>
<b>Total liabilities</b>	<b>407,989</b>	<b>957,357</b>	<b>2,119,134</b>	<b>127.9%</b>	<b>2,724,084</b>	<b>28.5%</b>
<b>Total liabilities and equity</b>	<b>508,036</b>	<b>1,080,395</b>	<b>2,235,471</b>	<b>109.8%</b>	<b>2,797,292</b>	<b>25.1%</b>

Source: The audited financial statements of the Saudi Modern Company for Specialized Wires and Cables Industry for the financial years ending 31 December 2019G, 2020G, 2021G, and the reviewed financial statements of the Saudi Modern Company for Specialized Wires and Cables Industry for the six-month period ending 30 June 2022G.

### Non-current assets

Non-current assets decreased from SAR 108.2 million as at 31 December 2019G to SAR 107.4 million as at 31 December 2020G driven by the decrease in the depreciation of right-of-use assets that mainly relate to leased lands, housing and warehouses (which decreased by around SAR 0.6 million), coupled with the decrease in the investment in equity accounted investee by SAR 0.2 million, which relates to the company's stake in the "Saudi Modern Company for Cables Limited".

Non-current assets decreased from SAR 107.4 million as at 31 December 2020G to SAR 103.7 million as at 31 December 2021G driven by the depreciation of property, plant, equipment and right-of-use assets.

Non-current assets decreased from SAR 103.7 million as at 31 December 2021G to SAR 102.8 million as at 30 June 2022G driven by the depreciation of property, plant and equipment and right-of-use assets.

### Current assets

Current assets increased from SAR 399.8 million as at 31 December 2019G to SAR 972.9 million as at 31 December 2020G driven by the increase in the due from related parties, which amounted to SAR 606.5 million as at 31 December 2020G from "Riyadh Cables Group Company", coupled with the increase in inventories by SAR 15.1 million during the same period.

Current assets increased from SAR 972.9 million as at 31 December 2020G to SAR 2,131.8 million as at 31 December 2021G driven by the increase in dues from related parties by SAR 966.3 million as a result of the increase in dues from "Riyadh Cables Group Company". In addition, inventories increased by SAR 120.1 million in line with the increase in the average copper and aluminum "LME" prices during the same period.

Current assets increased from SAR 2,131.8 million as at 31 December 2021G to SAR 2,694.5 million as at 30 June 2022G driven by the increase in dues from related parties amounting to SAR 430.3 million as a result of the increase in dues from "Riyadh Cables Group Company". In addition, trade receivables increased by SAR 78.6 million in line with the increase in revenue during the same period, and inventories by SAR 54.6 million in line with the increase in demand, production and average "LME" metal prices during the same period.

## Equity and liabilities

### Equity

Equity increased from SAR 100.0 million as at 31 December 2019G to SAR 123.0 million as at 31 December 2020G driven by the increase in retained earnings by SAR 23.0 million as a result of the increase in the company's net profits in 2020G.

Equity decreased from SAR 123.0 million as at 31 December 2020G to SAR 116.3 million as at 31 December 2021G driven by the decrease in retained earnings by SAR 6.7 million due to the decrease in the company's net profits in 2021G.

Equity decreased from SAR 116.3 million as at 31 December 2021G to SAR 73.2 million as at 30 June 2022G, mainly due to the decrease in retained earnings from SAR 78.7 million to SAR 35.6 million during the same period.

### Liabilities

#### Non-current liabilities

Non-current liabilities comprised of post-employment benefits and lease liabilities, which remained relatively stable at around SAR 6.0 million as at 31 December 2020G and increased to SAR 27.7 million as at 31 December 2021G driven by the increase in post-employment benefits obligations from SAR 22.4 million as at 31 December 2019G to SAR 22.9 million as at 31 December 2020G as a result of changes in actuarial assumptions.

Non-current liabilities increased from SAR 27.7 million as at 31 December 2021G to SAR 28.2 million as at 30 June 2022G driven by the increase in post-employment benefit obligations from SAR 22.9 million as at 31 December 2021G to SAR 25.3 million as at 30 June 2022G as a result of changes in actuarial assumptions.

#### Current liabilities

Current liabilities increased from SAR 381.9 million as at 31 December 2019G to SAR 931.4 million as at 31 December 2020G driven by the increase in due to related parties from SAR 59.9 million as at 31 December 2019G to SAR 823.4 million as at 31 December 2020G, as a result of an increase in the balance owed to the "Saudi Modern Company for Metals, Cables and Plastic Industry". The increase was offset by the decrease in short-term loans from SAR 300.9 million as at 31 December 2019G to SAR 78.8 million as at 31 December 2020G as a result of repayments during the same period.

Current liabilities increased from SAR 931.4 million as at 31 December 2020G to SAR 2,091.4 million as at 31 December 2021G, mainly driven by the increase in due to related parties by SAR 1,073.0 million as a result of an increase in the balance owed to the "Saudi Modern Company for Metals, Cables and Plastic Industry".

Current liabilities increased from SAR 2,091.4 million as at 31 December 2021G to SAR 2,695.9 million as at 30 June 2022G, mainly driven by the increase in due to related parties by SAR 749.2 million as a result of an increase in the balance owed to the "Saudi Modern Company for Metals, Cables and Plastic Industry" and the "Saudi Modern Company for Telephone Cables Industry". This was offset by a decrease in short-term loans from SAR 171.9 million to SAR 24.0 million during the same period.

The following table summarizes the cash flow statement of "Saudi Modern Company for Specialized Wires and Cables industry" for the years ending 31 December 2019G, 2020G and 2021G, and the six-month period ending 30 June 2021G and 30 June 2022G:

**Table (138): Cash flow statement**

SAR in thousands	Fiscal year 2019G (Reviewed)	Fiscal year 2020G (Reviewed)	Fiscal year 2021G (Reviewed)	30 June 2021G (Audited)	30 June 2022G (Audited)
<b>Operating activities</b>					
Net profit / (loss) for the year / period before zakat	65,844	88,142	83,280	44,947	40,810
Depreciation of right-of-use assets	553	554	553	274	274
Interest on lease liability	144	136	112	59	49
Provision for employees' defined benefits obligation	2,820	2,418	2,523	918	1,254
Provision for expected credit loss	18,850	15,354	719	(496)	(4,281)
Provision for slow moving inventory	(4,319)	642	(881)	-	-
Depreciation	8,833	6,987	6,514	3,262	3,056

SAR in thousands	Fiscal year 2019G (Reviewed)	Fiscal year 2020G (Reviewed)	Fiscal year 2021G (Reviewed)	30 June 2021G (Audited)	30 June 2022G (Audited)
Share in the profits of equity accounted investee	(589)	(431)	(410)	(183)	(132)
Bad debt written off	-	(24,697)	-	-	-
Interest on end of service benefits	-	-	-	344	469
Interest expense	-	-	-	3,658	6,785
<b>Cash flow from operations before working capital adjustments</b>	<b>92,137</b>	<b>89,105</b>	<b>92,409</b>	<b>52,783</b>	<b>48,284</b>
<b>Adjustments:</b>					
Trade receivables	(63,641)	54,751	(73,821)	(104,484)	(78,607)
Inventories	21,271	(15,770)	(119,176)	(37,321)	(54,570)
Advances and other current assets	(761)	3,451	(342)	(677)	2,151
Trade and other payables	1,465	1,418	(2,798)	(2,448)	389
Due from related parties	3,458	(610,726)	(965,970)	-	-
Due to related parties	-	763,446	1,073,023	-	-
Due from / to related parties	-	-	-	264,202	318,779
Accruals and other payables	379	(2,676)	441	244	7,010
Provision for onerous contracts	-	7,955	(3,694)	-	-
Zakat and income tax paid	(1,103)	(2,460)	(3,741)	(3,735)	(3,007)
Post-employment benefits paid	(1,005)	(1,945)	(2,145)	(1,073)	(2,336)
Interest paid	-	-	-	(3,658)	(6,785)
<b>Net cash generated from / (used in) operating activities</b>	<b>52,200</b>	<b>286,548</b>	<b>(5,815)</b>	<b>163,834</b>	<b>231,308</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment	(2,889)	(2,793)	(3,815)	(1,392)	(2,820)
Dividends received from an equity accounted investee	308	530	388	388	410
Proceeds from the sale of property and equipment	-	-	77	-	-
<b>The net cash flow generated from / (used in) investing activities</b>	<b>(2,581)</b>	<b>(2,263)</b>	<b>(3,349)</b>	<b>(1,004)</b>	<b>(2,410)</b>
<b>Financing activities</b>					
Proceeds from short-term loans	-	78,850	171,850	-	24,000
Repayment of short-term loans	-	(300,912)	(78,850)	(78,850)	(171,850)
Dividends paid	(49,038)	(61,033)	(84,133)	(84,133)	(79,557)
Repayment of finance lease liabilities	(634)	(864)	(634)	(317)	(249)
<b>Net cash flow generated from /used in) in financing activities</b>	<b>(49,672)</b>	<b>(283,958)</b>	<b>8,233</b>	<b>(163,300)</b>	<b>(227,656)</b>
<b>Net change in cash and cash equivalents during the year/period</b>	<b>(53)</b>	<b>326</b>	<b>(932)</b>	<b>(470)</b>	<b>1,243</b>
Cash and cash equivalents at the beginning of the year / period	1,090	1,037	1,363	1,363	431
<b>Cash and cash equivalents at the end of the year / period</b>	<b>1,037</b>	<b>1,363</b>	<b>431</b>	<b>893</b>	<b>1,673</b>

Source: The audited financial statements of the Saudi Modern Company for Specialized Wires and Cables industry for the financial years ending 31 December 2019G, 2020G and 2021G, and the reviewed financial statements of the Saudi Modern Company for Specialized Wires and Cables industry for the period ending on 30 June 2022G.

### Net cash flow generated from / (used in) operating activities

The net cash flow generated from operating activities increased from an inflow amounting to SAR 52.2 million in 2019G to an inflow amounting to SAR 286.5 million in 2020G driven by the collection of trade receivable amounting to SAR 54.7 million, in addition to the increase in the balance due to related parties by SAR 763.4 million.

The net cash flow generated from operating activities decreased to an outflow amounting to SAR 5.8 million in 2021G due to an increase in accounts receivable and inventory during the same period.

The net cash flow generated from operating activities increased from an inflow of SAR 163.8 million in the six-month period ending 30 June 2021G to an inflow of SAR 231.3 million in the six-month period ending 30 June 2022G driven by the increase in due to related parties amounting to SAR 318.8 million in the six-month period ending 30 June 2022G.

### Net cash flow generated from / (used in) investing activities

The net cash flow used in investing activities decreased from an outflow of SAR 2.6 million in 2019G to an outflow of SAR 2.3 million in 2020G driven by the increase in dividends received from in equity accounted investee by SAR 0.2 million.

The net cash flow used in investing activities increased from an outflow of SAR 2.2 million in 2020G to an outflow amounting to SAR 3.3 million in 2021G as a result of the increase in additions to property, plant and equipment amounting to SAR 1.0 million.

The net cash flow used in investing activities increased from an outflow of SAR 1.0 million in the six-month period ending 30 June 2021G to an outflow amounting to SAR 2.4 million in the six-month period ending 30 June 2022G as a result of the increase in additions to property, plant and equipment by SAR 1.4 million.

### Net cash flow generated from / (used in) financing activities

Net cash flow used in financing activities increased from an outflow of SAR 49.7 million in 2019G to an outflow of SAR 283.9 million in 2020G driven by repayment of short-term loans amounting to SAR 300.9 million, offset by proceeds from short-term loans amounting to SAR 78.8 million.

Net cash flow used in financing activities increased from an outflow of SAR 283.9 million in 2020G to inflows amounting to SAR 8.2 million in 2021G driven by the increase in proceeds from short-term loans during the period (which increased by SAR 93.0 million), coupled with the decrease in short-term loan repayments amounting to SAR 222.1 million.

Net cash flow used in financing activities increased from an outflow of SAR 163.3 million in the six-month period ending 30 June 2021G to an outflow of SAR 227.6 million in the six-month period ending 30 June 2022G driven by repayments of short-term loans during the period (which increased by around SAR 93.0 million). This was offset by the decrease in dividends paid by SAR 4.6 million and proceeds from short-term loans by SAR 24.0 million.

## 2- Saudi Modern Company for Telephone Cables Industry

The following table summarizes the comprehensive income statement of the "Saudi Modern Company for Telephone Cables Industry" the years ending on 31 December 2019G, 2020G and 2021G, and the six-month period ending 30 June 2021G and 30 June 2022G:

**Table (139): Income statement**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	2021G-2022G variance
Revenue	54,869	34,992	21,507	(36.2%)	(38.5%)	(37.4%)	8,910	10,091	13.2%
Cost of revenue	(40,787)	(30,702)	(16,679)	(24.7%)	(45.7%)	(36.1%)	(7,068)	(8,538)	20.8%
<b>Gross profit</b>	<b>14,082</b>	<b>4,290</b>	<b>4,827</b>	<b>(69.5%)</b>	<b>12.5%</b>	<b>(41.4%)</b>	<b>1,843</b>	<b>1,553</b>	<b>(15.7%)</b>
Selling and distribution expenses	(419)	(133)	(25)	(68.2%)	(81.6%)	(75.6%)	(22)	-	(98.3%)
General and administrative expenses	(1,253)	(1,234)	(909)	(1.5%)	(26.4%)	(14.8%)	(419)	(175)	(58.3%)
Provision for expected credit loss	(35)	(85)	(470)	142.9%	452.9%	266.5%	-	-	na



SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	2021G-2022G variance
Other income, net	99	42	200	(57.7%)	379.3%	42.1%	(7)	(186)	2597.0%
<b>Operating profit</b>	<b>12,473</b>	<b>2,880</b>	<b>3,624</b>	<b>(76.9%)</b>	<b>25.8%</b>	<b>(46.1%)</b>	<b>1,395</b>	<b>1,192</b>	<b>(14.5%)</b>
Share of results of operations of an equity investee	706	517	492	(26.8%)	(4.9%)	(16.5%)	219	158	(27.9%)
Finance costs	(756)	(754)	(297)	(0.3%)	(60.7%)	(37.3%)	(130)	(249)	91.3%
<b>Income before Zakat and income tax</b>	<b>12,423</b>	<b>2,642</b>	<b>3,819</b>	<b>(78.7%)</b>	<b>44.5%</b>	<b>(44.6%)</b>	<b>1,484</b>	<b>1,101</b>	<b>(25.8%)</b>
Zakat and income tax	(1,218)	(1,142)	(1,029)	(6.3%)	(9.9%)	(8.1%)	(600)	(618)	3.0%
<b>Net income for the year / period</b>	<b>11,205</b>	<b>1,501</b>	<b>2,791</b>	<b>(86.6%)</b>	<b>85.9%</b>	<b>(50.1%)</b>	<b>884</b>	<b>483</b>	<b>(45.3%)</b>
<b>Items that will not be reclassified to profit or loss:</b>									
Re-measurements of post-employment benefit obligations	67	(154)	(261)	(329.4%)	69.5%	na	(130)	(162)	24.1%
Share of other comprehensive (loss) / income the equity accounted investee	169	(139)	(186)	(182.6%)	33.8%	na	(93)	(46)	(51.0%)
<b>Total comprehensive income for the year / period</b>	<b>11,441</b>	<b>1,208</b>	<b>2,343</b>	<b>(89.4%)</b>	<b>94.0%</b>	<b>(54.7%)</b>	<b>660</b>	<b>276</b>	<b>(58.2%)</b>
<b>Key Performance Indicators:</b>									
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	17,013	6,492	7,034	(61.8%)	8.3%	(35.7%)	3,092	2,630	(14.9%)
<b>As a percentage of revenue</b>	<b>percentage point</b>						<b>As a percentage of revenue</b>		<b>percentage point</b>
Gross profit	25.7%	12.3%	22.4%	(13.4)	10.2	(3.2)	20.7%	15.4%	(5.3)
Selling and distribution expenses	0.8%	0.4%	0.1%	(0.4)	(0.3)	(0.7)	0.3%	0.0%	(0.2)
General and administrative expenses	2.3%	3.5%	4.2%	1.2	0.7	1.9	4.7%	1.7%	(3.0)
Operating profit	22.7%	8.2%	16.9%	(14.5)	8.6	(5.9)	15.7%	11.8%	15.7
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	31.0%	18.6%	32.7%	(12.5)	14.2	1.7	34.7%	26.1%	(8.6)
Net profit	20.4%	4.3%	13.0%	(16.1)	8.7	(7.4)	9.9%	4.8%	(5.1)

Source: The audited financial statements of the Saudi Modern Company for Telephone Cables Industry for the financial years ending 31 December 2019G, 2020G, 2021G, and the reviewed financial statements of the Saudi Modern Company for Telephone Cables Industry for the six-month period ending 30 June 2022G.

### Revenue

Revenue decreased by 36.2% from SAR 54.9 million in 2019G to SAR 35.0 million in 2020G driven by the decrease in copper cables related to telephone cable sales (which decreased by around SAR 11.6 million) coupled with the decrease in fiber optic cable sales by SAR 8.2 million.

Revenue decreased by 38.5% from SAR 35.0 million in 2020G to SAR 21.5 million in 2021G driven by the decrease in fiber optic cable sales (which decreased by SAR 19.9 million) and copper telephone cables by SAR 2.6 million. This is mainly driven by the gradual slowdown from the main project with Saudi Telecom Company ("STC") that began in 2016G. It is worth noting that the products supplied by "Saudi Modern Company for Telephone Cables Industry" are specialized and periodic. Therefore, the Group takes advantage of the company's assets and equipment to produce other products and cables.

Revenue increased by 13.2% from SAR 8.9 million in the six-month period ending 30 June 2021G to SAR 10.1 million in the six-month period ending 30 June 2022G driven by the increase in fiber optics sales (which increased by SAR 0.7 million).

### Cost of revenue

The cost of revenue decreased by 24.7% from SAR 40.8 million in 2019G to SAR 30.7 million in 2020G driven by the decrease in raw material costs from SAR 26.4 million in 2019G to SAR 17.1 million in 2020G in line with the decrease in the quantities sold, coupled with the increase in depreciation during the same period.

The cost of revenue decreased by 45.7% from SAR 30.7 million in 2020G to 16.7 million SAR in 2021G driven by the decrease in raw material costs from SAR 17.1 million in 2020G to SAR 3.9 million in 2021G in line with the decrease in the quantities sold during the same period, coupled with the decrease in depreciation.

Cost of revenue increased by 20.8% from SAR 7.1 million in the six-month period ending 30 June 2021G to SAR 8.5 million in the six-month period ending 30 June 2022G in line with the increase in raw material costs during the period as a result of the increase in average "LME" prices over the same period.

### Gross profit

Gross profit decreased by 69.5% from SAR 14.1m in 2019G to SAR 4.3m in 2020G due to the relatively fixed direct overheads that could not be absorbed by the decrease in revenue by 36.2% over the same period.

Gross profit increased by 12.5% from SAR 4.3 million in 2020G to SAR 4.8m in 2021G driven by the significant drop in raw material costs, improving gross profit margin to 22.4% over the same period.

Gross profit decreased by 15.7% from SAR 1.8 million in the six-month period ending 30 June 2021G to SAR 1.6 million in the six-month period ending 30 June 2022G as a result of the higher raw material costs which resulted in the decrease in gross profit margin from 20.7% to 15.4% over the same period.

### Selling and distribution expenses

It is worth noting that management monitors some expenses recorded under general and administrative expenses and selling and distribution expenses on a Group level rather than on an individual entity basis and allocates such expenses on a pro-rata basis based on the percentage of each entity's contribution to the Group's revenue. This is mainly due to management's approach of observing the performance as one whole Group whereby each entity is rather considered as a business unit.

Selling and distribution expenses decreased by 68.2% from SAR 419 thousand in 2019G to SAR 133 thousand in 2020G and to SAR 25 thousand in 2021G driven by the drop in employee costs by SAR 64 thousand, shipping expenses by SAR 3 thousand and others by SAR 42 thousand in line with the drop in operations.

Selling and distribution expenses amounted to SAR 22 thousand in the six-month period ending 30 June 2021G.

### General and administrative expenses

It is worth noting that management monitors some expenses recorded under general and administrative expenses and selling and distribution expenses on a Group level rather than on an individual entity basis and allocates such expenses on a pro-rata basis based on the percentage of each entity's contribution to the Group's revenue. This is mainly due to management's approach of observing the performance as one whole Group whereby each entity is rather considered as a business unit.

General and administrative expenses remained relatively stable at around SAR 0.1 million in 2019G, 2020G and 2021G period.

General and administrative expenses decreased by 58.3% from SAR 419 thousand in the six-month period ending 30 June 2021G to SAR 175 thousand in the six-month period ending 30 June 2022G driven by the decrease in depreciation expenses as a result of assets fully depreciated during the same period.

### Other income / (loss), net

Other income decreased by 57.7% from SAR 99 thousand in 2019G to SAR 42 thousand in 2020G due to the decrease in other miscellaneous balances.

Other income increased by 379.3% from SAR 42 thousand in 2020G to SAR 0.2 million in driven by foreign exchange gains.

Other income / (loss) recorded a loss amounting to SAR 7 thousand in the six-month period ending 30 June 2021G that increased to SAR 186 thousand in the six-month period ending 30 June 2022G as a result of foreign exchange losses.

### Provisions for expected credit loss

Provision for expected credit loss is based on IFRS 9 expected credit loss calculation.

Provisions for expected credit loss increased from SAR 35 thousand in 2019G to SAR 85 thousand in 2020G and by 452.9% to SAR 470 thousand in 2021G.

### Share of results of operations of an equity investee

The share of results of operations of an equity investee decreased from 0.7 million SAR in 2019G to SAR 0.5 million in 2020G and 2021G.

Share of results of operations of an equity investee remained relatively stable at around SAR 0.2 million in the six-month period ending 30 June 2021G and 2022G.

### Finance costs

Finance costs remained relatively stable at around SAR 0.8 million in 2019G, 2020G period and decreased by 37.4% to SAR 0.3 million in 2021G driven by the decrease in borrowings over the same period.

Finance costs remained relatively stable at around SAR 0.2 million in the six-month period ending 30 June 2021G and 2022G.

### Zakat and income tax

Zakat remained relatively stable at an average of around SAR 1.1 million over the three financial years 2019G, 2020G, 2021G and at an average of around SAR 0.6 million in the six-month period ending 30 June 2021G and 2022G.

### Net profit

Net profit decreased by 86.6% from SAR 11.2 million in 2019G to SAR 2.8 million in 2021G driven by the decrease in the Company's operations, while net margin dropped from 20.4% to 13.9% over the same period.

Net profit decreased by 45.3% from SAR 0.8 million in the six-month period ending 30 June 2021G to SAR 0.5 million in the six-month period ending 30 June 2022G in line with the increase in raw material costs which resulted in the decrease in net profit margin from 9.9% to 4.8% over the same period.

The following table summarizes the balance sheet statement of the "Saudi Modern Company for Telephone Cables Industry" as at 31 December 2019G, 2020G and 2021G:

**Table (140): Balance sheet statement**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
<b>Non-current assets</b>						
Property, plant, and equipment	28,493	25,670	27,668	(1.5%)	26,494	(4.2%)
Right-of-use assets	1,634	1,512	1,390	(7.8%)	1,330	(4.3%)
Investment in equity accounted investee	2,351	2,093	1,933	(9.3%)	1,553	(19.6%)
Financial assets at fair value through profit or loss	75	75	75	0.0%	75	0.0%
<b>Total non-current assets</b>	<b>32,552</b>	<b>29,350</b>	<b>31,066</b>	<b>(2.3%)</b>	<b>29,452</b>	<b>(5.2%)</b>
<b>Current assets</b>						
Advances and other current assets	465	165	61	(63.9%)	162	167.7%
Inventories	44,332	20,394	35,331	(10.7%)	28,629	(19.0%)
Trade receivables	23,660	27,521	4,966	(54.2%)	2,481	(50.0%)
Cash and cash equivalents	103	374	116	6.0%	284	144.7%
Due from related parties	-	24,480	27,655	na	106,090	283.6%
<b>Total current assets</b>	<b>68,560</b>	<b>72,934</b>	<b>68,129</b>	<b>(0.3%)</b>	<b>137,647</b>	<b>102.0%</b>
<b>Total assets</b>	<b>101,112</b>	<b>102,284</b>	<b>99,195</b>	<b>(1.0%)</b>	<b>167,098</b>	<b>68.5%</b>
<b>Equity</b>						
Share capital	40,100	40,100	40,100	0.0%	40,100	0.0%
Statutory reserve	20,050	20,050	20,050	0.0%	20,050	0.0%
Retained earnings	11,705	1,708	2,550	(53.3%)	35	(98.6%)
<b>Total equity</b>	<b>71,855</b>	<b>61,858</b>	<b>62,700</b>	<b>(6.6%)</b>	<b>60,185</b>	<b>(4.0%)</b>
<b>Non-current liabilities</b>						
Post-employment benefits	4,153	4,611	5,100	10.8%	5,518	8.2%
Lease liabilities	1,507	1,397	1,290	(7.5%)	1,303	1.0%
Total non-current liabilities	5,660	6,008	6,390	6.3%	6,821	6.7%
<b>current liabilities</b>						
Short-term loans	-	30,000	18,600	na	-	(100.0%)
Accrued expenses and other liabilities	1,068	1,092	1,365	13.0%	1,935	41.7%
Lease liabilities-current portion	103	106	107	2.3%	107	0.0%
Trade payables	428	37	466	4.4%	494	5.9%
Provisions	-	-	1,013	na	-	(100.0%)
Provision for Zakat and income tax	1,118	1,024	1,033	(3.9%)	564	(44.3%)
Due to related parties	20,881	2,159	7,520	(40.0%)	96,992	1189.7%
<b>Total current liabilities</b>	<b>23,598</b>	<b>34,417</b>	<b>30,105</b>	<b>12.9%</b>	<b>100,092</b>	<b>232.5%</b>
<b>Total liabilities</b>	<b>29,257</b>	<b>40,426</b>	<b>36,495</b>	<b>11.7%</b>	<b>106,913</b>	<b>193.0%</b>
<b>Total equity and liabilities</b>	<b>101,112</b>	<b>102,284</b>	<b>99,195</b>	<b>(1.0%)</b>	<b>167,098</b>	<b>68.5%</b>

Source: The audited financial statements of the Saudi Modern Company for Telephone Cables Industry for the financial years ending 31 December 2019G, 2020G, 2021G, and the reviewed financial statements of the Saudi Modern Company for Telephone Cables Industry for the six-month period ending 30 June 2022G.

## Assets

### Non-current assets

Non-current assets decreased from SAR 32.6 million as at 31 December 2019G to SAR 29.4 million as at 31 December 2020G driven by the depreciation of property, plant and equipment that decreased from SAR 28.5 million as at 31 December 2019G to SAR 25.7 million as at 31 December 2020G.

Non-current assets increased from SAR 29.4 million as at 31 December 2020G to SAR 31.1 million as at 31 December 2021G, and this increase is mainly due to additions to property, plant and equipment (which increased to SAR 25.7 million as at 31 December 2020G) mainly related to assets under construction amounting to SAR 4.7 million.

Non-current assets decreased from SAR 31.1 million as at 31 December 2021G to SAR 29.5 million as at 30 June 2022G driven by depreciation of property, plant and equipment and investment in equity accounted investee.

### Current assets

Current assets increased from SAR 68.6 million as at 31 December 2019G to SAR 72.9 million as at 31 December 2020G, due to the increase in amounts due from related parties (which increased by about SAR 24.5 million) related to balances due from the parent company "Riyadh Cables Group" amounting to SAR 14.2 million, the "Saudi Modern Company for Specialized Wires and Cables Industry" amounting to SAR 10.2 million, and the "Riyadh Cables Company" amounting to SAR 67 thousand. In addition, trade receivables increased by around SAR 3.9 million from customers in light of the COVID-19 pandemic. This increase was offset by the decrease in the inventories (which decreased by around SAR 23.9 million) in line with the decrease in the demand for fiber optic cables during the same period.

Current assets decreased from SAR 72.9 million as at 31 December 2020G to SAR 68.1 million as at 31 December 2021G driven by the decrease in trade receivables from SAR 27.5 million as at 31 December 2020G to SAR 5.0 million as at 31 December 2021G in line with the decrease in sales during the same period. This was offset by the increase in inventory by SAR 14.9 million due to an increase in copper telephone cables stocked to be sold to sister companies, coupled with the increase in copper prices in line with the increase in average copper "LME" price during the same period.

Current assets increased from SAR 68.1 million as at 31 December 2021G to SAR 137.6 million as at 30 June 2022G driven by the increase in due to related parties by SAR 78.5 million mainly related to "Saudi Modern Company for Specialized Wires and Cables Industry" (which increased by SAR 78.4 million).

## Equity and liabilities

### Equity

Equity decreased from SAR 71.9 million as at 31 December 2019G to SAR 61.9 million as at 31 December 2019G driven by the decrease in retained earnings by SAR 10.0 million as a result of the decrease in the company's net profits in 2020G.

Equity increased from SAR 61.9 million as at 31 December 2019G to SAR 62.7 million as at 31 December 2021G, driven by the increase in retained earnings by SAR 0.8 million as a result of the increase in the company's net profits in 2021G.

Equity decreased from SAR 62.7 million as at 31 December 2021G to SAR 60.2 million as at 30 June 2022G, mainly due to a decrease in retained earnings from SAR 2.6 million to SAR 35 thousand during the same period.

### Liabilities

#### Non-current liabilities

Non-current liabilities increased from SAR 5.7 million as at 31 December 2019G to SAR 6.0 million as at 31 December 2020G driven by the increase in post-employment benefits from SAR 4.2 million as at 31 December 2019G to SAR 4.6 million as at 31 December 2020G as a result of changes in actuarial assumptions.

Non-current liabilities increased from SAR 6.0 million as at 31 December 2020G to SAR 6.4 million as at 31 December 2021G driven by the increase in post-employment benefits from SAR 4.6 million as at 31 December 2020G to SAR 5.1 million as at 31 December 2021G as a result of changes in actuarial assumptions.

Non-current liabilities increased from SAR 6.4 million as at 31 December 2021G to SAR 6.8 million as at 30 June 2022G driven by the increase in post-employment benefits from SAR 5.1 million as at 31 December 2021G to SAR 5.5 million as at 30 June 2022G as a result of changes in actuarial assumptions.

### Current Liabilities

Current liabilities increased from SAR 23.6 million as at 31 December 2019G to SAR 34.4 million as at 31 December 2020G mainly driven by the increase in short-term loans by SAR 30.0 million, offset by a decrease in amounts due to related parties by SAR 18.7 million as a result of settlement of the balance owed to the parent company "Riyadh Cables Group Company" amounting to SAR 20.9 million.

Current liabilities decreased from SAR 34.4 million as at 31 December 2020G to SAR 30.1 million as at 31 December 2021G, mainly driven by the decrease in short-term loans by SAR 11.4 million as a result of repayments during the same period.

Current liabilities increased from SAR 30.1 million as at 31 December 2021G to SAR 100.1 million as at 30 June 2022G mainly driven by the increase in due to related parties from SAR 7.5 million to SAR 97.0 million as the outstanding balance due to the parent company "Riyadh Cables Group Company" increased by SAR 69.7 million and to the "Saudi Modern Company for Metals, Cables and Plastic Industry" increased by SAR 20.0 million.

The following table summarizes the cash flow statement of the "Saudi Modern Company for Telephone Cables Industry" for the years ending 31 December 2019G, 2020G, and 2021G, and the six-month period ending 30 June 2021G and 30 June 2022G:

**Table (141): Cash flow statement**

SAR in thousands	2019G (Audited)	2020G (Audited)	2021G (Audited)	30 June 2021G (Reviewed)	30 June 2022G (Reviewed)
<b>Operating activities</b>					
Net profit before zakat and income tax	12,423	2,642	3,820	1,484	1,101
<b>Adjustments for non-cash items:</b>					
Depreciation of right-of-use	122	122	122	61	60
Interest on lease liabilities	59	56	52	26	24
Provision for expected credit losses	22	85	470	-	(1,033)
Provision for / (reversal of) slow moving inventories	(1,005)	1,658	340	-	-
Depreciation	3,712	2,973	2,796	1,417	1,219
Share in the profits of an equity accounted investee	(706)	(517)	(492)	(219)	(158)
Post-employment benefits	490	431	477	195	209
<b>Cash flow generated from / (used in) operating activities before working capital adjustments</b>	<b>15,117</b>	<b>7,450</b>	<b>7,584</b>	<b>3,067</b>	<b>1,648</b>
<b>Working capital adjustments</b>					
Trade receivables	(14,306)	(3,946)	22,084	22,949	2,485
inventories	(12,430)	22,280	(15,277)	(4,370)	6,702
Advances and other current assets	(94)	301	104	(1,876)	(101)
Trade and other payables	(5,584)	(391)	430	431	27
Due from related parties	-	(24,480)	(3,175)	-	-
Due to related parties	25,751	(18,722)	5,361	-	-
Due from/to related parties	-	-	-	13,954	11,037
Accruals and other liabilities	38	23	274	133	570
Zakat and income tax paid	(995)	(1,236)	(1,040)	(1,024)	(1,067)
Provisions	-	-	1,033	-	-
Post-employment benefits paid	(26)	(127)	(249)	(124)	(39)
Interest paid	-	-	-	(34)	(138)

SAR in thousands	2019G (Audited)	2020G (Audited)	2021G (Audited)	30 June 2021G (Reviewed)	30 June 2022G (Reviewed)
<b>Net cash flow generated from / (used in) operating activities before working capital adjustments</b>	<b>7,471</b>	<b>(18,848)</b>	<b>17,129</b>	<b>33,106</b>	<b>21,124</b>
<b>Investing activities</b>					
Purchase of / proceeds from property, plant, and equipment	(850)	(150)	(4,794)	(582)	(45)
Dividends from equity accounted investee	369	636	466	466	492
<b>Net cash flows generated from / (used in) investing activities</b>	<b>(481)</b>	<b>485</b>	<b>(4,328)</b>	<b>(116)</b>	<b>447</b>
<b>Financing activities</b>					
Proceeds from short-term loans	-	30,000	18,600	-	-
Settlement of short-term loans	-	-	(30,000)	(30,000)	(18,600)
Dividends paid	(6,747)	(11,205)	(1,501)	(1,501)	(2,791)
Repayment of finance lease liabilities	(158)	(161)	(158)	(79)	(12)
<b>Net cash flows generated from / (used in) financing activities</b>	<b>(6,905)</b>	<b>18,634</b>	<b>(13,059)</b>	<b>(31,580)</b>	<b>(21,403)</b>
<b>Net change in cash and cash equivalents during the year / period</b>	<b>85</b>	<b>271</b>	<b>(258)</b>	<b>1,409</b>	<b>168</b>
Cash and cash equivalents at the beginning of the year / period	18	103	374	374	116
<b>Cash and cash equivalents at the end of the year / period</b>	<b>103</b>	<b>374</b>	<b>116</b>	<b>1,783</b>	<b>284</b>

Source: The audited financial statements of the Saudi Modern Company for Telephone Cables Industry for the financial years ending 31 December 2019G, 2020G and 2021G, and the reviewed financial statements of the Saudi Modern Company for Telephone Cables Industry for the period ending 30 June 2022G.

### Net cash flow generated from / (used in) operating activities

Net cash generated from operating activities decreased from an inflow of SAR 7.5 million in 2019G to an outflow of SAR 18.8 million in 2020G mainly driven by the decrease in profits over the period coupled with the increase in dues from related parties by SAR 24.5 million.

Net cash generated from operating activities increased from an inflow of SAR 18.8 million in 2020G to SAR 17.1 million in 2021G driven by the collection of receivables and dues from related parties.

Net cash generated from operating activities decreased from an inflow of SAR 33.1 million in the six-month period ending 30 June 2021G to an inflow of SAR 21.1 million in the six-month period ending 30 June 2022G as a result of the decrease in collections of receivables from SAR 22.9 million to SAR 2.5 million.

### Net cash flows generated from / (used in) investing activities

Net cash flows used in investing activities increased from an outflow of SAR 481 thousand in 2019G to an inflow of SAR 485 thousand in 2020G driven by the decrease in purchases of property, plant and equipment by SAR 700 thousand coupled with the increase in dividends received from equity accounted investee by SAR 267 thousand.

Net cash used in investing activities decreased from an inflow of SAR 485 thousand in 2020G to an outflow of SAR 4.3 million in 2021G driven by the increase in purchases made of property, plant and equipment by SAR 4.6 million.

Net cash flows used in investing activities increased from an outflow of SAR 116 thousand in the six-month period ending 30 June 2021G to an inflow of SAR 447 thousand in the six-month period ending 30 June 2022G driven by the decrease in purchases to property, plant and equipment by SAR 0.5 million.

### Net cash generated from / (used in) financing activities

Net cash used in financing activities increased from an outflow of SAR 6.9 million in 2019G to an inflow amounting to SAR 18.6 million in 2020G driven by proceeds from short-term loans amounting to SAR 30.0 million.

Net cash used in financing activities decreased from an inflow of SAR 18.6 million to an outflow of SAR 13.1 million in 2021G driven by the repayment of the short-term loan amounting to SAR 30.0 million.

Net cash used in financing activities decreased from an outflow of SAR 31.6 million in the six-month period ending 30 June 2021G to an outflow amounting to SAR 21.4 million in the six-month period ending 30 June 2022G due to the decrease short-term loan settlements from SAR 30.0 million to SAR 18.6 million.

### 3- Riyadh Cables Company and its subsidiaries

The following table summarizes the consolidated income statement of "Riyadh Cables Company and its subsidiaries" for the years ending 31 December 2019G, 2020G and 2021G and the six-month period ending 30 June 2021G and 30 June 2022G:

**Table (142): Income statement**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	2021G-2022G variance
Revenue	930,122	747,293	1,053,636	(19.7%)	41.0%	6.4%	494,511	682,986	38.1%
Cost of revenue	(876,000)	(709,190)	(986,749)	(19.0%)	39.1%	6.1%	(462,188)	(644,946)	39.5%
<b>Gross profit</b>	<b>54,122</b>	<b>38,103</b>	<b>66,887</b>	<b>(29.6%)</b>	<b>75.5%</b>	<b>11.2%</b>	<b>32,322</b>	<b>38,039</b>	<b>17.7%</b>
Selling and distribution expenses	(14,108)	(13,120)	(11,142)	(7.0%)	(15.1%)	(11.1%)	(5,014)	(5,985)	19.4%
General and administrative expenses	(14,394)	(10,485)	(17,298)	(27.2%)	65.0%	9.6%	(7,368)	(6,078)	(17.5%)
Provisions for expected credit loss	8,936	53	(221)	(99.4%)	(520.9%)	na	-	-	na
Other income, net	3,782	6,618	1,158	75.0%	(82.5%)	(44.7%)	719	2,008	179.2%
<b>Operating profit</b>	<b>38,338</b>	<b>21,167</b>	<b>39,384</b>	<b>(44.8%)</b>	<b>86.1%</b>	<b>1.4%</b>	<b>20,660</b>	<b>27,984</b>	<b>35.5%</b>
Finance costs	(8,890)	(5,790)	(4,459)	(34.9%)	(23.0%)	(29.2%)	(1,998)	(2,536)	26.9%
<b>Profit before Zakat and income tax</b>	<b>29,448</b>	<b>15,377</b>	<b>34,925</b>	<b>(47.8%)</b>	<b>127.1%</b>	<b>8.9%</b>	<b>18,661</b>	<b>25,448</b>	<b>36.4%</b>
Zakat and income tax	(1,725)	(100)	(1,322)	(94.2%)	1220.0%	(12.5%)	(570)	(570)	0.0%
<b>Profit for the year / period</b>	<b>27,723</b>	<b>15,277</b>	<b>33,603</b>	<b>(44.9%)</b>	<b>120.0%</b>	<b>10.1%</b>	<b>18,091</b>	<b>24,878</b>	<b>37.5%</b>
<b>Items that can be reclassified to profit or loss:</b>									
Foreign operations translation reserve	(297)	175	(835)	(158.9%)	(577.1%)	67.7%	(86)	(216)	151.1%
<b>Items that will not be reclassified to profit or loss:</b>									
Re-measurement of post-employment benefit obligations	369	1,335	(241)	261.8%	(118.1%)	na	(120)	(121)	0.9%



SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	2021G-2022G variance
Equity investments at fair value through other comprehensive income - net change in fair value	-	-	42,759	na	na	na	-	(19,029)	na
<b>Total comprehensive income for the year / period</b>	<b>27,795</b>	<b>16,788</b>	<b>75,286</b>	<b>(39.6%)</b>	<b>348.5%</b>	<b>64.6%</b>	<b>17,885</b>	<b>5,511</b>	<b>(69.2%)</b>
<b>Key Performance Indicators:</b>									
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	43,675	26,668	46,843	(38.9%)	75.7%	3.6%	23,603	31,833	34.9%
<b>As a percentage of revenue</b>	<b>percentage point</b>			<b>As a percentage of revenue</b>			<b>percentage point</b>		
Gross profit	5.8%	5.1%	6.3%	(0.7)	1.2	0.5	6.5%	5.6%	(1.0)
Selling and distribution expenses	1.5%	1.8%	1.1%	0.2	(0.7)	(0.5)	1.0%	0.9%	(0.1)
General and administrative expenses	1.5%	1.4%	1.6%	(0.1)	(0.2)	0.1	1.5%	0.9%	(0.6)
Operating profit	4.1%	2.8%	3.7%	(1.3)	0.9	(0.4)	4.2%	4.1%	(0.1)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	4.7%	3.6%	4.4%	(1.1)	0.9	(0.2)	4.8%	4.7%	(0.1)
Net profit	3.0%	2.0%	3.2%	(0.9)	1.1	0.2	3.7%	3.6%	(0.0)

Source: The consolidated audited financial statements of Riyadh Cables Company and its subsidiaries for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements of Riyadh Cables Company and its subsidiaries for the six-month period ending 30 June 2022G.

## Revenue

Revenue decreased by 19.7% from SAR 930.1 million in 2019G to SAR 747.3 million in 2020G mainly driven by the decrease in copper revenue due to the winding down of projects undertaken with Dubai Electricity and Water Authority ("DEWA") and Sharjah Electricity and Water Authority ("SEWA") in UAE among other projects in Iraq.

Revenue increased by 41.0% from SAR 747.3 million in 2020G to SAR 1,053.6 million in 2021G driven by the increase in copper and aluminum revenue as a result of the increase in average "LME" market prices which impacted average selling price of all products.

Revenue increased by 38.1% from SAR 494.5 million in the six-month period ending 30 June 2021G to SAR 683.0 million in the six-month period ending 30 June 2022G driven by the increase in copper volumes sold from 8.6 thousand tons to 10.5 thousand tons and aluminum volumes sold from 3.8 thousand tons to 4.1 thousand tons mainly to UAE and Iraq whereby revenue increased by SAR 127.8 million and SAR 37.6 million respectively, coupled with the increase in average selling prices in line with the increase in average copper and aluminum "LME" prices over the same period.

### Cost of revenue

Cost of revenue decreased by 19.0% from SAR 876.0 million in 2019G to SAR 709.2 million in 2020G driven by the decrease in demand for copper cables in 2020G.

Cost of revenue increased by 39.1% from SAR 709.2 million in 2020G to SAR 986.7 million in 2021G driven by the increase in average copper and aluminum "LME" prices during the same period.

Cost of revenue increased by 39.5% from SAR 462.2 million in the six-month period ending 30 June 2021G to SAR 644.9 million in the six-month period ending 30 June 2022G mainly driven by the increase in average copper and aluminum "LME" prices over the same period.

### Gross profit

Gross profit decreased by 29.6% from SAR 54.1 million in 2019G to SAR 38.1 million in 2020G, driven by the decrease in copper profitability as a result of the drop in sales volume due to the impact of the COVID-19 pandemic.

Gross profit increased by 75.5% from SAR 38.1 million in 2020G to SAR 66.9 million in 2021G driven by the increase in copper profitability (namely from "National Cables Industry Company") as a result of the increase in average copper and aluminum "LME" prices over the same period.

Gross profit increased by 17.7% from SAR 32.3 million in the six-month period ending 30 June 2021G to SAR 38.0 million in the six-month period ending 30 June 2022G in line with the increase in revenue, offset by the increase in average copper and aluminum "LME" prices during the same period.

### Selling and distribution expenses

It is worth noting that management monitors some expenses recorded under general and administrative expenses and selling and distribution expenses on a Group level rather than on an individual entity basis and allocates such expenses on a pro-rata basis based on the percentage of each entity's contribution to the Group's revenue. This is mainly due to management's approach of observing the performance as one whole Group whereby each entity is rather considered as a business unit.

Selling and distribution expenses decreased by 7.0% from SAR 14.1 million in 2019G to SAR 13.1 million in 2020G driven by the decrease in cargo charges by SAR 3.2 million.

Selling and distribution expense decreased by 15.1% from SAR 13.1 million in 2020G to SAR 11.1 million in 2021G driven by the decrease in employee costs by SAR 476 thousand.

Selling and distribution expense increased by 19.4% from SAR 5.0 million in the six-month period ending 30 June 2021G to SAR 6.0 million in the six-month period ending 30 June 2022G mainly driven by the increase in cargo charges by SAR 0.3 million in line with the increase in exports revenue, among other expenses that increased by SAR 0.5 million.

### General and administrative expenses

It is worth noting that management monitors some expenses recorded under general and administrative expenses and selling and distribution expenses on a Group level rather than on an individual entity basis and allocates such expenses on a pro-rata basis based on the percentage of each entity's contribution to the Group's revenue. This is mainly due to management's approach of observing the performance as one whole Group whereby each entity is rather considered as a business unit.

General and administrative expenses decreased by 27.2% from SAR 14.4 million in 2019G to SAR 10.4 million in 2020G driven by the decrease in legal and professional fees by SAR 708 thousand, coupled with the decrease in other expenses by SAR 718 thousand.

General and administrative expenses increased by 65.0% from SAR 10.4 million in 2020G to SAR 17.3 million in 2021G driven by the increase in employee costs by SAR 3.2 million and other expenses by SAR 860 thousand.

General and administrative expenses decreased by 17.5% from SAR 7.4 million in the six-month period ending 30 June 2021G to SAR 6.1 million in the six-month period ending 30 June 2022G mainly driven by the drop in depreciation by SAR 0.7 million as a result of assets that were fully depreciated, among other expenses that decreased by SAR 0.9 million.

### Provisions for expected credit loss

A reversal of provision for expected credit loss amounted to SAR 8.9 million in 2019G and SAR 53 thousand in 2020G as a result of collections related to turnkey projects with the Saudi Electricity Company ("SEC").

An allowance of provision for expected credit loss amounted to SAR 221 thousand in 2021G.

### Other income, net

Other income mainly comprised of to gain/loss on foreign currency exchange, gains from financial investments at fair value through other comprehensive income and dividends from financial investments at fair value through other comprehensive income among others.

Other income increased by 75.0% from SAR 3.8 million in 2019G to SAR 6.6 million in 2020G driven by the gains from financial assets through other comprehensive income amounting to SAR 1.9 million and foreign exchange gains amounting to SAR 1.0 million.

Other income decreased by 82.5% from SAR 6.6 million in 2020G to SAR 1.2 million in 2021G driven by the decrease in gains from financial assets through other comprehensive income by SAR 1.9 million coupled with losses from foreign exchange amounting to SAR 1.0 million.

Other income increased by 179.2% from SAR 719 thousand in the six-month period ending 30 June 2021G to SAR 2.0 million in the six-month period ending 30 June 2022G driven by the increase in the gain from financial assets through other comprehensive income by SAR 2.1 million.

### Finance costs

Finance costs decreased by 34.9% from SAR 8.9 million in 2019G to SAR 5.8 million driven by the decrease in financing interests by SAR 2.9 million during the same period.

Finance costs further decreased by 23.0% from 5.8 million to SAR 4.5 million in 2021G in line with the decrease in SIBOR rate over the same period.

Finance costs increased by 26.9% from SAR 2.0 million in the six-month period ending 30 June 2021G to SAR 2.5 million in the six-month period ending 30 June 2022G related to the previous loan balances shared with the Parent company.

### Zakat and income tax

Zakat and income tax fluctuated between SAR 1.7 million in 2019G and SAR 100 thousand in 2020G and SAR 1.3 million in 2021G as a result of the fluctuation in provisions for expected credit loss.

Zakat and income tax remained stable at around SAR 570 thousand in the six-month period ending 30 June 2021G and 2022G.

### Net profit

Net profit decreased by 44.9% from SAR 27.7 million in 2019G to SAR 15.3 million in 2020G driven by the decrease in the Company's operations in light of the COVID-19 pandemic.

Net profit increased by 120.0% from 15.3 million in 2020G to SAR 33.6 million in 2021G driven by the increase in revenue in 2021G and the change in the sales mix.

Net profit increased by 37.5% from SAR 18.1 million in the six-month period ending 30 June 2021G to SAR 24.9 million in the six-month period ending 30 June 2022G driven by the increase in revenue and other income during the same period.

The following table summarizes the consolidated balance sheet statement of "Riyadh Cables Company and its subsidiaries" as at 31 December 2019G ,2020G, and 2021G, and as at 30 June 2022G:

**Table (143): Balance sheet statement**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G-30 June 2022G variance
<b>Non-current assets</b>						
Property, plant and equipment	186,452	197,733	204,177	4.6%	181,499	(1.1%)
Investment properties	-	-	-	na	20,403	(1.7%)
Financial assets in unquoted equity shares	2,488	4,405	50,025	348.0%	30,696	(38.6%)
<b>Total non-current assets</b>	<b>188,940</b>	<b>202,138</b>	<b>254,202</b>	<b>16.0%</b>	<b>232,599</b>	<b>(8.5%)</b>
<b>Current assets</b>						
Inventories	186,445	205,867	211,292	6.5%	230,816	9.2%
Trade receivables	313,573	270,954	356,507	6.6%	453,677	27.3%
Contract assets	31,418	6,822	11,747	(38.9%)	-	na
Advances and other current assets	8,623	8,882	6,946	(10.2%)	24,164	247.9%
Due from related parties	-	122,148	80,013	na	15,982	(80.0%)
Cash and cash equivalents	10,077	12,264	6,655	(18.7%)	39,321	490.8%
<b>Total current assets</b>	<b>550,135</b>	<b>626,937</b>	<b>673,160</b>	<b>10.6%</b>	<b>763,959</b>	<b>13.5%</b>
<b>Total assets</b>	<b>739,075</b>	<b>829,075</b>	<b>927,362</b>	<b>12.0%</b>	<b>996,558</b>	<b>7.5%</b>
<b>Equity</b>						
Share capital	10,125	120,125	120,125	244.4%	120,125	0.0%
Share capital increase account	110,000	-	-	na	-	na
Statutory reserve	5,063	6,590	9,951	40.2%	9,951	0.0%
Retained earnings	27,953	15,315	74,327	63.1%	46,126	(37.9%)
Acquisition reserve of a subsidiary	22,725	22,725	22,725	0.0%	22,725	0.0%
Foreign currency translation reserve	(604)	(429)	(1,264)	(44.7%)	(1,480)	17.1%
<b>Total equity</b>	<b>175,261</b>	<b>164,326</b>	<b>225,863</b>	<b>13.5%</b>	<b>197,447</b>	<b>(12.6%)</b>
<b>Non-current liabilities</b>						
Post-employment benefits	10,942	8,934	10,552	(1.8%)	10,072	(4.6%)
<b>Total non-current liabilities</b>	<b>10,942</b>	<b>8,934</b>	<b>10,552</b>	<b>(1.8%)</b>	<b>10,072</b>	<b>(4.6%)</b>
<b>current liabilities</b>						
Islamic finance facilities	-	32,100	58,500	na	-	na

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
Accrued expenses and other liabilities	13,186	8,084	10,851	(9.3%)	19,479	79.5%
Provision for onerous contracts	38,132	15,710	4,332	(66.3%)	14,322	230.6%
Trade payables and others	13,244	28,258	18,173	17.1%	60,387	232.3%
Due to related parties	486,785	571,238	597,769	10.8%	669,610	12.0%
Provision for Zakat and income tax	1,523	425	1,322	(6.9%)	722	(45.4%)
<b>Total current liabilities</b>	<b>552,871</b>	<b>655,815</b>	<b>690,946</b>	<b>11.8%</b>	<b>789,039</b>	<b>14.2%</b>
<b>Total liabilities</b>	<b>563,813</b>	<b>664,749</b>	<b>701,499</b>	<b>11.5%</b>	<b>799,111</b>	<b>13.9%</b>
<b>Total Equity and liabilities</b>	<b>739,075</b>	<b>829,075</b>	<b>927,362</b>	<b>12.0%</b>	<b>996,558</b>	<b>7.5%</b>

Source: The consolidated audited financial statements of Riyadh Cables Company and its subsidiaries for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements of Riyadh Cables Company and its subsidiaries for the six-month period ending 30 June 2022G.

## Assets

### Non-current assets

Non-current assets increased from SAR 188.9 million as at 31 December 2019G to SAR 202.1 million as at 31 December 2020G driven by the increase in property, plant and equipment that increased from SAR 186.5 million to SAR 197.7 million due to additions during the period.

Non-current assets increased from SAR 202.1 million as at 31 December 2020G to SAR 254.2 million as at 31 December 2021G, mainly driven by the increase in financial investments at fair value through other comprehensive income from SAR 4.4 million as at 31 December 2020G to SAR 50.0 million as at 31 December 2021G due to the increase in the investment value in the "Natural Gas Distribution Company" following its listing on the Saudi parallel market "Nomu" in 2021G.

Non-current assets decreased from SAR 254.2 million as at 31 December 2021G to SAR 232.6 million as at 30 June 2022G, mainly driven by the decrease in financial investments at fair value through other comprehensive income from SAR 50.0 million as at 31 December 2021G to SAR 30.7 million as at 30 June 2022G due to the drop in the share price of "the Natural Gas Distribution Company" in the parallel market. It is worth noting that an amount of SAR 20.4 million was reclassified from buildings to investment properties as they were leased to third parties in 2022G.

### Current assets

Current assets increased from SAR 550.1 million as at 31 December 2019G to SAR 626.9 million as at 31 December 2020G driven by the increase in inventory from SAR 186.4 million as at 31 December 2019G to SAR 205.9 million as at 31 December 2020G coupled with the increase in dues from related parties by SAR 122.1 million due from (1) "Saudi Modern Company for Metals, Cables and Plastic Industry" amounting to SAR 108.9 million, (2) "Saudi Modern Company for Specialized Wires and Cables Industry" amounting to SAR 13 million and (3) "Saudi Modern Company for Cables Limited" amounting to SAR 247 thousand. This increase was offset by a decrease in (1) trade receivable by SAR 42.6 million in line with the decrease in operations in light of the COVID-19 pandemic (2) and contract assets by SAR 24.6 million as a result of the decrease in the volume of billed projects.

Current assets increased from SAR 626.9 million as at 31 December 2020G to SAR 673.2 million as at 31 December 2021G driven by the increase in trade receivable by SAR 85.6 million as a result of collections following the COVID-19 pandemic, coupled with the increase in inventory by SAR 5.4 million and contract assets by SAR 4.9 million in line with the increase in turnkey projects revenue during the period. This was offset by the decrease in dues from related parties from SAR 122.1 million as at 31 December 2020G to SAR 80.0 million as at 31 December 2021G due to settlements made from the "Saudi Modern Company for Metals, Cables and Plastic Industry" amounting to SAR 38.9 million.

Current assets increased from SAR 673.2 million as at 31 December 2021G to SAR 764.0 million as at 30 June 2022G, driven by the increase in trade receivable by SAR 97.2 million in line with the increase in revenue during the same period, coupled with the increase in inventory by SAR 19.5 million in line with the increase in the quantities produced during the period. This was offset by the decrease in dues from related parties from SAR 80.0 million as at 31 December 2021G to SAR 16.0 million as at 30 June 2022G due to settlements made from the “**Saudi Modern Company for Metals, Cables and Plastic Industry**” amounting to SAR 61.9 million.

## Equity and liabilities

### Equity

Equity decreased from SAR 175.3 million as at 31 December 2019G to SAR 164.3 million as at 31 December 2019G driven by the decrease in retained earnings from SAR 28.0 million as at 31 December 2019G to SAR 15.3 million as at 31 December 2020G as a result of the decrease in profits in 2020G compared to 2019G.

Equity increased from SAR 164.3 million as at 31 December 2019G to SAR 225.9 million as at 31 December 2021G mainly driven by the increase in retained earnings to reach SAR 74.8 million as at 31 December 2021G as a result of the increase in profits in 2021G compared to 2020G.

Equity decreased from SAR 225.9 million as at 31 December 2021G to SAR 197.4 million as at 30 June 2022G mainly driven by the decrease in retained earnings from SAR 74.3 million to SAR 46.1 million during the same period.

### Liabilities

#### Non-current liabilities

Non-current liabilities comprised of post-employment benefits which decreased from SAR 10.9 million as at 31 December 2019G to SAR 8.9 million as at 31 December 2020G due to the change in actuarial assumptions.

Non-current liabilities increased from SAR 8.9 million as at 31 December 2020G to SAR 10.6 million as at 31 December 2021G due to the change in actuarial assumptions.

Non-current liabilities decreased from SAR 10.6 million as at 31 December 2021G to SAR 10.1 million as at 30 June 2022G due to the change in actuarial assumptions.

#### Current liabilities

Current liabilities increased from SAR 552.8 million as at 31 December 2019G to SAR 655.8 million as at 31 December 2020G mainly due to new Islamic financing facilities obtained in 2020G amounting to SAR 32.1 million as at 31 December 2020G, in addition to the increase in trade payables from SAR 13.2 million as at 31 December 2019G to SAR 28.3 million as at 31 December 2020G, and dues to related parties increased from SAR 486.8 million as at 31 December 2019G to SAR 571.2 million as at 31 December 2020G mainly the parent company “**Riyadh Cables Group Company**” by SAR 84.4 million.

Current liabilities increased from SAR 665.8 million as at 31 December 2020G to SAR 690.9 million as at 31 December 2021G mainly driven by the increase in Islamic financing facilities to SAR 58.5 million as at 31 December 2021G, in addition to the increase in dues to related parties to SAR 597.8 million as at 31 December 2021G mainly to the parent company “**Riyadh Cables Group Company**” by SAR 26.4 million. In addition, provision for Zakat and income tax increased from SAR 425 thousand on 31 December 2020G to SAR 1.3 million as at 31 December 2021G.

Current liabilities increased from SAR 690.9 million as at 31 December 2021G to SAR 789.0 million as at 30 June 2022G, mainly driven by the increase in dues to related parties from SAR 597.8 million as at 31 December 2021G to SAR 669.6 million as at 30 June 2022G mainly to the parent company “**Riyadh Cables Group Company**”. In addition, trade payables increased by SAR 42.2 million in line with the increase in the quantities produced during the period.

The following table summarizes the consolidated cash flow statement for "Riyadh Cables and its subsidiaries" for the years ending 31 December 2019G, 2020G and 2021G, and the six-month period ending 30 June 2021G and 30 June 2022G:

**Table (144): Cash flow statement**

SAR in thousands	2019G (Audited)	2020G (Audited)	2021G (Audited)	30 June 2021G (Reviewed)	30 June 2022G (Reviewed)
<b>Operating activities</b>					
Net profit before Zakat	29,448	15,377	34,925	18,661	25,448
<b>Adjustments:</b>					
Provision for expected credit losses	(8,936)	(1,760)	221	-	-
(Reversal of) / provision for onerous contracts	38,132	(22,423)	(11,378)	(411)	9,990
Provision for / (reversal on) slow moving inventory, net	(827)	1,538	1,442	-	-
Finance costs	8,109	5,790	4,459	1,998	2,536
Depreciation	5,337	5,501	7,458	2,943	3,849
(Reversal of) / provision for impairment of accrued revenue	410	(410)	-	-	-
Post-employment benefits	2,011	1,625	2,384	188	286
Gains from financial assets in unquoted equity shares	-	(1,917)	-	-	-
Bad debts written off	-	(7,362)	-	-	-
<b>Cash flow from operations before working capital adjustments</b>	<b>73,684</b>	<b>(4,042)</b>	<b>39,511</b>	<b>23,379</b>	<b>42,109</b>
<b>Working capital changes</b>					
Trade receivables	2,132	51,741	(85,774)	(117,962)	(97,170)
Contract assets	(22,249)	24,596	(4,925)	(5,815)	36,266
Inventories	14,706	(20,959)	(6,867)	(41,156)	(19,523)
Advances and other current assets	5,831	151	1,936	(5,633)	(17,219)
Due to related parties	8,516	84,453	26,531	-	-
Due from related parties	-	(117,859)	46,582	-	-
Due from/to related parties	-	-	-	175,282	101,944
Trade and other payables	(9,396)	15,014	(10,085)	(6,984)	42,213
Contract liabilities	(24,176)	-	-	-	-
Accruals and other liabilities	584	(5,102)	2,767	14,103	8,628
Net finance costs paid	(8,109)	(5,790)	(4,459)	(1,998)	(2,536)
Zakat and income tax paid	(395)	(1,199)	(425)	(425)	(1,170)
Post-employment benefits paid	(479)	(2,298)	(1,006)	(98)	(887)
<b>Net cash flow generated from / (used in) operating activities</b>	<b>40,650</b>	<b>18,706</b>	<b>3,786</b>	<b>32,694</b>	<b>92,656</b>
<b>Investing activities</b>					
Payments to purchase property, plant and equipment	(25,491)	(21,071)	(18,454)	(1,265)	(1,574)
Payment for acquisition of investment	(6)	-	(2,862)	-	-

SAR in thousands	2019G (Audited)	2020G (Audited)	2021G (Audited)	30 June 2021G (Reviewed)	30 June 2022G (Reviewed)
Proceeds from investments through other comprehensive income	-	-	-	-	300
<b>Net cash flows used in investing activities</b>	<b>(25,497)</b>	<b>(21,071)</b>	<b>(21,315)</b>	<b>(1,265)</b>	<b>(1,274)</b>
<b>Financing activities</b>					
Proceeds from Islamic financing facilities	-	32,100	58,500	-	-
Repayment of loans	-	-	(32,100)	(32,100)	(58,500)
Dividend paid	(15,280)	(27,723)	(13,749)	-	-
<b>Net cash flows generated from / (used in) financing activities</b>	<b>(15,280)</b>	<b>4,377</b>	<b>12,651</b>	<b>(32,100)</b>	<b>(58,500)</b>
<b>Net change in cash and cash equivalents during the year / period</b>	<b>(127)</b>	<b>2,012</b>	<b>(4,878)</b>	<b>(670)</b>	<b>32,882</b>
Cash and cash equivalents at the beginning of the year	10,397	10,077	12,264	12,264	6,655
Effect of exchange rate changes on cash and cash equivalents	(193)	175	(731)	(86)	(216)
<b>Cash and cash equivalents at the end of the year / period</b>	<b>10,077</b>	<b>12,264</b>	<b>6,655</b>	<b>11,508</b>	<b>39,321</b>

Source: The consolidated audited financial statements of Riyadh Cables Company and its subsidiaries for the financial years ending 31 December 2019G, 2020G and 2021G and the consolidated reviewed financial statements of Riyadh Cables Company and its subsidiaries for the six-month period ending 30 June 2022G.

### Net cash flows generated from / (used in) operating activities

Net cash generated from operating activities decreased from an inflow of SAR 40.7 million in 2019G to SAR 18.7 million mainly driven by the decrease in profits by SAR 14.1 million coupled with the increase in net dues to related parties' movement from an inflow of SAR 8.5 million in 2019G to SAR 84.5 million in 2020G.

Net cash generated from operating activities decreased from an inflow of SAR 18.7 million to SAR 3.8 million in 2021G driven by the change in trade receivables from an inflow of SAR 51.7 million to an outflow of SAR 85.8 million

Net cash generated from operating activities increased from an inflow of SAR 32.7 million in the six-month period ending 30 June 2021G to an inflow of SAR 92.7 million in the six-month period ending 30 June 2022G driven by the increase in trade payables and net dues to related parties.

### Net cash flows generated / (used in) investing activities

Net cash flows used in investing activities increased from an outflow of SAR 25.5 million in 2019G to SAR 21.0 million in 2020G driven by the drop in purchases made for property, plant and equipment from SAR 25.5 million to SAR 21.1 million during the same period.

Net cash used in investing activities increased to an outflow of SAR 21.3 million in 2021G driven by payments for acquisition of investment amounting to SAR 2.9 million offset by the drop in purchases made for property, plant and equipment from SAR 21.1 million to SAR 18.5 million during the same period.

Net cash used in investing activities remained relatively stable at around SAR 1.3 million in the six-month period ending 30 June 2021G and the six-month period ending 30 June 2022G.



### Net cash flows generated from / (used in) financing activities

Net cash used in financing activities increased from an outflow of SAR 15.3 million in 2019G to an inflow amounting to SAR 4.4 million driven by proceeds from Islamic financing facilities amounting to SAR 32.1 million offset by the increase in dividends paid from SAR 15.3 million to SAR 27.7 million over the same period.

Net cash used in financing activities increased from an inflow of SAR 4.4 million in 2020G to SAR 12.7 million in 2021G driven by proceeds from Islamic financing facilities amounting to SAR 58.5 million offset by settlements of loans amounting to SAR 32.1 and dividends paid of SAR 13.7 million.

Net cash used in financing activities increased from an outflow of SAR 32.1 million in the six-month period ending on 30 June 2021G to an outflow of SAR 58.5 million in the six-month period ending on 30 June 2022G driven by increase in loan settlements during the same period.

### 4- National Cable Industry Company

The following table summarizes the consolidated income statement of the “National Cable Industry Company” for the years ending on 31 December 2019G, 2020G and 2021G, and the six-month period ending on 30 June 2021G and 30 June 2022G:

**Table (145): income statement**

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	2021G-2022G variance
Revenue	833,355	726,905	974,102	(12.8%)	34.0%	8.1%	453,790	657,294	44.8%
Cost of revenue	(789,296)	(691,747)	(918,835)	(12.4%)	32.8%	7.9%	(426,620)	(623,799)	46.2%
<b>Gross profit</b>	<b>44,059</b>	<b>35,120</b>	<b>55,267</b>	<b>(20.3%)</b>	<b>57.4%</b>	<b>12.0%</b>	<b>27,171</b>	<b>33,495</b>	<b>23.3%</b>
General and administrative expenses	(13,506)	(12,545)	(12,718)	(7.1%)	1.4%	(3.0%)	(4,971)	(5,408)	8.8%
Selling and distribution expenses	(14,394)	(10,485)	(10,807)	(27.2%)	3.1%	(13.4%)	(4,648)	(5,986)	28.8%
Finance cost	(8,107)	(5,324)	(5,262)	(34.3%)	(1.2%)	(19.4%)	(2,751)	(4,749)	72.6%
<b>Operating profit</b>	<b>28,884</b>	<b>17,229</b>	<b>32,910</b>	<b>(40.3%)</b>	<b>91.0%</b>	<b>6.7%</b>	<b>14,800</b>	<b>17,352</b>	<b>17.2%</b>
Provision for expected credit losses	9,263	1,707	(472)	(81.6%)	(127.6%)	na	-	-	na
Other income / (expenses), net	3,462	3,432	1,640	(0.9%)	(52.2%)	(31.2%)	286	1,597	458.0%
<b>Net profit for the year / period</b>	<b>20,777</b>	<b>11,906</b>	<b>27,648</b>	<b>(42.7%)</b>	<b>132.2%</b>	<b>15.4%</b>	<b>15,086</b>	<b>19,529</b>	<b>29.4%</b>
foreign currency translation adjustment	(164)	175	-	(207.2%)	(100.0%)	0.0%	-	-	na
<b>Total comprehensive income for the year/ period</b>	<b>20,613</b>	<b>12,081</b>	<b>27,648</b>	<b>(41.4%)</b>	<b>128.9%</b>	<b>15.8%</b>	<b>15,086</b>	<b>19,529</b>	<b>29.4%</b>
<b>Key Performance Indicators</b>									
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	36,315	22,275	39,295	(38.7%)	76.4%	4.0%	21,093	30,083	42.6%

SAR in thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Six-month period ending 30 June 2021G (Reviewed)	Six-month period ending 30 June 2022G (Reviewed)	2021G-2022G variance
<b>As a percentage of revenue</b>				<b>percentage point</b>			<b>As a percentage of revenue</b>		<b>percentage point</b>
Gross profit	5.3%	4.8%	5.7%	(0.5)	0.8	0.4	6.0%	5.1%	(0.9)
General and administrative expenses	(1.6%)	(1.7%)	(1.3%)	(0.1)	0.4	0.3	1.1%	0.8%	(0.3)
Selling and distribution expenses	(1.7%)	(1.4%)	(1.1%)	0.3	0.3	0.6	1.0%	0.9%	(0.1)
Operating profit	3.5%	2.4%	3.4%	(1.1)	1.0	(0.1)	3.3%	2.6%	(0.6)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	4.4%	3.1%	4.0%	(1.3)	1.0	(0.3)	4.6%	4.6%	(0.1)
Net profit	2.5%	1.7%	2.8%	(0.8)	1.2	0.4	3.3%	3.0%	(0.4)

Source: The consolidated audited financial statements of the National Cable Industry Company for the financial years ending 31 December 2019G, 2020G and 2021G, and the consolidated reviewed financial statements of the National Cable Industry Company for the period ending 30 June 2022G

The audited financial statements are presented in UAE Dirhams and converted into Saudi Riyals based on the exchange rate 1 UAE Dirham = 1.02 Saudi Riyals

### Revenue

Revenue decreased by 12.8% from SAR 833.4 million in 2019G to SAR 726.9 million in 2020G mainly driven by the decrease in copper revenue due to the winding down of projects undertaken with Dubai Electricity and Water Authority (“DEWA”) and Sharjah Electricity and Water Authority (“SEWA”) in UAE among other projects in Iraq.

Revenue increased by 34.0% from SAR 726.9 million in 2020G to SAR 974.1 million in 2021G driven by the increase in copper and aluminum revenue as a result of the increase in average copper and aluminum “LME” prices over the same period and that impacted the average selling price of all products.

Revenue increased by 44.8% from SAR 453.8 million in the six-month period ending 30 June 2021G to SAR 657.3 million in the six-month period ending 30 June 2022G driven by the increase in copper quantities sold from 8.7 thousand tons to 10.5 thousand tons, mainly low voltage cables revenue from retailers as the overall market conditions improved post the COVID-19 pandemic. The increase was coupled with the increase in average copper and aluminum “LME” prices in line with the increase in average selling prices of all products over the same period.

### Cost of revenue

Cost of revenue decreased by 12.4% from SAR 789.3 million in 2019G to SAR 691.7 million in 2020G in line with the drop in copper quantities sold from 26.3 thousand tons to 21.4 thousand tons over the same period.

Cost of revenue increased by 32.8% from SAR 691.7 million in 2020G to SAR 918.8 million in 2021G driven by the increase in average cost of raw materials as copper average cost per ton increased from SAR 26.0 thousand to SAR 39.1 thousand and aluminum average cost per ton increased from SAR 17.0 thousand to SAR 19.0 thousand over the same period, in line with the increase in average metal “LME” prices. This was coupled with the increase in overhead costs mainly employee costs from SAR 15.1 million to SAR 18.5 million driven by yearly increments.

Cost of revenue increased by 46.2% from SAR 426.6 million in the six-month period ending 30 June 2021G to SAR 623.8 million in the six-month period ending 30 June 2022G mainly driven by the increase in the quantities sold and the increase in the average market copper and aluminum prices whereby the average cost of copper and aluminum per ton increased during the same period.

### Gross profit

Gross profit decreased by 20.3% from SAR 44.1 million in 2019G to SAR 35.1 million in 2020G driven by the decrease in copper profitability as a result of the drop in sales volume in light of the COVID-19 pandemic.

Gross profit increased by 57.4% from SAR 35.1 million to SAR 55.3 million in 2021G driven by the increase in copper profitability by SAR 19.5 million as a result of the significant increase in average copper selling price per ton from SAR 28.6 thousand to SAR 43.1 thousand over the same period.

Gross profit increased by 23.3% from SAR 27.2 million in the six-month period ending 30 June 2021G to SAR 33.5 million in the six-month period ending 30 June 2022G in line with the increase in revenue over the same period.

### General and administrative expenses

General and administrative expenses decreased by 7.1% from SAR 13.5 million in 2019G to SAR 12.5 million in 2020G mainly driven by the decrease in miscellaneous expenses.

General and administrative expenses remained relatively stable at SAR 12.7 million in 2021G.

General and administrative expenses increased by 8.8% from SAR 5.0 million in the six-month period ending 30 June 2021G to SAR 5.4 million in the six-month period ending 30 June 2022G as a result of the increase in employee costs (which increased by SAR 0.2 million) due to the increase in headcount by 4 employees.

### Selling and distribution expenses

Selling and distribution expenses decreased by 27.2% from SAR 14.4 million in 2019G to SAR 10.5 million in 2020G driven by the drop in freight and transportation costs amounting to SAR 3.3 million in line with the drop in operations in-light-of COVID-19 pandemic impact on export markets in 2020G.

Selling and distribution expenses increased by 3.1% from SAR 10.5 million in 2020G to SAR 10.8 million in 2021G mainly driven by the increase in sales commission by SAR 0.5 million.

Selling and distribution expenses increased by 28.8% from SAR 4.6 million in the six-month period ending 30 June 2021G to SAR 6.0 million in the six-month period ending 30 June 2022G as a result of the increase in freight and transportation expenses by SAR 0.3 million in line with the increase in exports revenue, and others by SAR 0.8 million.

### Finance cost

Finance cost decreased by 34.3% from SAR 8.1 million in 2019G to SAR 5.3 million in 2020G and 2021G driven by the decrease in finance charges over the same period.

Finance cost increased by 72.6% from SAR 2.8 million in the six-month period ending 30 June 2021G to SAR 4.8 million in the six-month period ending 30 June 2022G mainly driven by the increase in foreign exchange losses (recorded under finance cost) by SAR 0.9 million and finance charges by SAR 0.8 million over the same period.

### Provision for expected credit losses

Provision for expected credit losses was reversed in 2019G and 2020G for an amount of SAR 9.2 million and SAR 1.7 million respectively, and a provision for expected credit loss was recorded for an amount of SAR 0.5 million in 2021G.

### Other income, net

Other income remained relatively stable at SAR 3.4 million in 2019G and 2020G.

Other income decreased by 52.2% from SAR 3.4 million in 2020G to SAR 1.6 million in 2021G as a result of settlement of old balances by the company's customers in 2019G and 2020G.

Other income increased by 458.0% from SAR 286 thousand in the six-month period ending 30 June 2021G to SAR 1.6 million in the six-month period ending 30 June 2022G due to the increase in foreign exchange gains.

### Foreign currency translation adjustment

Foreign currency translation adjustment recorded a loss amounting to SAR 164 thousand in 2019G and a profit amounting to SAR 175 thousand in 2020G as a result of fluctuations in the Iraqi dinar.

## Net profit

Net profit decreased by 42.7% from SAR 20.8 million in 2019G to SAR 11.9 million in 2020G due to the decline in the company's operations in light of the COVID-19 pandemic.

Net profit increased by 42.7% from SAR 12.1 million in 2020G to SAR 27.6 million due to an increase in the revenue in 2021G and the change in the sales mix.

Net profit increased by 29.4% from SAR 15.1 million in the six-month period ending 30 June 2021G to SAR 19.5 million in the six-month period ending 30 June 2022G driven by the increase in revenue and the change in the sales mix.

The following table summarizes the consolidated balance sheet statement of the "National Cable Industry Company" as at 31 December 2019G, 2020G, and 2021G, and as at 30 June 2022G:

**Table (146): Balance sheet statement**

SAR in thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	30 June 2022G (Reviewed)	31 December 2021G- 30 June 2022G variance
<b>Non-current assets</b>						
Property, plant, and equipment	147,364	156,349	163,534	5.3%	161,925	(1.0%)
<b>Total non-current assets</b>	<b>147,364</b>	<b>156,349</b>	<b>163,534</b>	<b>5.3%</b>	<b>161,925</b>	<b>(1.0%)</b>
<b>Current assets</b>						
Inventories	185,545	204,793	210,628	6.5%	230,179	9.3%
Trade and other receivables	225,030	182,696	265,392	8.6%	340,071	28.1%
Cash and cash equivalents	9,686	11,244	5,748	(23.0%)	36,973	543.2%
Due from related parties	19,012	94,233	32,747	31.2%	19,336	(41.0%)
<b>Total current assets</b>	<b>439,273</b>	<b>492,966</b>	<b>514,515</b>	<b>8.2%</b>	<b>626,559</b>	<b>21.8%</b>
<b>Total assets</b>	<b>586,637</b>	<b>649,315</b>	<b>678,049</b>	<b>7.5%</b>	<b>788,484</b>	<b>16.3%</b>
<b>Equity</b>						
Share capital	81,600	81,600	81,600	0.0%	81,600	0.0%
Statutory reserve	40,800	40,800	40,800	0.0%	40,800	0.0%
Acquisition reserve	22,701	22,701	22,701	0.0%	22,701	0.0%
Retained earnings	20,777	11,892	29,069	18.3%	48,598	67.2%
Foreign currency translation reserve	3	342	342	1002.7%	342	0.0%
<b>Total equity</b>	<b>165,880</b>	<b>157,334</b>	<b>174,512</b>	<b>2.6%</b>	<b>194,040</b>	<b>11.2%</b>
<b>Non-current liabilities</b>						
Post-employment benefits	6,895	6,826	8,045	8.0%	7,283	(9.5%)
<b>Total non-current liabilities</b>	<b>6,895</b>	<b>6,826</b>	<b>8,045</b>	<b>8.0%</b>	<b>7,283</b>	<b>(9.5%)</b>
<b>Current liabilities</b>						
Trade and other payables	52,250	44,318	25,954	(29.5%)	87,164	235.8%
Due to related parties	361,611	440,838	469,537	14.0%	499,997	6.5%
<b>Total current liabilities</b>	<b>413,861</b>	<b>485,156</b>	<b>495,492</b>	<b>9.4%</b>	<b>587,160</b>	<b>18.5%</b>
<b>Total liabilities</b>	<b>420,757</b>	<b>491,981</b>	<b>503,537</b>	<b>9.4%</b>	<b>594,444</b>	<b>18.1%</b>
<b>Total equity and liabilities</b>	<b>586,637</b>	<b>649,315</b>	<b>678,049</b>	<b>7.5%</b>	<b>788,484</b>	<b>16.3%</b>

Source: The consolidated audited financial statements of the National Cable Industry Company for the financial years ending 31 December 2019G, 2020G and 2021G, and the consolidated reviewed financial statements of the National Cable Industry Company for the period ending 30 June 2022G

The audited financial statements are presented in UAE Dirhams and converted into Saudi Riyals based on the exchange rate 1 UAE Dirham = 1.02 Saudi Riyals

## Assets

### Non-current assets

Non-current assets increased from SAR 147.4 million as at 31 December 2019G to SAR 156.3 million as at 31 December 2020G due to additions to equipment amounting to SAR 92.4 million and buildings amounting to SAR 25.3 million during the same period.

Non-current assets increased from SAR 156.3 million as at 31 December 2020G to SAR 163.5 million as at 31 December 2021G driven by additions during the same period.

Non-current assets decreased from SAR 163.5 million as at 31 December 2021G to SAR 162.0 million as at 30 June 2022G driven by the depreciation of property, plant and equipment during the same period.

### Current assets

Current assets increased from SAR 439.3 million as at 31 December 2019G to SAR 493.0 million as at 31 December 2020G due to the increase in due from related parties by SAR 75.2 million related mainly to balances due from the **"Saudi Modern Company for Specialized Wires and Cables Industry Company"** coupled with the increase in inventory by SAR 19.2 million.

Current assets increased from SAR 493.0 million as at 31 December 2020G to SAR 514.5 million as at 31 December 2021G, driven by the increase in trade receivables by SAR 83.0 million and inventory by SAR 5.8 million as a result of the increase in raw material and finished goods prices in line with the increase in the average copper and aluminum **"LME"** price during the same period.

Current assets increased from SAR 514.5 million as at 31 December 2021G to SAR 626.6 million as at 30 June 2022G driven by the increase in trade receivables by SAR 74.7 million and inventory by SAR 19.6 million in line with the increase in the quantities sold and the average copper and aluminum prices during the same period.

## Equity and liabilities

### Equity

Equity decreased from SAR 165.9 million as at 31 December 2019G to SAR 157.3 million as at 31 December 2019G driven by the decrease in retained earnings, which consist of accumulated net income after deducting dividends and transfers to reserves, by SAR 8.9 million as a result of a decrease in net profit in 2020G compared to 2019G.

Equity increased from SAR 157.3 million as at 31 December 2019G to SAR 174.5 million as at 31 December 2021G driven by the increase in retained earnings by SAR 17.2 million as a result of the increase in net profits in 2021G compared to 2020G.

Equity increased from SAR 174.5 million as at 31 December 2021G to SAR 194.0 million in the six months period ending 30 June 2022G, mainly driven by the increase in retained earnings by SAR 19.5 million.

### Liabilities

#### Non-current liabilities

Non-current liabilities comprised of post-employment benefits which were relatively stable at SAR 6.8 million as at 31 December 2019G and 2020G, and increased to SAR 8.0 million as at 31 December 2021G and then decreased to SAR 7.3 million as at 30 June 2022G.

#### Current liabilities

Current liabilities increased from SAR 413.9 million as at 31 December 2019G to SAR 485.2 million as at 31 December 2020G driven by the increase in the due to related parties from SAR 361.6 million to SAR 440.8 million mainly as a result of balances due to the parent company **"Riyadh Cables Group Company"**.

Current liabilities increased from SAR 485.2 million as at 31 December 2020G to SAR 495.5 million as at 31 December 2021G driven by the increase in dues to related parties by SAR 28.7 million mainly related to dues to the parent company **"Riyadh Cables Group Company"**.

Current liabilities increased from SAR 495.5 million as at 31 December 2021G to SAR 587.2 million as at 30 June 2022G driven by the increase in trade payables by SAR 61.2 million in line with the increase in purchases in response to the increase in quantities sold, coupled with the increase in dues to related parties by SAR 30.5 mainly related to dues to the parent company **"Riyadh Cables Group Company"**.

The following table summarizes the consolidated cash flow statement of the “National Cable Industry Company” for the years ending 31 December 2019G, 2020G, and 2021G, and the six-month period ending 30 June 2021G and 30 June 2022G:

**Table (147): Cash flow statement**

SAR in thousands	2019G (Audited)	2020G (Audited)	2021G (Audited)	30 June 2021G (Reviewed)	30 June 2022G (Reviewed)
<b>Operating activities</b>					
Net profit	20,777	11,906	27,648	15,086	19,529
<b>Adjustments:</b>					
Depreciation	7,595	4,870	6,384	2,378	3,255
Provision for post-employment benefits	1,521	1,217	2,097	882	-
Provision/(reversal) for slow moving inventory	(683)	1,739	1,091	-	-
Finance costs	7,033	4,111	2,651	1,187	2,018
Fixed assets written off during the year / period	-	275	-	-	-
Reversal of provision for doubtful debts	(9,263)	(1,707)	(230)	(9)	(9)
Gain/(loss) on disposal of property, plant, and equipment	41	-	-	-	-
<b>Cash flow from operations before working capital adjustments</b>	<b>27,021</b>	<b>22,410</b>	<b>39,641</b>	<b>19,525</b>	<b>24,793</b>
<b>Working capital adjustments:</b>					
Trade and other receivables	14,586	44,041	(82,466)	(123,052)	(74,669)
Inventories	13,522	(20,986)	(6,926)	(38,911)	(19,552)
Due from related parties	(8,996)	(75,221)	61,486	83,190	13,411
Due to related parties	(43,739)	84,676	33,146	60,555	30,459
Trade and other payables	28,189	(9,368)	(18,259)	2,249	61,170
Post-Employment benefits paid	(427)	(1,286)	(877)	(976)	(706)
<b>Net cash flow generated from / (used in) operating activities</b>	<b>30,157</b>	<b>44,265</b>	<b>25,745</b>	<b>2,580</b>	<b>34,907</b>
<b>Investing activities</b>					
Payments to purchase of property, plant, and equipment	(19,271)	(18,144)	(18,120)	(2,174)	(1,664)
<b>Net cash flows used in investing activities</b>	<b>(19,271)</b>	<b>(18,144)</b>	<b>(18,120)</b>	<b>(2,174)</b>	<b>(1,664)</b>
<b>Financing activities</b>					
Dividends paid	(4,297)	(20,627)	(10,470)	-	-
Finance cost paid	(7,197)	(3,936)	(2,651)	(1,187)	(2,018)
<b>Net cash flows generated from / (used in) financing activities</b>	<b>(11,494)</b>	<b>(24,563)</b>	<b>(13,121)</b>	<b>(1,187)</b>	<b>(2,018)</b>
<b>Net change in cash and cash equivalents during the year / period</b>	<b>(608)</b>	<b>1,558</b>	<b>(5,496)</b>	<b>(781)</b>	<b>31,225</b>
Cash and cash equivalents at the beginning of the year	10,293	9,686	11,244	11,244	5,748
<b>Cash and cash equivalents at the end of the year / period</b>	<b>9,686</b>	<b>11,244</b>	<b>5,748</b>	<b>10,463</b>	<b>36,973</b>

Source: The consolidated audited financial statements of the National Cable Industry Company for the financial years ending 31 December 2019G, 2020G and 2021G, and the consolidated reviewed financial statements of the National Cable Industry Company for the period ending 30 June 2022G

The audited financial statements are presented in UAE Dirhams and converted into Saudi Riyals based on the exchange rate 1 UAE Dirham = 1.02 Saudi Riyals

**Net cash flow generated from / (used in) operating activities**

Net cash flow generated from operating activities increased from an inflow of SAR 30.2 million in 2019G to SAR 44.3 million in 2020G mainly driven by the increase in collections from trade and other receivables by SAR 29.5 million, coupled with the increase in proceeds from related parties by SAR 84.7 million.

Net cash generated from operating activities decreased to an inflow amounting to SAR 25.7 million in 2021G driven by the increase in trade receivables over the same period by SAR 82.5 million coupled with drop in proceeds from related parties over the same period from SAR 84.7 million to SAR 33.1 million over the same period.

Net cash generated from operating activities increased from an inflow of SAR 2.6 million in the six-month period ending 30 June 2021G to an inflow of SAR 34.9 million in and the six-month period ending 30 June 2022G driven by the increase in profits during the period coupled with a decrease in the change of accounts receivables.

**Net cash flows generated from / (used in) investing activities**

Net cash used in investing activities decreased from an outflow of SAR 19.3 million in 2019G to an outflow of SAR 18.0 million in 2020G and 2021G driven by the decrease in additions to property, plant, and equipment by around SAR 1.1 million.

Net cash used in investing activities decreased from an outflow of SAR 2.2 million in the six-month period ending 30 June 2021G to an outflow amounting to SAR 1.7 million in the six-month period ending 30 June 2022G driven by the decrease in additions to property, plant and equipment.

**Net cash flows generated from/ (used in) financing activities**

Net cash used in financing activities increased from an outflow of SAR 11.5 million in 2019G to SAR 24.6 million driven by the increase dividends paid during the period (that increased by around SAR 16.3 million).

Net cash used in financing activities decreased from an outflow SAR 24.6 million to an outflow of SAR 13.1 million in 2021G driven by less dividends paid (that decreased by SAR 10.2 million) and drop in finance costs paid (by SAR 1.3 million) during the period.

Net cash used in financing activities increased from an outflow of SAR 1.2 million in the six-month period ending 30 June 2021G to an outflow of SAR 2.0 million in the six-month period ending 30 June 2022G driven by the increase in finance costs paid during the period.

## 7. Dividend Distribution Policy

Pursuant to Article 110 of the Companies Law, each Shareholder is equally entitled to the rights and liabilities attached to the Shares, including the right to receive a portion of the dividends declared. The Board of Directors shall make a recommendation on the declaration of any dividends in its annual report prior to the approval of the Shareholders in a meeting of the General Assembly. However, there can be no assurance that the dividends will be actually distributed. Any decision to distribute dividends will depend on, among other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the Company's Zakat position, and such other factors as the Board deems relevant, in addition to legal and regulatory considerations. The Company's expectations regarding these factors are dependent on many assumptions, risks and uncertainties that may be beyond the Company's control. (For a discussion of the risks related to dividend payments, please see Subsection (2.3.4) "**Risks related to the distribution of cash dividends and restrictions imposed by the financiers on the distribution of profits**" of this Prospectus). For example, the Shares entitle their holders the right to receive any dividends that the Company declares from the date of this Prospectus and for the subsequent financial years. While the Company intends to distribute dividends to its Shareholders on an annual basis, the Company does not guarantee the distribution of such dividends or the amounts to be distributed in any given year.

Dividend distribution is be subject to the restrictions set out in the Company's Bylaws. Dividends will be distributed in Saudi Riyals.

The Company intends to distribute annual dividends to its Shareholders to enhance the value received by such Shareholders in line with the Company's profits, financial position, restrictions on the dividend distribution process under financing and debt agreements, results of the Company's activities, current and future cash requirements, expansion plans and investment requirements of the Company and other factors, including analysis of investment opportunities and the Company's reinvestment requirements, monetary and capital requirements, market condition, general economic factors, commercial expectations and the impact of any such distributions on any legal or statutory considerations. In addition, Investors willing to invest in Offer Shares should be aware that the Dividend Distribution Policy may change from time to time.

Although the Company intends to distribute annual dividends to its Shareholders, it does not guarantee the distribution of such dividends or the amounts to be distributed in any given year. Distribution of dividends is also subject to a number of restrictions provided in the Company's Bylaws. Pursuant to Article 48 of the Company's Bylaws, the Company's annual net profits is distributed after deducting all general expenses and other costs as follows:

- 1- Ten percent (10%) of the net profit shall be set aside to form a statutory reserve. Such allocations to the statutory reserve may be discontinued by the Ordinary General Assembly when the statutory reserve amounts to thirty percent (30%) of the Company's paid-up capital.
- 2- The Ordinary General Assembly may decide to form other reserves to the extent serving Company's interests, or to ensure the distribution of fixed dividends to the extent possible to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees, or to support existing institutions of such kind.
- 3- The balance shall be distributed to the Shareholders, provided that it shall not be less than five percent (5%) of the paid-up capital.
- 4- The remainder shall be distributed to the Shareholders as a share in the profits.
- 5- The Board may also distribute interim dividends after obtaining the necessary approvals.

The Shareholder is entitled to his dividend share, whether in cash or in the form of shares granted, in accordance with the resolution issued by the General Assembly in this regard. Such resolution shall indicate the due date and the date of distribution. Shareholders who are registered in the Shareholders' Register at the end of the day on the set entitlement date shall be entitled to dividends. The Company may engage a third-party commercial bank with which the Company does business with to organize and complete the dividend distribution process. In any case, the use of a third-party shall not exempt the Company from its legal responsibility towards the Shareholders with regards to the distribution of dividends.

Below is a summary of the dividends declared and distributed by the Company during the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G.



**Table (148): Dividends Distributed in the Years Ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the Six-Month Period Ended 30 June 2022G\***

(SAR '000)	Financial Year 2019G	Financial Year 2020G	Financial Year 2021G	Financial Period End- ed 30 June 2022G
Declared Dividends	230,000	178,500	196,500	216,000**
Dividends distributed during the period	230,000	178,500	196,500	-
Net income for the period	197,004	218,123	239,997	153,350
Ratio of declared dividends to net income	116.75%	81.83%	81.88%	141%

\* In addition to the dividends distributed as set out above in Table (148), the Ordinary General Assembly approved on 10/02/1444H (corresponding to 06/09/2022G) the distribution of interim dividends amounting to SAR 20,000,000 as outstanding and unpaid amounts to the Shareholders for the purpose of settling the Offering Expenses based on a resolution of the Board of Directors dated 14/10/1443H (corresponding to 15/05/2022G), approving such distribution. As of 30/09/2022G, an amount of SAR 5,000,000 has been deducted from the said amount to settle all outstanding Offering Expenses. The remaining Offering Expenses will be deducted from such amount and from the Offering Proceeds.

\*\* On 27/09/1443H (corresponding to 28/04/2022G), the Ordinary General Assembly approved the distribution of an amount of SAR 216,000,000 as set out in the table above from the balance of retained earnings for the year 2021G to the Shareholders registered in the Company's Register on the day of such meeting. The dividends were distributed to the Shareholders during Q3 of the year 2022G.

Source: The Company

The Offer Shares shall not be entitled to any dividends declared prior to the date of this Prospectus. The first entitlement of the Offer Shares to dividends announced by the Company from the date of this Prospectus and the subsequent financial years. The Directors acknowledge that, as of the date of this Prospectus, there are no declared or outstanding dividends for the said periods, except as set out above.

## 8. Use of Offering Proceeds

The total Offering proceeds are estimated at SAR [•], of which an estimated amount of [•] Saudi Riyals (SAR [•]) will be applied to settle all Offering Expenses, including the fees of the Financial Advisor, the Lead Manager, the Underwriter, the Legal Advisor, the Financial Due Diligence Advisor, the Auditor, the Receiving Entities, the Market Consultant and other consultants, as well as marketing, printing, translation and distribution fees and other costs and expenses related to the Offering. The Company will not receive any part of the net Offering Proceeds. Where as the Offering expenses and costs estimated at [•] Saudi Riyals (SAR [•]) and the Ordinary General Assembly approved the distribution of interim dividends amounting to twenty million Saudi Riyals (SAR 20,000,000) as outstanding and unpaid amounts to the Shareholders for the purpose of settling the Offering expenses, as of 30/09/2022G, an amount of SAR 5,000,000 has been deducted from the said amount to settle outstanding Offering expenses. The remaining Offering expenses will be deducted from: (a) the remaining balance of the said dividends amount, and (b) from the Offering Proceeds. (for further details, please see Section 7 “**Dividend Distribution Policy**” of this Prospectus).

The net proceeds from the Offering of an estimated amount of [•] Saudi Riyals (SAR [•]) will be distributed to the Selling Shareholders on a pro-rata basis to the number of Offer Shares to be sold by each of them in the Offering. The Company will not receive any part of the net proceeds from the Offering. Selling Shareholders will bear all the fees, expenses and costs related to the Offering.

## 9. Capitalization and Indebtedness of The Company

Prior to the Offering, the Current Shareholders owned all of the issued share capital of the Company. Following the completion of the Offering, the Current Shareholders will own 78% of the Company's share capital.

The table below sets out the capitalization of the Company as derived from the financial statements for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto, which are set out in Section (19) "Financial Statements and Auditor's Report" of this Prospectus.

**Table (149): Capitalization and Indebtedness of the Company for the Financial Years Ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the Six-Month Period Ended 30 June 2022G**

(SAR '000)	Financial Year 2019G	Financial Year 2020G	Financial Year 2021G	Financial Period Ended 30 June 2022G
<b>Liabilities</b>				
Total current liabilities	1,475,608,356	1,235,945,816	1,800,136,397	2,675,191,229
Total non-current liabilities	108,531,834	106,858,590	116,463,689	121,399,084
Total liabilities	1,584,140,190	1,342,804,406	1,916,600,086	2,796,590,313
Total loans	1,209,531,500	858,675,000	1,324,175,000	1,607,070,000
<b>Shareholders' equity</b>				
Share Capital	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Statutory reserve	207,268,152	229,111,048	253,094,307	253,094,307
Retained earnings	189,479,708	207,953,866	261,078,163	174,714,213
Differences in translation of financial statements denominated in foreign currencies	(604,124)	(428,649)	(1,264,063)	-1,264,063
Total shareholders' equity	1,919,260,957	1,959,325,547	2,036,066,784	1,917,820,312
Total capitalization (total facilities + total shareholders' equity)	3,128,792,457	2,818,000,547	3,360,241,784	3,524,890,312
Total loans / Total capitalization	38.7%	30.5%	39.4%	45.5%

Source: The financial statements and Management information

The Directors declare that:

- None of the shares of the Company or its Subsidiaries are under option;
- Neither the Company nor its Subsidiaries have any debt instruments as of the date of this Prospectus; and
- The Company's balance and cash flows are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months following the date of this Prospectus.

## 10. Expert Statements

All of the Advisors and the Auditor, whose names are listed on pages (g) and (h), have given and, as of the date of this Prospectus, not withdrawn, their written consent to the publication of their respective names, addresses, logos and statements attributed to each of them in this Prospectus. Neither the Advisors nor any of their employees who form part of the team serving the Company, or any of their Relatives, have any shareholding or interest of any kind in the Company or in any of its Subsidiaries as of the date of this Prospectus which would impair their independence.

## 11. Declarations of The Directors

The Directors declare that:

- 1- The Company's Shares have not been previously listed in any stock market inside or outside the Kingdom, prior to this Offering.
- 2- The Listing is not in violation of the relevant laws and regulations of the Kingdom.
- 3- The Listing does not violate any of the contracts or agreements to which the Issuer is a party.
- 4- All necessary approvals have been obtained for the offering of the Company's Shares on the Exchange and for it to be a public joint-stock company.
- 5- All documents required under the Capital Market Law and the OSCOs have been submitted and will be submitted to the CMA.
- 6- The Company is capable of preparing the material legal information and the necessary reports in a timely manner as required in accordance with the Implementing Regulations issued by the CMA.
- 7- All material legal information relating to the Company which the Company considers to be important or material or which may affect an investors decision to invest in the Offering Shares has been disclosed in the Prospectus.
- 8- Except as disclosed in Section (12) "**Legal Information**" of this Prospectus, the Company, its Subsidiaries and its Directors are not subject to any existing claims or proceedings that may have a material impact, individually or wholly, on the operations or financial position of the Company or its Subsidiaries.
- 9- As of the date of this Prospectus, there is no objection or dispute with the Zakat, Tax and Customs Authority (ZATCA) (formerly the General Authority of Zakat and Tax (GAZT)).
- 10- All the Company's employees are under its sponsorship.
- 11- The internal, accounting and information technology control systems are adequate and appropriate and have been prepared on sound bases, and the Directors review the internal control procedures of the Company and its Subsidiaries on an annual basis.
- 12- None of the Company's Directors, Executive Management members or the Secretary have been declared bankrupt.
- 13- None of the companies in which any of the Directors, Senior Executives or the Secretary was employed in a managerial or supervisory capacity was declared bankrupt or insolvent during the past five (5) years preceding the date of this Prospectus.
- 14- There has been no material adverse change in the business or financial position of the Company during the three years preceding the date of filing the application for registration and offering of securities subject of this Prospectus, in addition to the period covered by the Auditor's Report until the date of the approval of this Prospectus.
- 15- There is no intention to materially change the nature of the Company's or its Subsidiaries' activities. There has been no interruption of business of the Company or that of its Subsidiaries that may influence or has had a significant impact on its financial position during the last twelve (12) months.
- 16- They have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including the Companies Law, the Capital Market Law and its implementing regulations, the ROSCOs and the Listing Rules.
- 17- They will disclose the details of any Related Party transactions in accordance with the requirements of the Companies Law and the Corporate Governance Regulations.
- 18- Except as disclosed in Subsection (5.3) "**Board of Directors**", Subsection (5.5) "**Senior Management**", Subsection (5.7) "**Direct and Indirect Interests of the Members of the Board of Directors, the Secretary and Senior Executives**", Subsection (5.8) "**Employee Shares**" and Subsection (12.7) "**Related Party Transactions**" of this Prospectus, none of the Directors, Executive Management, or the Secretary, or any of their relatives or affiliates has a direct or indirect interest in the shares or debt instruments of the Company, its Subsidiaries, or any interest in any other matter which would impact the business of the Company or its Subsidiaries.
- 19- Except as disclosed in Subsection (5.7) "**Direct and Indirect Interests of the Members of the Board of Directors, the Secretary and Senior Executives**" and Subsection (12.7) "**Related Party Transactions**" of this Prospectus, none of the Directors, Senior Executives, Secretary, or any of their relatives or affiliates have any interest in any existing written or oral contracts, arrangements or agreements under consideration or to be concluded with the Company or its Subsidiaries as of the date of this Prospectus.

- 20- All Related Party contracts and agreements described in SubSection (12.7) "**Related Party Transactions**" of this Prospectus do not include any preferential conditions, and they have been executed in a systematic and legal manner and on fair commercial principles, such as those carried out with third parties.
- 21- Except as disclosed in Subsection (12.7) "**Related Party Transactions**" of this Prospectus, as of the date of this Prospectus, there are no contracts or material transactions with Related Parties that have a significant impact on the Company's business and the Company has no intention of concluding any new agreements with Related Parties.
- 22- Except as disclosed in Subsection (5.7) "**Direct and Indirect Interests of the Members of the Board of Directors, the Secretary and Senior Executives**" of this Prospectus, the Directors undertake that none of them is engaged in any activities similar or competitive with the activities of the Company. The Directors further undertake to comply with this regulatory requirement in the future as per Article 72 of the Companies Law and the Corporate Governance Regulations.
- 23- The Directors may not have a direct or indirect interest in the business and contracts executed for the benefit of the Company except with the approval of the General Assembly.
- 24- The members of the Board of Directors shall notify the Board of any personal direct or indirect interest they have in the business and contracts executed for the benefit of the Company, provided that the same shall be recorded in the Board of Directors meeting minutes.
- 25- They shall comply with Articles Seventy-One (71), Seventy-Two (72), Seventy-Three (73), Seventy-Four (74) and Seventy-Five (75) of the Companies Law and Article Forty-Six (46) of the Corporate Governance Regulations.
- 26- They will not vote on resolutions related to business and contracts in which they have a direct or indirect interest.
- 27- The Directors and the CEO shall not have the right to vote on decisions relating to their fees and remuneration.
- 28- The Directors and the CEO shall not have the right to recommend or propose a contract in which they have an interest.
- 29- Neither the Directors nor any Senior Executive shall obtain a loan from the Company, and the Company and its Subsidiaries shall not guarantee any loan entered into by a Director.
- 30- The Company prepares its interim and annual financial statements based on its own appropriate regulations and policies, in accordance with IFRS and within the deadlines specified under the ROSCOs. The Company prepares all other financial and non-financial reports based on its own appropriate regulations and policies as required by, and within the deadlines specified under the ROSCOs.
- 31- The financial statements for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the six-month period ended 30 June 2022G have been prepared in accordance with IFRS.
- 32- As of the date of this Prospectus, the direct and indirect legal and beneficial ownership of the Company's shares belongs to the persons whose names appear in Subsection (4.2) "**Organizational Structure of the Group**".
- 33- The Company has sufficient working capital for at least twelve (12) months immediately following the date of publication of this Prospectus.
- 34- All increases in the capital were made in a manner that does not conflict with the laws and regulations in force in the Kingdom.
- 35- The Company and its Subsidiaries do not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect the balance sheet.
- 36- As of the date of this Prospectus, there are no employee share schemes involving the employees in the Company's capital, and no other existing similar arrangements are in place.
- 37- None of the shares of the Company or its Subsidiaries is under option.
- 38- No commissions, discounts, brokerage fees or any non-monetary compensation were granted by the Company or its Subsidiaries during the three (3) years immediately preceding the date of application for the registration and offer of the securities subject of this Prospectus in connection with the issuance or offering of any securities.
- 39- The insurance policies of the Company and its Subsidiaries sufficiently cover Company's conduct of its business. The Company periodically renews insurance policies and contracts to ensure that there is continuous insurance coverage. The Company has also taken appropriate security measures in line with the applicable industry practices.
- 40- Except as disclosed in Subsection (12.8) "**Financing Agreements**" of this Prospectus, the Company and its Subsidiaries have not issued any debt instruments, nor do they have any term loans or any other outstanding borrowings or indebtedness (including bank overdrafts, financial liabilities under acceptance, acceptance credits or purchase commitments). In addition, there are no guarantees, mortgages, rights or encumbrances on any of the assets of the Company or its Subsidiaries.

- 41- As of the date of this Prospectus, all of the financing agreements in Subsection (12.8) "**Financing Agreements**" of this Prospectus are still available and valid, and none of the material obligations and conditions stipulated under such agreements have been violated.
- 42- All contracts and agreements that the Company believes are important or material or may affect investors' decisions to invest in the Offer Shares have been disclosed, and there are no other material agreements or contracts that have not been disclosed.
- 43- This Prospectus includes all the information required to be included in accordance with the ROSCOs and there are no other facts that may affect the application for the registration and offering of securities that are not included in this Prospectus.
- 44- Except as disclosed in Section (2) "**Risk Factors**" of this Prospectus, and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares.
- 45- Except as disclosed in Section (2) "**Risk Factors**" of this Prospectus, the Company and its Subsidiaries are not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have or may have a material impact (directly or indirectly) on their business.
- 46- Except as disclosed in Section (2) "**Risk Factors**" of this Prospectus, the Company is not aware of any seasonal factors or economic cycles related to its business that may have an effect on the Company's businesses or its financial position.
- 47- Subject to what has been disclosed in Subsection (2.1.13) "**Risks related to the inability of any of the Group's companies to renew the licenses required to conduct their business**" of this Prospectus, as of the date of this Prospectus, the Company and its Subsidiaries have obtained all necessary licenses and permits to carry out their business activities.
- 48- The statistical information used in Section 3 "**Market and Industry Overview**" which has been obtained from external sources, represents the most recent information available from its respective source.
- 49- They will record all Board resolutions and discussions by means of written minutes of meetings, which shall be signed by the Directors.
- 50- All of the Group's activities and products have been disclosed in this Prospectus and there are no new activities or products that have been launched by the Group, as of the date of this Prospectus, that have not been disclosed
- 51- Other than as disclosed in Subsection (4.15) "**Research and Development**", the Group has not issued any policies regarding production methods over the financial years 2019G, 2020G and 2021G.

## 12. Legal Information

### 12.1 Legal Declarations

The Directors declare that:

- 1- The Offering does not violate the applicable laws and regulations of the Kingdom;
- 2- The Offering does not prejudice any contracts or agreements to which the Company is a party;
- 3- All material legal information relating to the Company has been disclosed in the Prospectus;
- 4- Except as disclosed in Subsection (12.14) “**Litigation and Disputes**” of this Prospectus, the Company and its Subsidiaries are not subject to any legal claims or proceedings that may have a material impact, individually or wholly, on the businesses or financial position of the Company or its Subsidiaries; and
- 5- The Directors are not subject to any legal proceedings or claims that may have a material impact, individually or wholly, on the businesses or financial position of the Company or its Subsidiaries.

### 12.2 The Company

Riyadh Cables Group Company is a closed joint stock company incorporated pursuant to Ministry of Commerce Resolution No. 146/Q dated 17/06/1435H (corresponding to 17/04/2014G), with Commercial Registration No. 1010052927 dated 24/06/1435H (corresponding to 24/04/2014G). The Company's registered address is New Industrial Zone, P.O. Box 26862, Postal Code 11496, Riyadh, the Kingdom of Saudi Arabia. The current share capital of the Company is one billion, five hundred million Saudi Riyals (SAR 1,500,000,000) divided into one hundred and fifty million (150,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share.

The Company was established in 1984G as a limited liability company under the name “**Saudi Modern Company for Cables Industry Ltd. (Riyadh Cables)**”, with a share capital of seven million, five hundred thousand Saudi Riyals (SAR 7,500,000), and registered in Riyadh under Commercial Registration No. 1010052927 dated 14/04/1404H (corresponding to 18/01/1984G). On 13/09/1405H (corresponding to 01/06/1985G), the Company's Shareholders approved the increase of the Company's share capital to twenty-nine million, four hundred and twenty-five thousand Saudi Riyals (SAR 29,425,000); the increase of twenty-one million, nine hundred and twenty-five thousand Saudi Riyals (SAR 21,925,000) was covered through capitalization of the shareholders' current account. On 25/09/1409H (corresponding to 28/06/1989G), the Shareholders approved the increase of the Company's share capital to seventy-two million Saudi Riyals (SAR 72,000,000). The increase of forty-two million, five hundred and seventy-five thousand Saudi Riyals (SAR 42,575,000) was covered through capitalization of the shareholders' current account. On 21/04/1411H (corresponding to 08/11/1990G), the Shareholders agreed to increase the Company's share capital to seventy-five million Saudi Riyals (SAR 75,000,000). The increase of three million Saudi Riyals (SAR 3,000,000) was covered through the capitalization of retained earnings. On 05/05/1435H (corresponding to 06/03/2014G), the Company was converted from a limited liability company into a closed joint stock company pursuant to Ministry of Commerce Resolution No. 146/Q dated 17/06/1435H (corresponding to 17/04/2014G) announcing the conversion of the Company into a joint stock company. On 05/01/1436H (corresponding to 29/10/2014G), the Company's Extraordinary General Assembly decided to change the Company's name to “**Riyadh Cables Group Company**” and agreed to increase its share capital to nine hundred million Saudi Riyals (SAR 900,000,000); the increase of eight hundred and twenty-five million Saudi Riyals (SAR 825,000,000) was covered through the capitalization of thirty-seven million, five hundred thousand Saudi Riyals (37,500,000) from the statutory reserve account and seven hundred and eighty-seven million, five hundred thousand Saudi Riyals (SAR 787,500,000) from the retained earnings account. On 13/08/1436H (corresponding to 31/05/2015G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital to one billion, five hundred million Saudi Riyals (SAR 1,500,000,000), representing an increase of six hundred million Saudi Riyals (SAR 600,000,000), which was covered through capitalization of five hundred and seventy-nine million, nine hundred and sixty-six thousand, four hundred and thirty-five Saudi Riyals (SAR 579,966,435) from the retained earnings account and twenty million, thirty-three thousand, five hundred and sixty-five Saudi Riyals (SAR 20,033,565) from the statutory reserve account.



### 12.3 Shareholding Structure

The current share capital of the Company is one billion, five hundred million Saudi Riyals (SAR 1,500,000,000) divided into one hundred and fifty million (150,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per Share, all of which are in-kind shares. The following table sets out the shareholding structure and Selling Shareholders of the Company pre-and post-Offering:

**Table (150): Shareholding Structure of the Company Pre-and Post-Offering**

#	Shareholders	Pre-Offering		Post-Offering	
		Number of Shares	Percentage	Number of Shares	Percentage
1	Abdulqadir Al-Muhaidib & Sons Co.	46,125,000	30.75%	35,977,500	23.99%
2	Hekmat Saadaldain Abdulhamid Al Zaim	43,125,000	28.75%	33,637,500	22.43%
3	Ahmad Samer Hamdi Saadaldain Al Zaim	17,923,982	11.95%	13,980,706	9.32%
4	Alma Limited	17,898,360	11.93%	13,960,721	9.31%
5	Mohamed Hekmat Saadaldain Al Zaim	7,500,000	5.00%	5,850,000	3.90%
6	Rana Hamdi Saadaldain Al Zaim	5,177,083	3.45%	4,038,125*	2.69%
7	Leena Hamdi Saadaldain Al Zaim	5,177,083	3.45%	4,038,125*	2.69%
8	Ihsan Abdulmajeed Al Zaim	4,448,492	2.97%	3,469,823*	2.31%
9	Khedhar Muhsin Muhammad Ali Alebrahim	1,500,000	1.00%	1,170,000*	0.78%
10	Mohammed Suleiman Mousa Alsaleem	1,125,000	0.75%	877,500	0.59%
	The Public**	-	-	33,000,000	22%
<b>Total</b>		<b>150,000,000</b>	<b>100%</b>	<b>117,000,000</b>	<b>78.00%</b>

Source: The Company

\* It should be noted that the shares owned post-Offering by the following Shareholders: (i) Rana Hamdi Saadaldain Al Zaim; (ii) Leena Hamdi Saadaldain Al Zaim; (iii) Ihsan Abdulmajeed Al-Zaim; and (vi) Khedhar Mohsen Muhammad Ali Alebrahim will be considered as part of the public shares in accordance with the CMA's regulations.

\*\* For the purposes of this table, the public field reflects the number and percentage of the shares to be offered to the public under the Offering, i.e., 33,000,000 shares representing 22% of the Company's share capital. This does not include the shares that shall be held post-Offering by some of the Current Shareholders, to whom the definition of the public under the CMA's regulations applies. Those Shareholders are: (i) Rana Hamdi Saadaldain Al Zaim; (ii) Leena Hamdi Saadaldain Al Zaim; (iii) Ihsan Abdulmajeed Al-Zaim; and (vi) Khedhar Muhsin Muhammad Ali Ibrahim. Accordingly, the total public shares post-Offering amount to 45,716,073 shares, representing 30.47% of the Company's share capital.

## 12.4 Subsidiaries and Branches

### 12.4.1 Subsidiaries

The following is an overview of each of the Group's material and non-material subsidiaries and their branches. For the purpose of measuring the materiality of the Company's Subsidiaries, the Group and the Financial Advisor have taken into account the impact of the Subsidiaries on the decision to invest in the Company's securities and their price, including, but not limited to, whether they constitute 5% or more of the Company's total assets, liabilities, revenue, profits, or contingent liabilities of the Company. Accordingly, the Company has five (5) material subsidiaries and eight (8) non-material subsidiaries. Below are the details of each of the Company's Subsidiaries:

#### 12.4.1.1 Material Subsidiaries

The following table sets out the details of the Company's Material Subsidiaries as of the date of this Prospectus:

**Table (151): Material Subsidiaries**

#	Material Subsidiaries	Country of Incorporation	Commercial or Industrial Registration No.	Date of Registration in the Commercial or Industrial Register	Legal Entity	Share Capital	Group Shareholding Percentage
1	RCM	KSA	1010081709	24/06/1435H (corresponding to 24/04/2014G)	Saudi closed joint stock company	SAR 215,100,000	100%
2	REW	KSA	1010106953	24/06/1435H (corresponding to 24/04/2014G)	Saudi closed joint stock company	SAR 25,100,000	100%
3	RTC	KSA	1010107248	24/06/1435H (corresponding to 24/04/2014G)	Saudi closed joint stock company	SAR 40,100,000	100%
4	RCC	KSA	1010146019	24/06/1435H (corresponding to 24/04/2014G)	Saudi closed joint stock company	SAR 120,125,000	100%
5	NCI	UAE	28588	14/01/1421H (corresponding to 14/09/2000G)	UAE limited liability company	AED 80,000,000	100%

Source: The Company

### 12.4.1.2 Non-Material Subsidiaries

The following table sets out the details of the Company's Non-Material Subsidiaries as of the date of this Prospectus. None of these subsidiaries is considered material for the purposes of the Rules on the Offer of Securities and Continuing Obligations:

**Table (152): Non-Material Subsidiaries**

#	Non-Material Subsidiaries	Country of Incorporation	Commercial or Industrial Registration No.	Date of Registration in the Commercial or Industrial Register	Legal Entity	Share Capital	Group Shareholding Percentage
1	SMC	KSA	1010143896	01/07/1417H (corresponding to 13/11/1996G)	Saudi limited liability company	SAR 5,000,000	100%
2	Arabian Gulf Company for Electrical Cables	Kuwait	M/1584/2003	20/12/1435H (corresponding to 14/10/2014G)	Kuwaiti limited liability company	KWD 10,000	49%
3	Qatar Cables Company	Qatar	26703	11/08/1424H (corresponding to 07/10/2003G)	Qatari limited liability company	QAR 200,000	50%
4	Gulf Company for Electrical Works	Oman	1229581	09/12/1436H (corresponding to 22/09/2015G)	Omani limited liability company	OMR 20,000	100%
5	Egyptian Riyadh Cables Company for Electrical Works	Egypt	141356	23/02/1441H (corresponding to 22/10/2019G)	Egyptian joint stock company	EGP 5,000,000	49%
6	Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires	Kuwait	461039	27/09/1443H (corresponding to 28/04/2022G)	Kuwaiti limited liability company	KWD 5,000,000	50%
7	Al Rowad Company for Production of Electrical Cables and Wires Limited	Iraq	MH-02-000079844	11/04/1433H (corresponding to 04/03/2012G)	Iraqi limited liability company	IQD 15,000,000,000	100%
8	Iraqi National Company for the Manufacture of Cables	Iraq	M.H.A/02-8161	08/01/1440H (corresponding to 18/09/2018G)	Iraqi limited liability company	IQD 5,500,000,000	100%

Source: The Company

## 12.4.2 Group Branches

The Group has eighteen (18) branches engaged in the sale and storage of the Group's products in various major cities within the Kingdom, all of which are subsidiaries of REW. Outside the Kingdom, the Group has five (5) branches engaged in the sale and storage of the Group's products, four (4) of which are subsidiaries of RCM, divided into one (1) branch in Kuwait and three (3) branches in the UAE. In addition, the Group has one (1) branch of RCC engaged in the sale of the Group's products. Details of these branches are set out in the following tables:

**Table (153): REW's Branches**

#	Branch Name as per the Registration Certificate	Registration No.	Registration Date	Expiration Date	Location	Branch Activity as per the Commercial Register
1	Saudi Modern Company for Special Wires and Cables Industry	4030058021	29/11/1407H (corresponding to 26/07/1987G)	03/06/1448H (corresponding to 13/11/2026G).	Jeddah, KSA	Sale of electrical and communication cables
2	Saudi Modern Company for Special Wires and Cables Industry	2051019493	16/06/1414H (corresponding to 30/11/1993G)	16/06/1444H (corresponding to 09/01/2023G)	Al Khobar, KSA	Sale of electrical and communication cables
3	Saudi Modern Company for Special Wires and Cables Industry	1131006997	25/11/1407H (corresponding to 22/07/1987G)	29/05/1448H (corresponding to 09/11/2026G)	Buraidah, KSA	Sale of electrical and communication cables
4	Saudi Modern Company for Special Wires and Cables Industry	5855007808	15/09/1408H (corresponding to 02/05/1988G)	14/08/1448H (corresponding to 22/01/2027G)	Khamis Mushait, KSA	Sale of electrical and communication cables
5	Saudi Modern Company for Special Wires and Cables Industry	4650020980	28/06/1414H (corresponding to 12/12/1993G)	28/06/1444H (corresponding to 21/01/2023G)	Madinah, KSA	Sale of electrical and communication cables
6	Saudi Modern Company for Special Wires and Cables Industry	4031030591	22/07/1414H (corresponding to 05/01/1994G)	21/07/1444H (corresponding to 12/02/2023G)	Makkah, KSA	Sale of electrical and communication cables
7	Saudi Modern Company for Special Wires and Cables Industry	3350010912	17/09/1414H (corresponding to 28/02/1994G)	17/09/1444H (corresponding to 08/04/2023G)	Hail, KSA	Sale of electrical and communication cables
8	Saudi Modern Company for Special Wires and Cables Industry	5900006835	14/04/1404H (corresponding to 18/01/1984G)	23/09/1444H (corresponding to 14/04/2023G)	Jizan, KSA	Sale of electrical and communication cables
9	Saudi Modern Company for Special Wires and Cables Industry	3550014005	25/10/1417H (corresponding to 05/03/1997G)	14/08/1448H (corresponding to 22/01/2027G)	Tabuk, KSA	Sale of electrical and communication cables
10	Saudi Modern Company for Special Wires and Cables Industry	2251024003	02/03/1416H (corresponding to 30/07/1995G)	03/02/1446H (corresponding to 07/08/2024G)	Al Hofuf, KSA	Sale of electrical and communication cables
11	Saudi Modern Company for Special Wires and Cables Industry	5950005942	09/08/1418H (corresponding to 09/12/1997G)	08/08/1444H (corresponding to 28/01/2023G)	Najran, KSA	Sale of electrical and communication cables
12	Branch of Saudi Modern Company for Special Wires and Cables Industry	4032028067	14/11/1429H (corresponding to 12/11/2008G)	11/11/1444H (corresponding to 31/05/2023G)	Taif, KSA	Sale of electrical and communication cables
13	Saudi Modern Company for Special Wires and Cables Industry	2511003648	04/07/1418H (corresponding to 05/11/1997G)	03/07/1448H (corresponding to 12/12/2026G)	Hafr Al Batin, KSA	Sale of electrical and communication cables
14	Saudi Modern Company for Special Wires and Cables Industry	4700009035	17/11/1425H (corresponding to 29/12/2004G)	16/11/1445H (corresponding to 24/04/2024G)	Yanbu, KSA	Sale of electrical and communication cables
15	Branch of Saudi Modern Company for Special Wires and Cables Industry	5801010382	08/01/1430H (corresponding to 05/01/2009G)	08/01/1445H (corresponding to 26/07/2023G)	Baljurashi, KSA	Distribution and sale of cables and electrical wires

#	Branch Name as per the Registration Certificate	Registration No.	Registration Date	Expiration Date	Location	Branch Activity as per the Commercial Register
16	Saudi Modern Company for Special Wires and Cables Industry	2055005735	20/03/1424H (corresponding to 21/05/2003G)	17/03/1449H (corresponding to 19/08/2027G)	Jubail, KSA	Sale of electrical and communication cables
17	Saudi Modern Company for Special Wires and Cables Industry	3400011657	21/06/1429H (corresponding to 25/06/2008G)	20/06/1444H (corresponding to 13/01/2023G)	Sakaka, KSA	Sale of electrical and communication cables
18	Saudi Modern Company for Special Wires and Cables Industry	1010752924	22/03/1443H (corresponding to 28/10/2021G)	22/03/1448H (corresponding to 04/09/2026G)	Riyadh, KSA	Sale of electrical and communication cables

Source: The Company

**Table (154): RCM's Branches**

#	Branch Name as per the Registration Certificate	Registration No.	Registration Date	City and Country of Registration	Branch's Licensed Business
1	Branch of Saudi Modern Company for the Manufacturing of Metals, Cables and Plastic - Kuwait	362426	10/11/2015G	Kuwait, the State of Kuwait	General Commerce
2	Branch of Saudi Modern Company for the Manufacturing of Metals, Cables and Plastic Closed Joint Stock - Abu Dhabi	CN-1815448	26/08/1435H (corresponding to 24/06/2014G)	Abu Dhabi, UAE	Wholesale trade of wires and power cables Wholesale trade of electrical tools and extensions Electrical power transmission and control equipment installation works Wholesale trade, transport and distribution of electrical power generation equipment
3	Saudi Modern Company for the Manufacturing of Metals, Cables and Plastic Closed Joint Stock - Dubai branch	1022811	21/01/1429H (corresponding to 30/01/2008G)	Dubai, UAE	Electrical power transmission and control equipment installation works Trade of wires and cables Trade of electrical fittings Trade of power generation, transmission and distribution equipment
4	Branch of Saudi Modern Company for the Manufacturing of Metals, Cables and Plastic Ltd Riyadh Cables and Metals (Dubai Branch)	1383793	26/04/1440H (corresponding to 02/01/2019G)	Dubai, UAE	Electrical power transmission and control equipment installation works Trade of wires and cables Trade of electrical fittings Trade of power generation, transmission and distribution equipment

Source: The Company

**Table (155): RCC's Branch**

#	Branch Name as per the Registration Certificate	Registration No.	Registration Date	Expiration Date	Location	Branch's Licensed Business
1	Riyadh Cables Company Dubai Branch	1190746	2/12/1436H (corresponding to 15/09/2015G)	18/02/1444H (corresponding to 14/09/2022G)	Dubai, UAE	Trade of wires and cables Trade of firefighting and safety equipment

Source: The Company

## 12.5 Key Licenses, Approvals and Permits Obtained by the Company and its Material Subsidiaries

The following is a summary of the key licenses, approvals and permits obtained by the Company and its Material Subsidiaries, in addition to suspended or expired licenses and permits:

**Table (156): Key Licenses, Approvals and Permits Obtained by the Company and its Material Subsidiaries**

Type of License/Approval/Permit	License/Approval/Permit No.	Issue Date	Expiration Date	Issuing Authority	Notes
<b>1 The Company</b>					
Chamber of Commerce registration certificate	27815	27/05/1404H (corresponding to 29/02/1984G)	24/06/1444H (corresponding to 17/01/2023G)	Riyadh Chamber of Commerce	N/A
Saudization Certificate	17979142-123628	15/11/1443H (corresponding to 14/06/2022G)	25/12/1443H (corresponding to 24/07/2022G)	MHRSD	N/A
Certificate of compliance with the social insurance obligations	48307044	20/01/1444H (corresponding to 18/08/2022G)	20/02/1444H (corresponding to 16/09/2022G)	GOSI	N/A
Tax return certificate	1110239109	09/10/1443H (corresponding to 10/05/2022G)	10/10/1444H (corresponding to 30/04/2023G)	ZATCA	N/A
VAT Registration Certificate	300050432610003	04/03/1439H (corresponding to 22/11/2017G)	N/A	ZATCA	N/A
<b>1.1 Cable Factory No. 1</b>					
Operating license	5781444110027218	10/01/1444H (corresponding to 07/08/2022G)	13/07/1444H (corresponding to 01/01/2026G)	Modon	N/A
Industrial license	421102109727	05/06/1442H (corresponding to 18/01/2021G)	06/07/1445H (corresponding to 18/01/2024G)	Ministry of Industry and Mineral Resources	N/A
Environmental Permit	617	12/01/1444H (corresponding to 09/08/2022G)	02/01/1447H (corresponding to 27/06/2025G)	National Center for Environmental Compliance	N/A
<b>1.2 Cable Factory No. 3</b>					
Operating license	135611444218028296	18/02/1444H (corresponding to 14/09/2022G)	21/08/1444H (corresponding to 13/03/2022G)	Modon	N/A
Industrial license	421102109727	05/06/1442H (corresponding to 18/01/2021G)	06/07/1445H (corresponding to 18/01/2024G)	Ministry of Industry and Mineral Resources (MIM)	N/A
Environmental permit	645	12/01/1444H (corresponding to 09/08/2022G)	04/01/1447H (corresponding to 29/06/2025H)	National Center for Environmental Compliance	N/A
<b>2. RCM</b>					
Chamber of Commerce registration certificate	17534	13/07/1441H (corresponding to 29/01/1991G)	12/06/1445H (corresponding to 25/12/2023G)	Riyadh Chamber of Commerce	N/A
Saudization Certificate	48719803-207385	26/12/1443H (corresponding to 25/07/2022G)	29/03/1444H (corresponding to 25/10/2022G)	MHRSD	N/A
Certificate of compliance with the social insurance obligations	48258104	18/01/1444H (corresponding to 16/08/2022G)	18/02/1444H (corresponding to 14/09/2022G)	GOSI	N/A

Type of License/Approval/Permit	License/Approval/Permit No.	Issue Date	Expiration Date	Issuing Authority	Notes
Tax return certificate	1110227421	29/09/1443H (corresponding to 30/04/2022G)	10/10/1444H (corresponding to 30/04/2023G)	ZATCA	N/A
VAT Registration Certificate	3000494547	04/03/1439H (corresponding to 22/11/2017G)	N/A	ZATCA	N/A
<b>2.1 Cable Factory No. 2</b>					
Operating license	5781444110027232	10/01/1444H (corresponding to 07/08/2022G)	13/07/1444H (corresponding to 01/01/2026H)	Modon	N/A
Industrial license	421102111176	04/08/1442H (corresponding to 17/03/2021G)	10/01/1445H (corresponding to 28/07/2023G)	Ministry of Industry and Mineral Resources (MIM)	N/A
Environmental permit	24577	01/12/1443H (corresponding to 30/06/2022G)	27/11/1446H (corresponding to 24/05/2025G)	National Center for Environmental Compliance	N/A
<b>2.2 Supporting Factory No. 1</b>					
Operating license	5781444110027230	10/01/1444H (corresponding to 07/08/2022G)	13/07/1444H (corresponding to 03/02/2023G)	Modon	N/A
Industrial license	421102111176	04/08/1442H (corresponding to 17/03/2021G)	10/01/1445H (corresponding to 28/07/2023G)	Ministry of Industry and Mineral Resources (MIM)	N/A
Environmental permit	656	12/01/1444H (corresponding to 09/08/2022G)	02/01/1447H (corresponding to 27/06/2025G)	National Center for Environmental Compliance	N/A
<b>2.3 Supporting Factory No. 2</b>					
Operating license	135611444218028296	18/02/1444H (corresponding to 14/09/2022G)	21/08/1444H (corresponding to 13/03/2022G)	Modon	N/A
Industrial license	421102111176	04/08/1442H (corresponding to 17/03/2021G)	10/01/1445H (corresponding to 28/07/2023G)	Ministry of Industry and Mineral Resources (MIM)	N/A
Environmental permit	28753	02/12/1442H (corresponding to 12/07/2021G)	13/11/1445H (corresponding to 21/05/2024G)	National Center for Environmental Compliance	N/A
<b>2.4 Supporting Factory No. 3</b>					
Operating license	135611444218028296	18/02/1444H (corresponding to 14/09/2022G)	21/08/1444H (corresponding to 13/03/2022G)	Modon	N/A
Industrial license	421102111176	04/08/1442H (corresponding to 17/03/2021G)	10/01/1445H (corresponding to 28/07/2023G)	Ministry of Industry and Mineral Resources (MIM)	N/A
Environmental permit	16441	15/07/1443H (corresponding to 16/02/2022G)	07/12/1445H (corresponding to 13/07/2024G)	National Center for Environmental Compliance	N/A
<b>2.5 Supporting Factory No. 4</b>					
Operating license	5781444110027222	10/01/1444H (corresponding to 07/08/2022G)	13/07/1444H (corresponding to 04/02/2023G)	Modon	N/A
Industrial license	421102111176	04/08/1442H (corresponding to 17/03/2021G)	10/01/1445H (corresponding to 28/07/2023G)	Ministry of Industry and Mineral Resources	N/A

Type of License/Approval/Permit	License/Approval/Permit No.	Issue Date	Expiration Date	Issuing Authority	Notes
Environmental Permit	664	12/01/1444H (corresponding to 09/08/2022G)	02/01/1447H (corresponding to 27/06/2025G)	National Center for Environmental Compliance	N/A
<b>2.6 Supporting Factory No. 5</b>					
Operating license	5781444110027230	10/01/1444H (corresponding to 07/08/2022G)	13/07/1444H (corresponding to 03/02/2023G)	Modon	N/A
Industrial license	421102111176	04/08/1442H (corresponding to 17/03/2021G)	10/01/1445H (corresponding to 28/07/2023G)	Ministry of Industry and Mineral Resources (MIM)	N/A
Environmental permit	G M/1132	23/10/1440H (corresponding to 26/06/2019G)	23/10/1444H (corresponding to 13/05/2023G)	The General Authority of Meteorology and Environmental Protection (GAMEP)	N/A
<b>2.7 Supporting Factory No. 6</b>					
Operating license	135611444218028296	18/02/1444H (corresponding to 14/09/2022G)	21/08/1444H (corresponding to 13/03/2022G)	Modon	N/A
Industrial license	421102111176	04/08/1442H (corresponding to 17/03/2021G)	10/01/1445H (corresponding to 28/07/2023G)	Ministry of Industry and Mineral Resources (MIM)	N/A
Environmental permit	G M/19743/1443	02/01/1444H (corresponding to 10/08/2022G)	02/01/1447H (corresponding to 27/06/2025G)	National Center for Environmental Compliance	N/A
<b>3. RTC</b>					
Chamber of Commerce registration certificate	51785	08/01/1414H (corresponding to 28/07/2023G)	24/06/1446H (corresponding to 25/12/2024H)	Riyadh Chamber of Commerce	N/A
Saudization Certificate	72758699-209321	28/12/1443H (corresponding to 27/07/2022G)	29/03/1444H (corresponding to 25/10/2022G)	MHRSD	N/A
Certificate of compliance with the social insurance obligations	48259015	18/01/1444H (corresponding to 16/08/2022G)	18/02/1444H (corresponding to 14/09/2022G)	GOSI	N/A
Tax return certificate	1020006455	08/10/1443H (corresponding to 09/05/2022G)	10/10/1444H (corresponding to 30/04/2023G)	ZATCA	N/A
VAT Registration Certificate	3000563255	04/03/1439H (corresponding to 22/11/2017G)	N/A	ZATCA	N/A
<b>3.1 Cable Factory No. 6</b>					
Operating license	5781444110027236	10/01/1444H (corresponding to 07/08/2022G)	13/07/1444H (corresponding to 03/02/2022G)	Modon	N/A
Industrial license	421102109694	04/06/1442H (corresponding to 17/01/2021G)	05/07/1445H (corresponding to 17/01/2024G)	Ministry of Industry and Mineral Resources	N/A
Environmental Permit	24573	01/12/1443H (corresponding to 30/06/2022G)	20/11/1446H (corresponding to 17/05/2025G)	National Center for Environmental Compliance	N/A
<b>3.2 Cable Factory No. 7</b>					
Operating license	5781444110027236	10/01/1444H (corresponding to 07/08/2022G)	13/07/1444H (corresponding to 03/02/2023G)	Modon	N/A



Type of License/Approval/Permit	License/Approval/Permit No.	Issue Date	Expiration Date	Issuing Authority	Notes
Industrial license	421102109694	04/06/1442H (corresponding to 17/01/2021G)	05/07/1445H (corresponding to 17/01/2024G)	Ministry of Industry and Mineral Resources (MIM)	N/A
Environmental permit	24573	01/12/1443H (corresponding to 30/06/2022G)	20/11/1446H (corresponding to 17/05/2025G)	National Center for Environmental Compliance	Expired
<b>4. RCC</b>					
Chamber of Commerce registration certificate	84044	20/02/1418H (corresponding to 26/06/1997G)	24/06/1444H (corresponding to 17/01/2023G)	Riyadh Chamber of Commerce	N/A
Saudization Certificate	12825572-337000	28/12/1443H (corresponding to 27/07/2022G)	29/03/1444H (corresponding to 25/10/2022G)	MHRSD	N/A
Certificate of compliance with the social insurance obligations	48263390	18/01/1444H (corresponding to 16/08/2022G)	18/02/1444H (corresponding to 14/09/2022G)	GOSI	N/A
Tax return certificate	1020221024	27/09/1443H (corresponding to 28/04/2022G)	10/10/1444H (corresponding to 30/04/2023G)	ZATCA	N/A
VAT Registration Certificate	3000473972	04/03/1439H (corresponding to 22/11/2017G)	N/A	ZATCA	N/A
<b>5. NCI</b>					
Registration Certificate	506877	16/06/1421H (corresponding to 14/09/2000G)	02/06/1444H (corresponding to 26/12/2022G)	Sharjah Chamber of Commerce and Industry	N/A
<b>5.1 Cable Factory No. 8</b>					
Environmental permit	928816	16/06/1421H (corresponding to 14/09/2000G)	02/06/1444H (corresponding to 26/12/2022G)	Sharjah City Municipality	N/A
Safety Certificate	2021-3-1366913	25/09/1443H (corresponding to 26/04/2022G)	06/10/1444H (corresponding to 26/04/2023G)	Ministry of Interior - General Department of Civil Defense	N/A
Industrial license	506877	22/03/1443H (corresponding to 28/10/2021G)	02/04/1444H (corresponding to 27/10/2022G)	Government of Sharjah - Economic Development Department	N/A
Safety Certificate	2016-3-141424	14/01/1421H (corresponding to 19/04/2000G)	02/06/1444H (corresponding to 26/12/2022G)	Ministry of Interior - General Department of Civil Defense	N/A
<b>6. REW</b>					
Chamber of Commerce registration certificate	50569	13/11/1413H (corresponding to 05/05/1993G)	12/06/1445H (corresponding to 25/12/2023G)	Riyadh Chamber of Commerce	N/A
Saudization Certificate	10704230-549171	28/12/1443H (corresponding to 27/07/2022G)	29/03/1444H (corresponding to 25/10/2022G)	MHRSD	N/A
Certificate of compliance with the social insurance obligations	48258874	18/01/1444H (corresponding to 16/08/2022G)	18/02/1444H (corresponding to 14/09/2022G)	GOSI	N/A
Tax return certificate	1110218879	27/09/1443H (corresponding to 28/04/2022G)	10/10/1444H (corresponding to 30/04/2023G)	ZATCA	N/A

Type of License/Approval/Permit	License/Approval/Permit No.	Issue Date	Expiration Date	Issuing Authority	Notes
VAT Registration Certificate	3000499228	04/03/1439H (corresponding to 22/11/2017G)	N/A	ZATCA	N/A
<b>6.1 Cable Factory No. 4</b>					
Operating license	5781444110027228	10/01/1444H (corresponding to 07/08/2022G)	13/07/1444H (corresponding to 03/02/2023G)	Modon	N/A
Industrial license	421102110214	25/06/1442H (corresponding to 07/02/2021G)	26/07/1445H (corresponding to 07/02/2024G)	Ministry of Industry and Mineral Resources	N/A
Environmental Permit	647	12/01/1444H (corresponding to 09/08/2022G)	04/01/1447H (corresponding to 29/06/2025G)	National Center for Environmental Compliance	N/A
<b>6.2 Cable Factory No. 5</b>					
Operating license	5781444110027228	10/01/1444H (corresponding to 07/08/2022G)	13/07/1444H (corresponding to 03/02/2023G)	Modon	N/A
Industrial license	421102110214	25/06/1442H (corresponding to 07/02/2021G)	26/07/1445H (corresponding to 07/02/2024G)	Ministry of Industry and Mineral Resources (MIM)	N/A
Environmental permit	679	12/01/1444H (corresponding to 09/08/2022G)	04/01/1447H (corresponding to 29/06/2025G)	National Center for Environmental Compliance	N/A
<b>6.3 REW's Branches:</b>					
<b>6.3.1 REW branch – Riyadh</b>					
Municipality License	40021751816	24/04/1440H (corresponding to 31/12/2018G)	19/12/1440H (corresponding to 20/08/2019G)	MOMRAH	Expired
Civil Defense License	1057/D F	29/12/1438H (corresponding to 20/09/2017G)	29/12/1439H (corresponding to 09/09/2018G)	General Directorate of Civil Defense	Expired
<b>6.3.2 REW branch - Jeddah</b>					
Municipality License	39111341528	02/02/1439H (corresponding to 09/09/2018G)	01/02/1446H (corresponding to 05/08/2024G)	MOMRAH	N/A
Civil Defense License	43-000058689-4	07/11/1443H (corresponding to 06/05/2022G)	07/11/1444H (corresponding to 27/05/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.3 REW branch - Al Khobar</b>					
Municipality License	40112503958	14/01/1437H (corresponding to 27/10/2015G)	13/01/1445H (corresponding to 31/07/2023G)	MOMRAH	N/A
Civil Defense License	42-000739170-1	20/11/1442H (corresponding to 30/06/2021G)	20/11/1443H (corresponding to 19/06/2022G)	General Directorate of Civil Defense	Expired
<b>6.3.4 REW branch - Buraidah</b>					
Municipality License	3909430754	21/12/1437H (corresponding to 22/09/2016G)	21/12/1448H (corresponding to 27/05/2027G)	MOMRAH	N/A
Civil Defense License	43-000937097-1	10/11/1443H (corresponding to 09/06/2022G)	10/11/1444H (corresponding to 01/05/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.5 REW branch – Khamis Mushait</b>					

Type of License/Approval/Permit	License/Approval/Permit No.	Issue Date	Expiration Date	Issuing Authority	Notes
Municipality License	43109851064	02/11/1443H (corresponding to 01/06/2022G)	02/11/1445H (corresponding to 10/05/2024G)	MOMRAH	N/A
Civil Defense License	43-000931242-1	02/11/1443H (corresponding to 01/06/2022G)	02/11/1444H (corresponding to 21/05/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.6 REW branch –Madinah</b>					
Municipality License	43109831505	24/10/1443H (corresponding to 25/05/2022G)	24/10/1445H (corresponding to 03/05/2024G)	MOMRAH	N/A
Civil Defense License	43-000794853-1	05/05/1443H (corresponding to 09/12/2021G)	05/05/1444H (corresponding to 29/11/2022G)	General Directorate of Civil Defense	N/A
<b>6.3.7 REW branch – Makkah</b>					
Municipality License	3909433113	24/12/1436H (corresponding to 07/10/2015G)	23/12/1445H (corresponding to 29/06/2024G)	MOMRAH	N/A
Civil Defense License	43-000940403-1	09/11/1443H (corresponding to 08/06/2022G)	09/11/1444H (corresponding to 29/05/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.8 REW branch – Hail</b>					
Municipality License	40011643527	25/12/1437H (corresponding to 26/09/2016G)	25/12/1444H (corresponding to 13/07/2023G)	MOMRAH	N/A
Civil Defense License	43-000935832-1	28/12/1443H (corresponding to 27/07/2022G)	28/12/1444H (corresponding to 16/07/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.9 REW branch – Jizan</b>					
Municipality License	40011573995	25/11/1434H (corresponding to 01/10/2013G)	25/11/1444H (corresponding to 14/06/2023G)	MOMRAH	N/A
Civil Defense License	43-000933436-1	15/11/1443H (corresponding to 14/06/2022G)	15/11/1444H (corresponding to 04/06/2023H)	General Directorate of Civil Defense	N/A
<b>6.3.10 REW branch – Tabuk</b>					
Municipality License	3909328558	27/06/1438H (corresponding to 26/03/2017G)	27/06/1444H (corresponding to 20/01/2023G)	MOMRAH	N/A
Civil Defense License	43-000933714-1	27/11/1443H (corresponding to 26/06/2022G)	27/11/1444H (corresponding to 16/06/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.11 REW branch - Al Hofuf</b>					
Municipality License	3909463244	17/08/1436H (corresponding to 04/06/2015G)	16/08/1445H (corresponding to 26/02/2024G)	MOMRAH	N/A
Civil Defense License	43-000673161-2	07/07/1443H (corresponding to 08/02/2022G)	07/07/1444H (corresponding to 29/01/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.12 REW branch – Najran</b>					
Municipality License	4310983475	03/11/1443H (corresponding to 02/06/2022G)	03/11/1445H (corresponding to 11/05/2024G)	MOMRAH	N/A

Type of License/Approval/Permit	License/Approval/Permit No.	Issue Date	Expiration Date	Issuing Authority	Notes
Civil Defense License	43-000931459-1	02/11/1443H (corresponding to 01/06/2022G)	02/11/1444H (corresponding to 22/05/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.13 REW branch – Taif</b>					
Municipality License	3911994635	11/04/1437H (corresponding to 21/01/2016G)	11/04/1444H (corresponding to 05/11/2022G)	MOMRAH	N/A
Civil Defense License	43-000940075-1	04/01/1444H (corresponding to 02/08/2022G)	04/01/1445H (corresponding to 22/07/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.14 REW branch – Hafr Al Batin</b>					
Municipality License	40052032068	10/07/1418H (corresponding to 11/11/1997G)	10/07/1444H (corresponding to 01/02/2023G)	MOMRAH	N/A
Civil Defense License	43-000965789-1	25/12/1443H (corresponding to 24/07/2022G)	25/12/1444H (corresponding to 13/07/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.15 REW branch – Yanbu</b>					
Municipality License	41032611404	28/11/1439H (corresponding to 10/08/2018G)	27/11/1445H (corresponding to 04/06/2024G)	MOMRAH	N/A
Civil Defense License	43-000559324-2	28/02/1443H (corresponding to 05/10/2021G)	28/02/1444H (corresponding to 24/09/2022G)	General Directorate of Civil Defense	N/A
<b>6.3.16 REW branch – Jubail</b>					
Municipality License	43109806054	12/11/1440H (corresponding to 15/07/2019G)	11/11/1443H (corresponding to 10/06/2022G)	MOMRAH	Expired
Civil Defense License	43-000930783-1	03/11/1443H (corresponding to 02/06/2022G)	03/11/1444H (corresponding to 23/05/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.17 REW branch – Baljurashi</b>					
Municipality License	42034141603	06/08/1423H (corresponding to 12/10/2002G)	06/08/1445H (corresponding to 16/02/2024G)	MOMRAH	N/A
Civil Defense License	43-000703002-2	21/08/1443H (corresponding to 24/03/2022G)	21/08/1444H (corresponding to 13/03/2023G)	General Directorate of Civil Defense	N/A
<b>6.3.18 REW branch – Sakaka</b>					
Municipality License	3910692260	10/01/1439H (corresponding to 30/09/2017G)	10/01/1444H (corresponding to 08/08/2022G)	MOMRAH	Expired
Civil Defense License	1-000742304-42	09/04/1443H (corresponding to 14/11/2021G)	09/04/1444H (corresponding to 03/11/2022G)	General Directorate of Civil Defense	N/A

It should be noted that the Group is in the process of renewing a number of expired licenses, including Civil Defense licenses of REW's branches in Riyadh and Al Khobar; and the municipality license of REW's branch in Riyadh, Jubail and Sakaka (for further details on the risks related to the renewal and issuance of licenses, please see Subsection 2.1.14 "Risks related to the inability of any of the Group's companies to renew the licenses required to conduct their business" of this Prospectus).

## 12.6 Material Agreements

The Company and its Subsidiaries have entered into a number of material agreements and contracts with multiple parties. This section sets out a summary of the agreements and contracts, which may, from the perspective of the Board, be material and significant with respect to the business of the Company or its Material Subsidiaries or which may affect the investors' decision to subscribe for the Offer Shares. The summary of agreements and contracts referred to below does not include all terms and conditions and it cannot be considered a substitute for the terms and conditions of such agreements. The Directors declare that all material agreements entered into by the Company and its Material Subsidiaries have been disclosed in this section and that there are no other undisclosed contracts or agreements that may affect the decision of the Subscribers. For the purposes of this section, agreements or transactions are deemed material in the following cases:

- If they involve liabilities or equity representing 5% or more of the Group's assets, liabilities or revenue as of 31 December 2021G. This category includes the Group's relationship with SEC. The Group's sales to SEC amounted to 11.5% of the Group's total revenue during the financial year ended 31 December 2021G (for further details on the agreements and transactions with SEC, please see Subsection (12.6.2.2) "**Sales of LV and MV cables and Overhead Power Lines (OHLs) to electricity transmission and distribution and utility companies/entities**", Subsection (12.6.2.3) "**Sales in relation to utility projects in which the Group is a supplier of cables and cable systems to project owners (or contractors)**" and Subsection (12.6.2.4) "**Sales in relation to utility projects in which the Group is a turnkey contractor**") below). There are no agreements or transactions with another party that involve liabilities or equity representing 5% or more of the Group's assets, liabilities or revenue as of 31 December 2021G.
- If they are of strategic importance to the Group regardless of their value (such as agreements and transactions with utility company customers, agreements in which the Group implements turnkey projects and joint venture agreements) (for further details, please see Subsection (12.6.2) "**Agreements with the Key Customers of the Company and its Material Subsidiaries**" and Subsection (12.6.5) "**Joint Venture Agreement with Gulf Cables and Electric Company (GCE)**" below).
- If they are important to the Group's operations regardless of their value (such as raw material supply agreements with key suppliers, hedging agreements and transportation agreements) (for further details, please see Subsection (12.6.1) "**Raw Material Supply Agreements Entered into by the Company and its Material Subsidiaries**" below).

### 12.6.1 Raw Material Supply Agreements Entered into by the Company and its Material Subsidiaries

The Group has several suppliers of raw materials such as metals, polymers, fiber optics and other necessary materials which are used in the Group's manufacturing processes. The Group is not dependent on a specific supplier, as the materials supplied are available from other suppliers, i.e., the Group can procure them from other sources. Consequently, except for its relationship with Ma'aden, SABIC, Polymed Distribution FZE, Borealis, and Dow Chemical Company, none of its relationships with the current raw materials suppliers is deemed to be material.

The Group's relationship with Borealis and Dow Chemical Company are deemed material given that they are the key suppliers of extruded cross-linked polyethylene (XLPE) cable insulation materials. The Group carries out its transactions with Borealis and Dow Chemical Company through purchase orders (as needed) issued in accordance with the Group's procurement procedures. Purchase orders include the supplied materials and products, their quantities and delivery terms, in addition to standard confidentiality and warranty provisions. Such purchase orders are governed by the laws of the Kingdom.

With respect to Ma'aden and SABIC, the Group prefers to transact with these suppliers due to their presence in the Kingdom. Noting that the materials offered by SABIC and Ma'aden can be sourced from other vendors internationally if the need arises. The Group enters into framework agreements with Ma'aden and SABIC, which are renewed on a yearly basis, the details of which are set out below:

#### 12.6.1.1 SABIC Supply Agreement

The Company (in its capacity as purchaser) entered into an agreement with SABIC (in its capacity as supplier) on 28/05/1443H (corresponding to 01/01/2022G), whereby SABIC agrees to supply the Company with some raw materials, such as polymers, pursuant to purchase orders to be issued by the Company as needed. The agreement is effective for twelve months. The agreement includes the estimated amounts of the products to be supplied to the Company throughout the term of the agreement. During the first four days of each month, the Company shall give a forecast for the products needed for the subsequent month. In the event that the quantities expected to be supplied during the subsequent month are more than those expected to be supplied under the agreement and annexes thereof, the acceptance of such additional quantities shall be subject to SABIC's absolute discretion. The Company must purchase at least 70% of the quantity expected to be supplied of each product each month. This agreement is governed by the laws of the Kingdom. The competent courts of the Kingdom shall have jurisdiction in respect of any disputes arising therefrom.

### 12.6.1.2 Ma'aden Supply Agreement

RCM (in its capacity as purchaser) entered into an agreement with Ma'aden (in its capacity as supplier) on 24/03/1443H (corresponding to 30/10/2021G), whereby Ma'aden agrees to supply RCM with 36,000 mt of aluminum ore per annum. The term of the agreement is one (1) year, effective as of 28/05/1443H (corresponding to 01/01/2022G) until 07/06/1444H (corresponding to 31/12/2022G). The quantity specified under the agreement may be adjusted as per the terms agreed upon between the parties to the agreement. Payment of the purchase price shall be made in USD. The price is to be determined pursuant to a formula agreed upon between the parties under the agreement. RCM shall, as a prerequisite for shipment of any materials, issue an unconditional bank guarantee letter upon request, provided by an issuer approved by Ma'aden.

### 12.6.2 Agreements with the Key Customers of the Company and its Material Subsidiaries

The Company and its Material Subsidiaries enter into contracts with their key customers through several arrangements such as sale agreements and purchase orders. Transactions of the Company and its Material Subsidiaries with key suppliers fall under three main categories as further explained below:

#### 12.6.2.1 Sale of LV wires and cables and building wires to contractors, end-users and distributors

The Group sells LV wires and cables and building wires to end users and distributors locally through REW's distribution centers and internationally through RCM's agents. Sales under this category do not involve design or installation services for customers. Set out below are brief descriptions of the nature of these transactions:

- a- **Direct cash sales to end-users in the KSA:** Direct cash sales are conducted through direct purchase by the customers (i.e., end users) and therefore do not require agreements or purchase orders.
- b- **Sales to local contractors in the Kingdom:** Such sales are governed by purchase orders issued pursuant to technical and commercial offers issued by the Company, which are based on standard form proposal of the Group, and include the validity period, product specifications, delivery timeline and payment terms.
- c- **Wholesale to distributors in the KSA:** Such sales are governed by short-form framework agreements based on the Group's contract templates, which include the term of the agreement, product specifications and the sales incentives applicable thereto, as well as a confidentiality obligation upon the customer not to disclose the incentives applicable to the products sold.
- d- **Wholesale to agents outside the KSA:** Such sales are governed by agency agreements concluded between RCM and the relevant agent. As of the date of this Prospectus, there is only one commercial agent appointed for sales in the Emirate of Abu Dhabi, UAE. Below are the key terms of the commercial agency agreement entered into with such agent.

RCM entered into an agency agreement with Arab Development Establishment ("ADE") on 17/01/1418H (corresponding to 24/05/1997G), pursuant to which ADE shall market and sell RCM's products in the Emirate of Abu Dhabi, UAE in consideration for a percentage of the sale value of any goods supplied by RCM in the Emirate of Abu Dhabi. RCM shall provide ADE with the publications, product list and models for marketing. The agreement is for a term of one (1) year, automatically renewed for similar periods. Any dispute that arises between the parties shall be referred to arbitration.

#### 12.6.2.2 Sale of LV and MV cables and Overhead Power Lines (OHLs) to electricity transmission and distribution and utility companies/entities

The Group's customers under this category include SEC, Dubai Electricity & Water Authority (DEWA), and Sharjah Electricity & Water Authority (SEWA). Set out below are brief overviews of agreements/transactions between the Group and these customers.

#### A- SEC

In general, the Company bids for annual tenders held by SEC to purchase its product needs. The terms of these tenders include the types of products to be supplied and the quantities expected to be needed by SEC. These products generally include LV and MV cables and OHLs. Once the tender is awarded to the Company, the Company and SEC enter into a framework agreement under the name of either a "purchase option agreement" or a "just in time delivery agreement," which govern their relationship, including the types and estimated quantities of products to be supplied to SEC pursuant to purchase orders to be issued by SEC based on its needs. The Company is obligated to deliver the relevant products to SEC as prescribed in the relevant purchase orders. Agreement fulfillment typically takes twelve to eighteen months. Invoices are issued upon delivery of the products to the site/warehouse as determined by SEC. Invoices are typically paid within thirty to sixty days as specified in the purchase orders.

It should be noted that this category does not involve design, installation or implementation services to be provided by the Company (the Company provides these services only in turnkey projects, as detailed in Subsection (12.6.2.4) “**Sales in relation to utility projects in which the Group is a turnkey contractor**” of this Prospectus). With respect to SEC turnkey projects awarded to contractors (other than the Company), as detailed in Subsection (12.6.2.3) “**Sales in relation to utility projects in which the Group is a supplier of cables and cable systems to project owners (or contractors)**” of this Prospectus, the Company may engage in the design and supply of certain products to SEC contractors pursuant to direct delivery agreements concluded pursuant to the Purchase Option Agreement (or as applicable, Just in Time Purchase Agreement).

Below are details of the key agreements entered into by the Group with SEC under this category:

- **Just in Time Purchase Agreement No. 4600010278 with SEC**

The Company entered into Just in Time Purchase Agreement No. 4600010278 with SEC on 19/02/1443H (corresponding to 26/09/2021G) pursuant to tender No. C001098281 dated 24/11/1442H (corresponding to 04/07/2021G), which serves as a framework agreement pursuant to which the Company supplies SEC with cables and connections based on purchase orders to be issued by SEC as needed. It should be noted that pursuant to the agreement, the Company begins manufacturing the products after obtaining the relevant purchase orders. Said products are stored in the Company's warehouses until delivery to SEC warehouses is requested. Additionally, the Company is under the obligation to begin manufacturing the requested products and fix the prices of the metals, according to the metal price formula (based on the London Stock Exchange), after one business day following receipt of the purchase order. This agreement is valid until 09/09/1444G (corresponding to 31/03/2023G) and may be renewed for additional terms by virtue of written appendices to be signed by both parties and annexed to the Just in Time Purchase Agreement 30 days prior to the expiry of the term of the agreement. This agreement is governed by the laws of the Kingdom. The competent courts of the Kingdom shall have jurisdiction in respect of any disputes arising therefrom.

- **Purchase Option Agreement No. 4600010303 with SEC**

The Company entered into Purchase Option Agreement No. 4600010303 with SEC on 27/02/1443H (corresponding to 04/10/2021G) pursuant to tender No. C00109828 dated 01/12/1442H (corresponding to 11/07/2021G), which serves as a framework agreement pursuant to which the Company supplies SEC with cables and connections based on purchase orders to be issued by SEC as needed. It should be noted that pursuant to the agreement, the Company begins manufacturing the products after obtaining the relevant purchase orders. Thereafter, the Company must deliver the requested products to SEC's warehouses on the dates specified in the relevant purchase order. The Company is under the obligation to begin manufacturing the requested products and fix the prices of the metals. This agreement is valid until 09/09/1444G (corresponding to 31/03/2023G) and may be renewed for additional terms by virtue of written appendices to be signed by both parties and annexed to the Purchase Option Agreement. This agreement is governed by the laws of the Kingdom. The competent courts of the Kingdom shall have jurisdiction in respect of any disputes arising therefrom.

- **Direct Delivery Agreement No. 4600010288 with SEC**

The Company entered into Direct Delivery Agreement No. 4600010288 with SEC on 19/02/1443H (corresponding to 26/09/2021G) pursuant to tender No. C001098281, which serves as a framework agreement pursuant to which the Company supplies SEC with cables and connections based on purchase orders to be issued by SEC as needed by its contractors. It should be noted that after manufacturing the products pursuant to the agreement, delivery orders shall be issued to the contractors by SEC, and delivery shall be within four (4) business days from receiving the relevant delivery order. This agreement is valid until 09/09/1444G (corresponding to 31/03/2023G) and may not be renewed. This agreement is governed by the laws of the Kingdom. The competent courts of the Kingdom shall have jurisdiction in respect of any disputes arising therefrom.

## **B- Sharjah Electricity, Water and Gas Authority (SEWA)**

The Group generally supplies its products to SEWA pursuant to purchase orders issued by the latter as required. It should be noted that SEWA issued Purchase Order No. SPD/L/22L0079668 on 01/07/1443H (corresponding to 02/02/2022G) to NCI, pursuant to Tender No. 92705 in relation to the supply of LV cables according to the specifications and quantities specified in the relevant purchase orders, in consideration of SAR 59,296,250. Payment should be made within 120 days from the date of issuance of the invoices, provided such invoices are approved by the project owner. In the event of delay by NCI in supplying any of the products at the time agreed between the parties, a fine shall be imposed on NCI for each week of delay, in accordance with the terms agreed in the relevant purchase orders. Additionally, NCI guarantees the materials it supplies for a period of eighteen (18) months from the date of commissioning the cables or twenty-four (24) months from the date of supply, whichever is earlier.

### C- Dubai Electricity & Water Authority (DEWA)

The Company generally supplies its products to DEWA pursuant to short-form agreements and/or purchase orders issued by DEWA, as required.

It should be noted that RCM has entered into Agreement No. 4212200005 with DEWA pursuant to Tender No. RFX. 2052100112 on 29/08/1443H (corresponding to 01/04/2022G) in relation to the supply of MV cables according to the specifications and quantities specified in the agreement. The agreement is valid until 19/06/1444H (corresponding to 12/01/2023G). The total value of the agreement is AED 50,328,600. RCM must issue a performance guarantee within 15 days from the date of the agreement. Such guarantee should be valid for 90 days from the date of delivery of the last consignment under the agreement. Furthermore, RCM guarantees the products it supplies by virtue of the agreement for a period of twenty-four (24) months from the date of delivery of the last consignment under the agreement. The agreement is governed by the laws of the Emirate of Dubai, UAE.

Furthermore, DEWA issued Purchase order No. 3412100176 on 13/11/1442H (corresponding to 23/06/2021G) to RCM pursuant to Tender No. RFX. 2052100013 in relation to the supply of MV cables according to the specifications and quantities specified in the relevant purchase orders. The total value of the purchase orders is AED 56,547,582. NCI must issue a performance guarantee within 15 days from the date of the agreement. Such guarantee should be valid for 90 days from the date of delivery of the last consignment under the agreement. Furthermore, NCI guarantees the products it supplies under the agreement for a period of twenty-four (24) months from the date of delivery of the last consignment. The agreement is governed by the laws of the Emirate of Dubai, UAE.

#### 12.6.2.3 Sales in relation to utility projects in which the Group is a supplier of cables and cable systems to project owners (or contractors)

The Company and its Material Subsidiaries participates through tendering processes in local and international utility projects whether as:

- a- a turnkey contractor (as further explained in Subsection (12.6.2.4) “Sales in relation to utility projects in which the Group is a turnkey contractor” below); or
- b- as a supplier of products to local and international utility project owners or their contractors, either directly or by participating in tenders for the supply of LV and MV wires and cables, OHLs, fiber-optic cables, and HV and EHV cable systems. The supply of HV and EHV cable systems involves providing design services. Sales under this category can be made directly to the project owner, or alternatively, the relevant turnkey contractor.

Sales made to SEC under this category are governed by the framework agreements described in Subsection (12.6.2.2) “Sale of LV and MV cables and Overhead Power Lines (OHLs) to electricity transmission and distribution and utility companies/entities” above. Sales made to international project owners (e.g., Sharjah Electricity, Water, Gas Authority (SEWA) and Dubai electricity & Water Authority (DEWA)) and local and international contractors (e.g. Siemens Energy Company, Mohammed Al-Ojaimi Group, Trading & Partnership Development Company and L&T PC JV) are governed by short-form agreements and/or purchase orders issued by the relevant contractors or project owners. Set out below are brief summaries of the key transactions/agreements with customers under this category:

- **Purchase Order No. 0165-21 by Mohammad Al-Ojaimi Group to the Company**

Mohammad Al-Ojaimi Group has issued (in its capacity as turnkey contractor of Prince Mohamed Bin Salman Road project, owned by SEC) Purchase Order No. 0165-21 to the Company dated 21/12/1442H (corresponding to 01/07/2021G) in relation to the supply of several products which include EHV ground cables and ancillary cables necessary for termination and connection, in accordance with the specifications and quantities specified in the relevant purchase order, for a total amount of SAR 89,605,700. An advance payment amounting to 5% of the total amount of the agreement should be made within 30 days from the date of receipt of the purchase order, while the remainder shall be paid by virtue of a letter of credit to be presented by Al-Ojaimi Group. The purchase order further stipulates that delivery shall be made in accordance with the agreement between the parties.



- **Purchase Order No. 7100017986 by Al-Sharif Group & KEC Ltd. Company to the Company**

Al-Sharif Group & KEC Ltd. Company (in its capacity as turnkey contractor for the project to connect electrical power plants owned by SEC) has issued Purchase Order No. 7100017986 dated 07/06/1443H (corresponding to 10/01/2022G) in relation to the supply of EHV and OHLs along with other ancillary cables necessary for termination and connection in accordance with the specifications and quantities specified in the relevant purchase order. The mentioned quantities may be increased or decreased by the project owner (SEC) within a specific range specified in the purchase order. The total estimated value of the products supplied under the purchase order is SAR 51,506,108, subject to change according to the formula set out in the purchase order, which takes into account the metal prices on the London Stock Exchange. An advance payment of 10% of the total value of the purchase order shall be paid against a bank guarantee within 30 days of the date of fixing the price of the metals. The remaining amount shall be paid through a letter of credit within 90 days of the date of supply of the products. The Company guarantees the products it supplies for a period of twenty-four (24) months following the date of supply. In the event of delay by NCI in supplying any of the products at the time agreed between the parties, a fine shall be imposed on NCI for each week of delay, in accordance with the terms agreed in the relevant purchase orders. In the event the contractual relationship between the project owner (SEC) and the turnkey contractor (Al-Sharif Group & KEC Ltd. Company) is terminated, the contractor has the right to terminate the purchase order by virtue of a 30-day prior written notice. Furthermore, the contractor has the right to terminate the purchase order by virtue of a written notice in certain cases, for example, in the event the Company breaches any of the provisions of the purchase orders or declares bankruptcy. Any dispute shall be settled by arbitration in the Kingdom.

- **Purchase Agreement with National Contracting Company Ltd.**

The Company (in its capacity as the seller) entered into an agreement with National Contracting Company Ltd. (in its capacity as turnkey contractor for Layla – Wadi Dawasir project) dated 12/10/1442H (corresponding to 24/05/2021G) by virtue of which the Company supplies OHL in accordance with the specifications and quantities specified in the agreement. The mentioned quantities may be increased or decreased by the contractor (National Contracting Company Ltd.) within a specific range as stipulated in the agreement. The total estimated value of the supplied products is SAR 73,363,500, which may be adjusted in accordance with a formula set out in the agreement, which takes into account the price of metals on the London Stock Exchange. The value of the products is paid by virtue of a letter of credit within 120 days of the delivery of the products at the project site subject to the contractor's approval thereof. The Company guarantees the materials it supplies under the agreement for twelve (12) months from the date of issuance of the product approval certificate. In the event that the Company delays in supplying any of the materials at the time agreed between the parties, a fine shall be applicable for each week of delay, in accordance with the agreed provisions of the agreement. The contractor is entitled to terminate the agreement by written notification. In the event of a dispute, said dispute shall be referred to the Kingdom's competent court.

- **Purchase Orders No. P167/L/UG/002 Rev.01 and P167/L/UG/023 by Trading & Partnership Development Company to the Company**

The Trading & Partnership Development Company (in its capacity as turnkey contractor of Prince Mohamed Bin Salman Road project) issued two Purchase Orders, No. P167/L/UG/002 Rev.01 and No. P167/L/UG/023 to the Company dated 05/12/1442H (corresponding to 15/07/2021G) for the supply of various products including HV ground cables and electrical cables according to the specifications and quantities stipulated in the relevant purchase orders. The total estimated value of the supplied products under the purchase orders is SAR 379,132,686.53, which may be adjusted according to the formula set out in the purchase orders which takes into account the price of metals on the London Stock Exchange. The purchase orders are paid by virtue of a letter of credit submitted by the Trading & Partnership Development Company within 120 days of the delivery of the products at the project site. The purchase order further stipulates that delivery shall be in accordance with the agreement between the parties.

- **Purchase Orders by Siemens Energy to the Company**

Siemens Energy (in its capacity as turnkey contractor for Roshn Real Estate Company's Roshn project) has issued numerous purchase orders including Purchase Order No. 4510106510 dated 01/01/1443H (09/08/2021G), Purchase Order No. 4510096950 dated 10/09/1442H (22/04/2021G), and Purchase Order No. 4510106543 dated 01/01/1443H (09/08/2021G) and Purchase Order No. 4510096951 dated 10/09/1442H (corresponding to 22/04/2021G) concerning the supply of EHV cable systems along with ancillary cables necessary for terminations and connections according to the specifications, quantities and delivery terms specified in the relevant purchase orders. The Company guarantees the materials it supplies for a period of twelve (12) months following the date of activation of the last transmission circuit or twenty-four (24) months following the date of the supply of the last consignment, whichever is earlier. The total value of the products supplied under these purchase orders is SAR 102,265,739. Payment is made within 30 days of the billing date. A fine shall be imposed on the Company in the event the Company fails to deliver any of the materials at the time agreed between the parties in the relevant purchase orders. The contractor has the right to terminate the purchase orders by virtue of a written notice in certain cases, for example, in the event the Company breaches any of the provisions of the purchase orders or declares bankruptcy. The purchase orders are governed by the laws of the Kingdom and any dispute arising in relation thereto shall be settled by arbitration in the city of Jeddah, the Kingdom.

- **Purchase Contract with L&T PC JV**

RCM (Dubai branch) (in its capacity as seller) entered into an agreement with Larsen & Turbo Limited and Power Construction Corporation of China Ltd (collectively L&T PC JV) (in their capacity as purchaser) on 15/08/1441H (corresponding to 08/04/2020G), pursuant to which RCM shall design, engineer, manufacture, supply and deliver cables and conductors to several sites for Etihad Stage 2 Rail Network Project. RCM shall, for five years from the date of delivery of the materials to the agreed delivery site, warrant any manufacturing defects, corrosion, scratches or bumps that may occur to the materials during delivery, as agreed between the parties to the agreement. In consideration for these services, L&T PC JV agree to pay to RCM AED 2,595,994.

RCM shall, at its own cost, obtain insurance policies that cover all the risks under the agreement. In addition, RCM shall obtain all insurance policies set out in the agreement. L&T PC JV has the right to withhold any amount due to RCM unless such insurances are obtained by RCM. RCM may be subject to compensation of a maximum of 10% of the total contract price in case of breach of its obligations.

- **Purchase Orders No. PE240-001 4800021227 and PE245-001 4400016754 from Al Fanar Co.**

Al Fanar Co. (in its capacity as a turnkey contractor for SEC in the regions of Jubail and Hail, projects belonging to projects owned by SEC) issued Purchase Order No. PE240-001 4800021227, dated 28/11/1443H (corresponding to 27/06/2022G) and Purchase Order No. PE245-001 4400016754, dated 03/01/1444H (corresponding to 01/08/2022G), pursuant to which RCC handles the design, engineering, manufacture, supply, delivery and testing of electrical connections (non-lubricated), as per the specifications stipulated in the Purchase Order and subject to the approval of SEC. The value of the two purchase orders is SAR 77,190,428.34 and SAR14,217,827.80, which may be adjusted in accordance with a formula set out in the purchase order, taking into account the metal prices on the London Stock Exchange. 5% of the purchase order amount is paid as an advance payment within 30 days from the date of acceptance of the purchase order. This is done in return for a bank guarantee of 10% of the purchase order amount from a first-class Saudi bank, in accordance with the regulations issued by the Saudi Central Bank, which shall be valid for 12 months from the date of issuance of the initial approval certificate by SEC. The remaining amount shall be paid through a letter of credit issued by a first-class Saudi bank, one month prior to the first date of delivery of the products. RCC guarantees the works for 12 months from the date of issuance of the initial approval certificate by SEC. In the event of delay by RCC in supplying any of the products at the time agreed between the parties, a fine shall be imposed on RCC for each week of delay, in accordance with the terms agreed in the relevant purchase orders. Al Fanar Co. has the right to cancel the purchase order in the event that SEC does not accept the supplied products.

- **Purchase Order No. 40000 by October Construction Company Ltd**

October Construction Company Ltd (in its capacity as turnkey contractor for King Salman Park project, owned by King Salman Park Foundation) issued purchase order No. 40000 on 06/11/1443H (corresponding to 05/06/2022G), pursuant to which the Company supplies underground EHV XLPE Rated at 380 kV, according to the specifications of SEC. The total value of the products supplied is SAR 79,115,400. October Construction Company Ltd is entitled to cancel the purchase order, in whole or in part, if the Company does not deliver the products to the location stipulated in the purchase order or if the products do not conform to the specifications of SEC.

- **Letter of Intent to supply overhead electrical connections with Arabian Electrical Transmission Line Construction Co. Ltd. (AETCON)**

SMC (in its capacity as supplier) concluded a letter of intent with Arabian Electrical Transmission Line Construction Co. Ltd. (AETCON) on 29/12/1443H (corresponding to 28/07/2022G) for the design, engineering and supply of electrical connections (non-lubricated) for a project to construct overhead electrical connections from Maidan to Umluj North. The total value of supplying the products is SAR 146,646,800, subject to modification according to the formula stipulated in the letter of intent. 5% of the total value of manufactured and supplied materials shall be paid on the metal price peg date and the remaining amount shall be paid within 120 days from the date of delivery of the products. In the event that SMC is late in supplying any of the materials at the time agreed between the parties, it shall be liable to a delay penalty, in accordance with the terms agreed in the letter of intent. It should be noted that the letter of intent enters into force when SEC awards the tender to AETCON and SEC agrees that SMC will be the manufacturer and supplier of the products. The tender has not been awarded as of the date of this Prospectus. The letter of intent is subject to the applicable regulations in the Kingdom.

#### 12.6.2.4 Sales in relation to utility projects in which the Group is a turnkey contractor

Sales under this category involve design, supply, installation services and civil works with respect to high voltage and extra high voltage cables to either local or international utility projects. Set out below are the details of the key turnkey agreements entered into by the Company and its Material Subsidiaries:

##### A- Turnkey Agreement between RCC and SEC

RCC entered into a turnkey agreement with SEC on 06/06/1443H (corresponding to 09/01/2022G), whereby RCC shall design, engineer, procure, supply and deliver all equipment and materials to the work site, construct, install, test, commission, and put into service the agreed upon products and materials as provided in the agreement, including the construction of 380kV underground cables at the site agreed upon in the agreement. RCC shall complete the works before 26/06/1445H (corresponding to 01/08/2024G). In consideration for these services, SEC agrees to pay to the Company SAR 121,744,480. It should be noted that this agreement may be terminated by SEC with or without cause at any time during the term of the agreement.

To guarantee the successful performance of the work, on 01/06/1443H (corresponding to 04/01/2022G), RCC submitted to SEC a bank guarantee of SAR 6,087,224 issued by GIB. RCC agrees to keep this bank guarantee valid throughout the term of the agreement. RCC may be subject to compensation up to a maximum of 10% of the total contract price. This agreement is governed by the laws of the Kingdom. The competent courts of the Kingdom shall have jurisdiction in respect of any disputes arising therefrom.

##### B- Turnkey Agreement between RCM and La'ala Al-Kuwait Real Estate Co. K.S.C

RCM entered into a turnkey agreement with La'ala Al-Kuwait Real Estate Co. K.S.C. (in its capacity as project owner) on 15/05/1443H (corresponding to December 19/12/2021G), whereby RCM shall perform electrical works at Sabah Al-Ahmad Sea City Project which shall include the supply of all necessary staff and labor, materials, plant and equipment, as well as manufacture, supply, delivery, installation, including testing, commissioning and handover of 132kV XLPE cables. In consideration for these services, La'ala Al-Kuwait Real Estate Co. K.S.C. agrees to pay to RCM KWD 3,957,408.037. La'ala Al-Kuwait Real Estate Co. K.S.C. agreed to issue a letter of credit to guarantee its payment obligations. Works under this agreement must be completed by RCM within 378 days, i.e., 08/06/1444H (corresponding to 01/01/2023G). The agreement is governed by the laws of the State of Kuwait.

##### C- Turnkey Agreement between the Public Authority for Housing and Welfare of Kuwait and RCM

RCM entered into a turnkey agreement with the Public Authority for Housing and Welfare ("Housing Authority") on 15/05/1443H (corresponding to 19/12/2021G), whereby RCM shall supply, provide installation and maintenance of 132 KV cables to two 132/11 KV capacity transfer stations in sector N9 for the housing inspection project. The works under this agreement must be completed by RCM within eighteen months from the date of receiving the project or issuance of commencement of work order to RCM, whichever occurs first. In consideration for these services, the Housing Authority agrees to pay to RCM KWD 6,757,232.040. The agreement is governed by the laws of the State of Kuwait.

##### D- Turnkey Agreement between Abu Dhabi Transmission & Despatch Company (TRANSCO) and RCM

Abu Dhabi Transmission & Despatch Company (TRANSCO) concluded a turnkey agreement with RCM on 19/01/1444H (corresponding to 17/08/2022G), whereby RCM shall provide all necessary equipment, personnel, facilities and any other items necessary for the installation of underground EHV XLPE cables rated at 380 kV to two 132/22 kV transmission stations of New Hdayriat Power Substation in Abu Dhabi, provided that RCM shall complete the works within 24 months from the takeover date of the project. In return for the services rendered under the agreement, TRANSCO shall pay RCM AED 88,050,000. The agreement is effective as of 30/11/1443H (corresponding to 29/06/2022G). RCM shall also provide a bank guarantee within 15 days from the effective date of the agreement and it shall be valid until the issuance of the final acceptance certificate. The bank performance guarantee shall be around 5% of the total value of the agreement.

This agreement may be terminated by TRANSCO for any reason and at any time during the term of the agreement. RCM may be subject to compensation for delays up to a maximum of 10% of the total value of the agreement.

The agreement shall be governed by the laws of the Emirate of Abu Dhabi and the federal laws in force in the United Arab Emirates.

### 12.6.3 Hedging Agreements

The Group protects itself against fluctuations in the prices of copper, aluminum, lead and other materials that are used as raw materials in the Group's products through hedging agreements in order to fix their prices. The Group entered into hedging agreements with CCBI Global Markets (UK) Limited (formerly CCBI Metdist Global Commodities) on 10/10/1441H (corresponding to 02/06/2020G); JP Morgan Securities plc and JPMorgan Chase Bank N.A on 18/07/1436H (corresponding to 07/05/2015G); and with Triland Metals Limited on 23/10/1434H (corresponding to 30/08/2013G). These agreements are still effective as of date of this Prospectus.

### 12.6.4 Transportation Agreements

Through SMC, the Group entered into agreements with a number of companies to provide services for transportation of raw materials and products to the Group's companies and branches. These agreements are similar in terms of duration and renewal mechanism; they are valid for one (1)/two (2) years and are automatically renewable. Below is a summary of such agreements:

**Table (157): Transportation Agreements**

#	Parties	Effective Date/Term of the Agreement	Description
1.	<ul style="list-style-type: none"> <li>RCGC</li> <li>Ocean International</li> </ul>	<ul style="list-style-type: none"> <li>26/03/1443H (corresponding to 01/11/2021G)</li> <li>The Agreement is valid until 20/07/1444H (corresponding to 11/02/2023H) and is automatically renewable unless either party elects not to renew by notifying the other party.</li> </ul>	The parties agreed that Ocean International would transport and deliver the raw materials to the Company from Jeddah Islamic Port to the Company's factories on the agreed dates, upon request, and without any delay.
2.	<ul style="list-style-type: none"> <li>RCGC</li> <li>Soliman Ali Olayan</li> </ul>	<ul style="list-style-type: none"> <li>09/06/1443H (corresponding to 12/01/2022G)</li> <li>The Agreement is valid until 18/06/1444H (corresponding to 11/01/2023G) and is automatically renewable unless either party elects not to renew by notifying the other party.</li> </ul>	The parties agreed that Soliman Ali Olayan would clear, transport and deliver the raw materials to the Company from King Abdul Aziz Port (Dammam Port) to the Company's factories on the agreed dates, upon request, and without any delay.
3.	<ul style="list-style-type: none"> <li>RCGC</li> <li>Mubarak Mohamed Kahtani's Organization</li> </ul>	<ul style="list-style-type: none"> <li>18/10/2021G (corresponding to 12/03/1442H)</li> <li>The Agreement is valid until 02/04/1445H (corresponding to 17/10/2023G) and is automatically renewable unless either party elects not to renew by notifying the other party.</li> </ul>	The parties agreed that Mubarak Mohamed Kahtani's Organization would transport and deliver the Company's products to all its branches and clients in the Kingdom upon request.

### 12.6.5 Joint Venture Agreement with Gulf Cables and Electric Company (GCE)

The Company entered into a joint venture agreement with Gulf Cables and Electric Company ("GCE") on 13/01/1443H (corresponding to 21/08/2021G) for the establishment of a limited liability company in Kuwait with the purpose of producing 132 KV HV cables in the State of Kuwait (the "Joint Venture"). The capital of the Joint Venture is KWD 1,000,000, whereby each party shall own 50% of the capital, equating to KWD 500,000. The term of the Joint Venture shall be five (5) years from the date of the Company's registration in the commercial register at the Kuwaiti Ministry of Commerce and Industry and the term of the agreement shall be automatically renewed for a consecutive five-year period. The Company grants to the Joint Venture the right to use the technology it requires for the purposes of manufacturing, assembling, marketing and selling the products in the State of Kuwait. Additionally, the Company grants the Joint Venture the right to incorporate the products into complete cable systems, provided that such systems are studied, engineered and approved by the Company. It is worth noting that the Joint Venture shall not be entitled to exercise the license granted by virtue of the agreement before the license audit has been successfully performed. Further, the Joint Venture's right to use the licensed technology is limited to the use expressly authorized in the agreement. The agreement is governed by the laws of the State of Kuwait. Any dispute arising in relation thereto shall be settled by arbitration in accordance with the arbitration rules of the Dubai International Arbitration Centre. It should be noted that it was later agreed between the parties to adjust the share capital of the Joint Venture to be five million Kuwaiti Dinars (KWD 5,000,000). The Joint Venture was incorporated under the name "Gulf and Riyadh Company for the Manufacture of Electrical and Electronic Cables and Wires" on 27/09/1443H (corresponding to 28/04/2022G) (for further details on the Joint Venture, please see Subsection (4.8.1.2) ("Subsidiaries of RCM") of this Prospectus.

## 12.7 Related Party Transactions

Transactions of the Company and its Material Subsidiaries with Related Parties totaled SAR 11,878,734, SAR 4,242,501, SAR 38,588,711 and SAR 20,598,311 for the financial years ended 31 December 2019G, 2020G and 2021G and the six-month period ended 30 June 2022G, respectively. This section sets out a summary of such transactions. The Directors confirm that all agreements with Related Parties described in this section do not include any preferential conditions and have been executed in a systematic and legal manner and on appropriate and fair commercial bases. Except as disclosed in this section of the Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor, in respect of the Offering.

Moreover, the Directors confirm their intention to comply with Article 72 of the Companies Law and Article 46 of the Corporate Governance Regulations issued by the CMA in relation to the agreements with the Related Parties.

### 12.7.1 Related Party Transactions

#### 12.7.1.1 Framework Agreement with Seera Group Holding (formerly Al-Tayyar Travel Group Ltd)

The Company entered into a framework agreement for the provision of tourism, residential and transportation services with Seera Group Holding (formerly Al-Tayyar Travel Group Ltd) on 07/12/1422H (corresponding to 19/01/2002G), pursuant to which the Company issues purchase orders as needed in consideration for fees determined by Seera Group Holding (formerly Al-Tayyar Travel Group Ltd). The agreement is valid for one year, commencing on 07/12/1422H (corresponding to 19/01/2002G), and is automatically renewable. The agreement is governed by the laws and regulations in force in the Kingdom and any disputes arising therefrom shall be resolved through the competent courts of the Kingdom.

The above-mentioned framework agreement is a related party transaction given that Mr. Ahmad Samer Hamdi Saadaldain Al Zaim, is a Director in both the Company and Seera Group Holding (formerly Al-Tayyar Travel Group Ltd). Therefore, Mr. Ahmad Samer Hamdi Saadaldain Al Zaim is deemed to have an interest in this framework agreement pursuant to Article 71 of the Companies Law and Article 57 of the Regulatory Rules and Procedures. Therefore, this agreement was approved by the Board of Directors on 24/10/1443H (corresponding to 25/05/2022G) and the General Assembly on 11/01/1443H (corresponding to 31/05/2022G). Mr. Ahmad Samer Hamdi Saadaldain Al Zaim withheld from voting on the relevant resolutions of the Board of Directors and the General Assembly.

#### 12.7.1.2 Purchase Orders for the Supply of Low and Medium Voltage Cables and Wires with Thabat Construction Company

The Company supplies Thabat Construction Company with low and medium voltage cables and wires based on purchase orders to be issued by Thabat Construction Company as needed. Purchase orders issued by Thabat Construction Company to the Company generally set out the specifications and quantities of the requested products, the payment mechanism, delivery and warranty terms.

Given that: (i) the Company and Thabat Construction Company are subsidiaries of Abdulqadir Almuhaideb & Sons Company, and (ii) Mr. Raed Ibrahim Suleiman Al Modaihimi, is a Director in both the Company and Thabat Construction Company, these purchase orders are considered related party transactions. However, none of the Directors are deemed to have an interest in such transactions as per Article 71 of the Companies Law and Article 58(5) of the Regulatory Rules and Procedures given that Thabat Construction Company is considered an affiliate of the Company. Therefore, the transactions with Thabat Construction Company have been approved according to the Group's authority matrix.

#### 12.7.1.3 Purchase Orders for the Supply of Nuts, Bolts and Other Hardware with Masdar Technical Supplies Company

Masdar Technical Supplies Company supplies the Company with nuts, bolts and other hardware based on purchase orders issued by the Company as needed. The purchase orders issued by the Company to Masdar Technical Supplies Company generally set out the specifications and quantities of the products to be purchased, the payment mechanism and delivery and warranty terms.

The purchase orders are related party transactions, given both the Company and Masdar Technical Supplies Company are subsidiaries of Abdulqadir Almuhaideb & Sons Company. However, none of the Directors are deemed to have an interest in such transactions as per Article 71 of the Companies Law and Article 57 of the Regulatory Rules and Procedures. Therefore, the transactions with Masdar Technical Supplies Company have been approved according to the Group's authority matrix.

## **12.7.2 Related Party Transactions Entered into with RCM**

### **12.7.2.1 Purchase Orders for the Supply of Nuts, Bolts and Other Hardware with Masdar Technical Supplies Company**

Masdar Technical Supplies Company supplies RCM with nuts, bolts and other hardware based on purchase orders issued by RCM as needed. The purchase orders issued by RCM to Masdar Technical Supplies Company generally set out the specifications and quantities of the products to be purchased, the payment mechanism and delivery and warranty terms.

The purchase orders are related party transactions, given both RCM and Masdar Technical Supplies Company are subsidiaries of Abdulqadir Almuhaideb & Sons Company. However, none of the Directors are deemed to have an interest in such transactions as per Article 71 of the Companies Law and Article 57 of the Regulatory Rules and Procedures. Therefore, the transactions with Masdar Technical Supplies Company have been approved according to the Group's authority matrix.

## **12.7.3 Related Party Transactions Entered into with REW**

### **12.7.3.1 Purchase Orders for the Supply of Low and Medium Voltage Cables and Wires with Masdar Building Materials Company**

REW supplies Masdar Building Materials Company with low and medium voltage cables and wires based on purchase orders issued by Masdar Building Materials Company as needed. Purchase orders issued by Masdar Building Materials Company to the Company generally set out the specifications and quantities of the products, the payment mechanism and delivery and warranty terms.

The purchase orders are related party transactions, given both REW and Masdar Building Materials Company are subsidiaries of Abdulqadir Almuhaideb & Sons Company. However, none of the Directors are deemed to have an interest in such transactions as per Article 71 of the Companies Law and Article 57 of the Regulatory Rules and Procedures. Therefore, the transactions with Masdar Building Materials Company have been approved according to the Group's authority matrix.

## **12.8 Financing Agreements**

### **12.8.1 Credit Facility Agreement with BSF**

The Company entered into a credit facility agreement with BSF on 09/11/1441H (corresponding to 30/06/2020G), as renewed on 28/10/1442H (corresponding to 09/06/2021G), whereby a multi-purpose credit facility with an aggregate amount of SAR 735,000,000 was made available by BSF to the Company until 30/11/1443H (corresponding to 30/06/2022G). BSF confirmed through its letter dated 08/02/1444H (corresponding to 06/09/2022G) that the agreement is still available for use by the Company and that the parties are in the process of renewing the same.

Below is a brief summary of the main terms of this agreement:

**Table (158): Terms of Credit Facility Agreement with BSF Dated 09/11/1441H (corresponding to 30/06/2020G)**

Details	Description
<b>Total Facility Amount</b>	SAR 735,000,000
<b>Expiry Date</b>	30/11/1443H (corresponding to 30/06/2022G).
<b>Facilities</b>	<b>Maximum</b> Tranche A (1.1) – Tawarruq and/or Murabaha and/or acceptance discounted with a maximum aggregate amount of SAR 150,000,000.
	<b>Purpose</b> To finance the purchasing and selling of commodities (Tawarruq) available in SAR and USD currencies and/or acceptance of discounted facilities and/or Murabaha financing.
	<b>Repayment</b> Tawarruq – 360 days Murabaha – 360 days including the acceptance period Acceptance period – 360 days
	<b>Profit Margin</b> Tawarruq: <ul style="list-style-type: none"> <li>• SIBOR + a percentage agreed upon between the parties per annum in case of SAR.</li> <li>• LIBOR + a percentage agreed upon between the parties per annum in case of USD.</li> </ul> Murabaha: <ul style="list-style-type: none"> <li>• SIBOR + a percentage agreed upon between the parties per annum in case of SAR.</li> <li>• LIBOR + a percentage agreed upon between the parties per annum in case of USD.</li> </ul>
	<b>Maximum</b> Tranche A (2.1) – Advance payments and/or performance guarantees and/or retention bonds with a maximum aggregate amount of SAR 300,000,000.
	<b>Purpose</b> For the issuance of: <ul style="list-style-type: none"> <li>• sight / usance documentary letters of credit (multi import);</li> <li>• bid bonds, advanced payment bonds, performance bonds, and retention bonds (multi bonding) payment guarantees;</li> <li>• standby letter of credit; and/or</li> <li>• letters of guarantee for missing import documents (shipping guarantees).</li> </ul>
	<b>Repayment</b> Tenor of 360 days
	<b>Maximum</b> Tranche A (2.2) – Facility sub-limit with a maximum aggregate amount of SAR 200,000,000.
	<b>Purpose</b> For the issuance of bid bonds and/or sight / usance documentary letters of credit (multi-import).
	<b>Repayment</b> Tenor of 360 days
	<b>Maximum</b> Tranche A (2.3) – Facility sub-limit with a maximum aggregate amount of SAR 155,000,000.
	<b>Purpose</b> For the issuance of payment guarantees.
	<b>Maximum</b> Tranche A (2.4) – Facility sub-limit with a maximum aggregate amount of SAR 102,500,000.
	<b>Purpose</b> For the issuance of standby letters of credit.
	<b>Maximum</b> Tranche A (2.5) – Facility sub-limit with a maximum aggregate amount of SAR 10,000,000.
	<b>Purpose</b> For the issuance of shipping guarantees.
<b>Repayment</b> Tenor of 360 days	
<b>Maximum</b> Tranche A (3.0) – Facility with a maximum aggregate amount of SAR 35,000,000.	
<b>Purpose</b> <ul style="list-style-type: none"> <li>• Forward purchasing and sale of foreign currencies.</li> <li>• Currency option.</li> <li>• Interest rate swap facilities.</li> </ul>	
<b>Maximum</b> Tranche B – Tawarruq facility with a maximum aggregate amount of SAR 50,000,000.	



Details	Description
<b>Facilities</b>	<p><b>Purpose</b></p> <ul style="list-style-type: none"> <li>For the issuance of sight/usance documentary letters of credit (multi import).</li> <li>For financing the purchasing and selling of commodities (Tawarruq).</li> </ul> <p>This facility is limited only to capital expenditure on the core business of the Company.</p>
	<p><b>Repayment</b></p> <p>To be repaid over sixteen (16) equal quarterly or eight semi-annual or annual installments starting one year after the initial drawdown date.</p> <p>Actual repayment schedule to be submitted to the Company at the time of drawdown for the Company's approval.</p>
	<p><b>Profit Margin</b></p> <p>SIBOR + a percentage agreed upon between the parties per annum to be paid quarterly or semi-annually, starting from the drawdown date.</p>
	<p><b>Maximum</b></p> <p>Tranche C – Tawarruq / Murabaha financing with a maximum aggregate amount of SAR 200,000,000.</p>
	<p><b>Purpose</b></p> <ul style="list-style-type: none"> <li>Finances related to RCM.</li> <li>For financing the purchasing and selling of commodities (Tawarruq) available in SAR and USD currencies and/or acceptance of discounted facilities (under export letters of credit).</li> </ul>
	<p><b>Repayment</b></p> <p>Tawarruq – 360 days Murabaha – 360 days including the acceptance period Acceptance period – 360 days</p>
	<p><b>Profit Margin</b></p> <p>SIBOR + a percentage agreed upon between the parties per annum in case of SAR. LIBOR + a percentage agreed upon between the parties per annum in case of USD.</p>
	<p><b>Fees</b></p> <ul style="list-style-type: none"> <li>Commission in respect of Tranche A (1.1) – Acceptance Discount: SIBOR + a percentage agreed upon between the parties per annum in case of SAR.</li> <li>Commission in respect of Tranche C (1.1) – Acceptance Discount: LIBOR + a percentage agreed upon between the parties per annum in case of USD.</li> <li>Commission of a percentage agreed upon between the parties per annum for the first SAR 10,000,000 and commission / handling charge of a percentage agreed upon between the parties per annum for amounts in excess of SAR 10,000,000 in respect of bids, advance payments, retention and performance letters of guarantee.</li> <li>Payment guarantees and standby letters of credit have a commission charge of a percentage agreed upon between the parties per annum and a handling charge of a percentage agreed upon between the parties per annum.</li> <li>In the event that the Company delays paying the amount due under this agreement, then the Company is obligated to pay a delay fine to BSF, equivalent to the percentage of the fine imposed by BSF on the temporarily overdrawn accounts.</li> </ul>
<b>Guarantees</b>	<ul style="list-style-type: none"> <li>A promissory note for SAR 735,000,000.</li> <li>BSF can ask the Company to provide in-kind and personal guarantees and sign bonds for a guarantee order for any agreements signed between the two parties for the facilities granted to the Company, and these guarantees also guarantee the Company's proper implementation of its obligations under the agreement.</li> <li>In the event that the Company fails to pay any amount of the amounts due under the agreement on the specified date, BSF has the right directly and without informing the Company to deduct such amounts from any of the Company's accounts with any or all of the Company's deposits or credit balances in its name with BSF or in return for any other indebtedness he has due from BSF.</li> <li>BSF has the right, without prior notice, to sell all the guarantees or property belonging to the Company which are in BSF's possession and deduct the total amount due from the sale price with all expenses and costs arising from the sale process. The Company will be responsible to BSF for any deficiency in the event that the sale amount is not sufficient to cover the amounts due.</li> </ul>



Details	Description
<b>Covenants</b>	<ul style="list-style-type: none"> <li>• The claims of BSF against the Company under the agreement will rank pari passu with the claims of all its unsecured creditors.</li> <li>• The above-mentioned facilities can be allocated to any of the following Group Companies under full risk and responsibilities: <ul style="list-style-type: none"> <li>- RCM</li> <li>- RTC</li> <li>- REW</li> <li>- SMC</li> <li>- NCI</li> </ul> </li> <li>• The Company undertakes to maintain a minimum current ratio of 1:1 and a maximum leverage ratio of 3:1.</li> <li>• BSF has a right of set-off against all accounts and assets of the Company under BSF's custody and control, which are considered collateral to the outstanding facilities.</li> <li>• Commissions charged under this agreement are subject to change by BSF according to market conditions.</li> <li>• In respect of Tranche (B), the debt-to-equity ratio shall not exceed 75:25.</li> <li>• Assignment of this agreement by the Company or BSF would require the prior written consent of the other party.</li> </ul>
<b>Termination and Accelerated Repayment</b>	<p>In the event of the occurrence of any of the following events of default, or at its sole discretion, BSF may, with notice to the Company, (a) withdraw or cancel any or all of the facilities or lower the authorized limit for any facility; (b) alter applicable rates of commission; or (c) increase the non-commission bearing margin required with respect to any facility if:</p> <ul style="list-style-type: none"> <li>• the Company fails to pay any amount due or is unable to make a general assignment in favor of its creditors;</li> <li>• any statement given by the Company under the agreement regarding any matter is proven to be incorrect or misleading;</li> <li>• the Company undergoes liquidation/insolvency proceedings, or any procedures related thereto;</li> <li>• the Company fails to fulfill any obligation stipulated in the agreement and does not rectify the situation within three (3) days of notifying BSF of this;</li> <li>• there is change of the Company's legal form or capital structure;</li> <li>• there is a change in effective control (i.e., control of more than half of the voting power or more than half of the issued share capital of the Company);</li> <li>• the Company sells, leases, transfers, or disposes of, whether in one or more operations, all its revenues and properties;</li> <li>• the Company stops or threatens to stop carrying out its business that it carries out on the date of the agreement;</li> <li>• the Company does not undertake any action or procedure or fulfill any act or condition or anything required at any time under the agreement to achieve the following: <ul style="list-style-type: none"> <li>- in order for the Company to be legally able to contract or perform the obligations undertaken under the agreement;</li> <li>- to ensure that the obligations to be incurred by the Company under the agreement are legal, valid and binding; or</li> <li>- to make this agreement admissible as evidence in the Kingdom;</li> </ul> </li> <li>• the Company denies this agreement or commits an act indicating its intent to deny this document;</li> <li>• the Company's fulfillment of all or any of its obligations under the agreement at any time becomes unlawful; or</li> <li>• any circumstance arises that may cause BSF to believe that the Company may not fulfill its obligations under the Agreement.</li> </ul>
<b>Governing Law and Jurisdiction</b>	<p>The agreement is governed by the laws of the Kingdom, and any dispute arising therefrom shall be referred to SAMAs Committee for Banking Disputes.</p>

Based on BSF's letter dated 18/10/1443H (corresponding to 19/05/2022G), BSF confirmed non-objection to the listing of the Company's shares on Tadawul, subject to the following conditions:

- all terms and conditions stipulated in the above-summarized credit facility agreement and any subsequent renewal or amendment thereof shall remain valid and in full force;
- the Company shall fulfill its obligations and pay in full all outstanding amounts due to BSF under the facilities agreements on the due dates and abide by the payment schedule; and
- the non-objection letter shall not be considered as a waiver of BSF's rights under the credit facility agreement nor as a waiver of any right available to BSF under the applicable laws.

### 12.8.2 Credit Facility Agreement with GIB

The Company entered into a credit facility agreement with GIB on 26/08/1441H (corresponding to 19/04/2020G), as amended on 28/06/1442H (corresponding to 10/02/2021G) and on 23/07/1443H (corresponding to 24/02/2022G), whereby banking facilities with an aggregate amount of SAR 407,500,000 are made available by GIB to the Company, RCM, RTC and REW until the agreement is canceled or terminated by GIB at its sole discretion. In general, the agreement is reviewed annually and amended as necessary.

Below is a brief summary of the main terms of this agreement:

**Table (159): Terms of Credit Facility Agreement with GIB Dated 26/08/1441H (corresponding to 19/04/2020G)**

Details	Description	
<b>Total Facility Amount</b>	SAR 407,500,000	
<b>Expiry Date</b>	Until canceled by GIB	
<b>Facilities</b>	<b>Maximum</b>	Tranche 1.1 – Uncommitted revolving, multi-currency facility for the maximum aggregate amount of SAR 407,500,000.
	<b>Purpose</b>	<ul style="list-style-type: none"> <li>• To finance working capital requirements</li> <li>• Cash line facility</li> <li>• Treasury facilities</li> </ul>
	<b>Repayment</b>	If GIB requests repayment of outstanding finance, it will be converted into a medium-term finance to be paid over a three-year period in quarterly installments, plus a one-year grace period.
	<b>Maximum</b>	Tranche 1.2 – Working capital facilities for the maximum aggregate amount of SAR 407,500,000.
	<b>Maximum</b>	Tranche 1.2 (A) – Short term direct finance for the maximum aggregate amount of SAR 273,625,000.
	<b>Purpose</b>	To finance working capital requirements.
	<b>Repayment</b>	12 months
	<b>Profit Margin</b>	SIBOR + a percentage agreed upon between the parties per annum. LIBOR + a percentage agreed upon between the parties per annum.
	<b>Maximum</b>	Tranche 1.2 (B) – Direct payment to the supplier for the maximum aggregate amount of SAR 313,750,000.
	<b>Purpose</b>	To finance payments / transfers to suppliers of mainly copper and aluminum.
	<b>Repayment</b>	12 months
	<b>Profit Margin</b>	SIBOR + a percentage agreed upon between the parties per annum. LIBOR + a percentage agreed upon between the parties per annum.
	<b>Maximum</b>	Tranche 1.2 (C) – Documentary letter of credit refinancing facility for a maximum aggregate amount of SAR 313,750,000.
	<b>Purpose</b>	Letter of credit refinancing facility.
	<b>Repayment</b>	12 months
<b>Profit Margin</b>	SIBOR + a percentage agreed upon between the parties per annum. LIBOR + a percentage agreed upon between the parties per annum.	

Details	Description	
Facilities	<b>Maximum</b>	Tranche 1.2 (D) – Advance payment guarantee and guarantees facility (bid bond, performance bond, payment guarantee) for the maximum aggregate amount of SAR 50,000,000.
	<b>Purpose</b>	To issue guarantees for government / semi-government related entities locally and for GCC countries.
	<b>Repayment</b>	Bid bond, payment guarantee and advance payment guarantee: 12 months. Performance bond: 36 months.
	<b>Fees</b>	Issuing fee: <ul style="list-style-type: none"> <li>• Bid bond, performance bond: SAMA rate payable in advance, subject to a minimum charge of SAR 1,000.</li> <li>• Payment Guarantee: a percentage agreed upon between the parties per annum payable in advance, subject to a minimum charge of SAR 1,000.</li> <li>• Advance payment guarantee: a percentage agreed upon between the parties per annum plus SAMA rate payable in advance, subject to a minimum charge of SAR 1,000.</li> </ul>
	<b>Maximum</b>	Tranche 1.2 (E) – Treasury facilities for the maximum aggregate amount of SAR 82,500,000.
	<b>Purpose</b>	To transact in the treasury products provided by GIB.
	<b>Repayment</b>	FXP and IRHP: 60 months.
	<b>Guarantees</b>	<ul style="list-style-type: none"> <li>• A promissory note for SAR 407,500,000.</li> </ul>
<b>Covenants</b>	<ul style="list-style-type: none"> <li>• The Company undertakes to maintain a maximum ratio of 3:1 between total liabilities and tangible net worth and a minimum current ratio of 1:1.</li> <li>• The Company undertakes to ensure that it shall not, without prior written consent of GIB, sell, lease, transfer or otherwise dispose of, by one or more transactions or a series of transactions, the whole or any part of its revenues or its assets.</li> <li>• The Company shall promptly notify GIB of any changes in the ownership of its issued share capital.</li> </ul>	
<b>Termination and Accelerated Re-payment</b>	<p>GIB may terminate the agreement with twenty (20) day-notice in the event of the occurrence of any event of default, including the following:</p> <ul style="list-style-type: none"> <li>• failure of the Company to comply with or perform any agreement or obligation;</li> <li>• the Company undergoes liquidation/insolvency proceedings, or any procedures related thereto; or</li> <li>• the Company consolidates, amalgamates with, merges with or into, reorganizes, reincorporates or reconstitutes into another entity and, at the time of such change: (i) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such credit support provided under this agreement or any credit support document to which it or its predecessor was a party; or (ii) the benefits of any credit support document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this agreement.</li> </ul> <p>The agreement also specifies other termination events, such as illegality, events of force majeure and tax events.</p>	
<b>Governing Law and Jurisdiction</b>	The agreement is governed by the laws of the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for Banking Disputes.	

On 07/10/1443H (corresponding to 08/05/2022G), the Company sent a letter to GIB notifying it of the IPO and the listing of the shares of the Company on Tadawul. The Company subsequently received acknowledgment of the notification from GIB.

### 12.8.3 Credit Facility Agreement with SABB

The Company entered into a credit facility agreement with the Saudi British Bank (“SABB”) on 12/10/1442H (corresponding to 24/05/2021G), as amended on 02/06/1443H (corresponding to 05/01/2022G) and 09/11/1443H (corresponding to 08/06/2022G), whereby banking facilities with an aggregate amount of SAR 801,875,000 were made available by SABB to the Company and its Subsidiaries until 26/05/1443H (corresponding to 31/12/2021G). SABB’s letter to the Company dated 07/06/1444H (corresponding to 31/12/2022G).

Below is a brief summary of the main terms of this agreement:

**Table (160): Terms of Credit Facility Agreement with SABB Dated 12/10/1442H (corresponding to 24/05/2021G)**

Details	Description	
<b>Total Facility Amount</b>	SAR 801,875,000	
<b>Expiry Date</b>	07/06/1444H (corresponding to 31/12/2022G)	
<b>Facilities</b>	<b>Maximum</b>	Tranche 1 (A) – Revolving short-term financing facility with a limit of SAR 500,000,000.
	<b>Purpose</b>	For the purpose of working capital.
	<b>Repayment</b>	Each transaction shall have a term not exceeding 180 days from the date of Client purchase from SABB and with a minimum of 28 days for each transaction.
	<b>Profit Margin</b>	SIBOR + a percentage agreed upon between the parties per annum. LIBOR + a percentage agreed upon between the parties per annum.
	<b>Maximum</b>	Tranche 1 (B) – Revolving short-term financing facility with a limit of SAR 300,000,000.
	<b>Purpose</b>	For the purpose of working capital.
	<b>Repayment</b>	Each transaction shall have a term not exceeding 180 days from the date of Client purchase from SABB and with a minimum of 28 days for each transaction.
	<b>Profit Margin</b>	SIBOR + a percentage agreed upon between the parties per annum.
	<b>Maximum</b>	Tranche 1 (C) – Letters of credit with a facility limit of SAR 100,000,000.
	<b>Purpose</b>	To import and purchase materials related to the Company's activities.
	<b>Repayment</b>	<ul style="list-style-type: none"> <li>• Sight letters of credit: 180 days.</li> <li>• Acceptance letters of credit: 180 days.</li> <li>• Duration for acceptance of the letter of credit.</li> </ul>
	<b>Maximum</b>	Tranche 1 (D) within the above sub-facility limit (Tranche 1 (C)) – Import financing facility with a total maximum total of SAR 100,000,000 Saudi riyals.
	<b>Purpose</b>	Financing the client's payment obligations in relation to a letter of credit issued by SABB or payment to an import supplier with respect to an import invoice.
	<b>Repayment</b>	Maximum tenor: 180 days.
	<b>Profit Margin</b>	SIBOR + a percentage agreed upon between the parties per annum.
	<b>Maximum</b>	Tranche 1 (E) within the above sub-facility limit Tranche 1 (C) – Shipping Guarantees with a maximum limit of SAR 100,000,000.
	<b>Purpose</b>	To issue shipping guarantees.
	<b>Repayment</b>	Maximum tenor: 180 days.
<b>Maximum</b>	Tranche 1 (F) within the above sub-facility limit Tranche 1 (C) – Standby letter of credit with a facility limit of SAR 50,000,000.	
<b>Purpose</b>	Import of raw materials.	
<b>Repayment</b>	Maximum tenor: 15 months.	
<b>Maximum</b>	Tranche 1 (G) – Letter of guarantee (local) with a facility limit of SAR 200,000,000.	
<b>Purpose</b>	Issuance of guarantees for Company contracts.	

Details	Description	
<b>Facilities</b>	<b>Repayment</b>	For tender guarantees: 1 year. For performance and advance payment guarantees: 5 years.
	<b>Maximum</b>	Tranche 1 (H) within the above sub-facility Tranche 1 (G) – Miscellaneous guarantees (local) with a facility limit of SAR 200,000,000.
	<b>Purpose</b>	To meet the Company's needs and other non-standard guarantee formats.
	<b>Repayment</b>	Maximum tenor: 12 months.
	<b>Maximum</b>	Tranche 1 (I) – Letters of guarantee (offshore) with a facility limit of SAR 200,000,000.
	<b>Purpose</b>	Issuance of guarantees for Company contracts.
	<b>Repayment</b>	For tender guarantees: 1 year. For performance and advance payment guarantees: 5 years.
	<b>Maximum</b>	Tranche 1 (J) within the above sub-facility limit Tranche 1 (I) – Miscellaneous guarantees (offshore) with a facility limit of SAR 200,000,000.
	<b>Purpose</b>	To meet the Company's needs and other non-standard guarantee formats.
	<b>Repayment</b>	Maximum tenor: 12 months.
	<b>Maximum</b>	Tranche 2 – Hedging facility with a limit of SAR 1,875,000.
	<b>Purpose</b>	Conclusion of Sharia-compliant exchange contracts (on the basis of spot or forward rates).
	<b>Repayment</b>	Maximum tenor for exchange contracts: 12 months.
	<b>Maximum</b>	Tranche 3 – Accounts payable facility for invoices with a maximum total of SAR 200,000,000.
	<b>Purpose</b>	Purchase of approved invoices for goods.
	<b>Repayment</b>	Maximum tenor: 90 days.
	<b>Profit Margin</b>	<ul style="list-style-type: none"> <li>• SIBOR + a percentage agreed upon between the parties per annum.</li> <li>• SOFR + a percentage agreed upon between the parties per annum.</li> </ul>
	<b>Fees</b>	<ul style="list-style-type: none"> <li>• If SABB claimed any amount on the due date and the Company delayed payment, SABB can impose penalties, at SABB Base Rate + an additional percentage annually.</li> <li>• SABB Base Rate for SAR is currently at 3.5% per annum, subject to fluctuation at SABB's discretion.</li> <li>• Acceptance and opening fees for several Tranches. Guarantee issuance cost: minimum SAR 500 per guarantee in respect of Tranche 1(D) and the Saudi Central Bank Tariff per annum in respect of Tranches 1(F), 1(G), 1(H) and 1(I).</li> </ul>
<b>Guarantees</b>	<ul style="list-style-type: none"> <li>• A promissory note for SAR 801,875,000.</li> <li>• SABB has a right of set-off against all accounts and assets of the Company under SABB's custody and control, which are considered collateral to the outstanding facilities.</li> </ul>	

Details	Description
<b>Covenants</b>	<ul style="list-style-type: none"> <li>• The Company undertakes to maintain a maximum external gearing ratio (total external borrowings / tangible net worth) of 1.75:1, a maximum total gearing ratio (total current liabilities + total non-current liabilities / tangible net worth) of 3: 1 for the Group, and a minimum current ratio (total current assets / total current liabilities) of 1:1.</li> <li>• The Group undertakes to maintain a tangible net worth not less than SAR 1,200,000,000.</li> <li>• Unless SABB otherwise agrees in writing during the term of the facilities, the Company shall promptly, upon becoming aware of the same, notify SABB of: <ul style="list-style-type: none"> <li>- The occurrence of a default;</li> <li>- Any litigation, arbitration or administrative proceeding commenced against the Company's or any member of the Group;</li> <li>- Any encumbrance relating to the Company's assets; and</li> <li>- Any occurrence (including any third-party claim or liability) which could reasonably be expected to have a material adverse effect.</li> </ul> </li> <li>• The Company shall not, without the prior written consent of SABB, enter into any amalgamation, demerger, merger or corporate reconstruction, other than a solvent reconstruction or amalgamation.</li> <li>• The Company shall ensure that there will be no change to its constitution, ownership, or shareholding without the prior written approval of SABB.</li> <li>• The Company shall procure that no substantial change is made to the general nature of the business of the Company, related party, or the Group from that carried out at the date of these general terms.</li> <li>• The Company undertakes that during the term of any of the facilities it shall not, unless SABB otherwise approves in writing or in the facility offer letter: <ul style="list-style-type: none"> <li>- create or permit to subsist any encumbrance over any of the Company's assets, except as specified in the facility offer letter;</li> <li>- sell, lease, transfer or otherwise dispose of, in whole or in part, any of the Company's assets, except as specified in the facility offer letter;</li> <li>- make any loans or finances or grant any credit to or for the benefit of any person, other than amounts of credit allowed in the ordinary course of the Company's trading activities; or</li> <li>- incur any indebtedness, except as specified in the facility offer letter.</li> </ul> </li> <li>• Any finance document and / or any rights, benefits or obligations arising under such finance document may be assigned or transferred in whole or in part by SABB or by the Company after prior written consent of SABB to any third party or any secondary party.</li> </ul>
<b>Termination and Accelerated Re-payment</b>	<p>SABB is entitled to cancel, amend or suspend the facilities or accelerate the repayment thereof and render all outstanding amounts due and immediately payable at its sole discretion and/or upon the occurrence of certain events of defaults, including the following:</p> <ul style="list-style-type: none"> <li>• failure of the Company to comply with any of the provisions of this agreement;</li> <li>• any incorrect representation, warranty or statement made or deemed to be repeated by any member of the Group under any finance document when made or deemed to have been repeated;</li> <li>• change in control or ownership without SABB's prior written consent;</li> <li>• liquidation/insolvency of the Company or any procedures related thereto; or</li> <li>• any event or series of events occur which, in SABB's opinion, has or could reasonably be expected to have a material adverse effect.</li> </ul>
<b>Governing Law and Jurisdiction</b>	The agreement is governed by the laws of the Kingdom, and any dispute arising therefrom shall be referred to SAMAs Committee for Banking Disputes.

On 07/10/1443H (corresponding to 08/05/2022G), the Company sent a letter to SABB requesting its non-objection to the IPO and the listing of shares of the Company on Tadawul and its waiver of the restrictions on change of ownership in the Company. The Company subsequently received confirmation of the same from SABB.

#### **12.8.4 Credit Facility Agreement with SNB**

RCM entered into a credit facility agreement with the Saudi National Bank ("SNB") on 10/10/1441H (corresponding to 02/06/2020G), as renewed on 19/05/1442H (corresponding to 03/01/2021G), whereby banking facilities with an aggregate amount of SAR 200,000,000 were made available by SNB to RCM until 26/05/1443H (corresponding to 31/12/2021G). SNB's letter dated 04/09/1443H (corresponding to 05/04/2022G) confirmed that the agreement is still effective, and that the parties are currently in the process of entering into a new agreement.

Below is a brief summary of the main terms of this agreement:

**Table (161): Terms of Credit Facility Agreement with SNB Dated 10/10/1441H (corresponding to 02/06/2020G)**

Details	Description	
<b>Total Facility Amount</b>	SAR 200,000,000	
<b>Expiry Date</b>	26/05/1443H (corresponding to 31/12/2021G)	
<b>Facilities</b>	<b>Maximum</b>	Tranche 1 – Murabaha revolving loan for a maximum aggregate amount of SAR 200,000,000.
	<b>Purpose</b>	To finance working capital requirements.
	<b>Repayment</b>	<ul style="list-style-type: none"> <li>In the case of SNB delivering written notice demanding repayment of the loan, RCM will be granted a grace period of 12 months from the date of SNB's written notice at the end of which repayment will commence via equal quarterly installments over 3 years.</li> <li>Final maturity:</li> </ul>
		The earlier of: <ul style="list-style-type: none"> <li>4 years from the availability period expiry; or</li> <li>in the event of SNB delivering written notice demanding repayment of the loan at any given time, final maturity will be 4 years from SNB's written notification date.</li> </ul>
	<b>Profit Margin</b>	SIBOR + a percentage agreed upon between the parties per annum.
<b>Fees</b>	<ul style="list-style-type: none"> <li>RCM is expected to pay a monthly commission.</li> <li>Base lending rate of a percentage agreed upon between the parties per annum.</li> <li>Overdraw surcharge of a percentage agreed upon between the parties per annum.</li> </ul>	
<b>Guarantees</b>	<ul style="list-style-type: none"> <li>A promissory note for SAR 200,000,000.</li> </ul>	
<b>Covenants</b>	<ul style="list-style-type: none"> <li>RCM shall undertake to maintain a maximum leverage ratio of 3:1, maximum net debt / EBTIDA ratio of 8:1, a minimum current ratio of 1:0 and a minimum debt service coverage ratio of 1.5:1.</li> <li>RCM undertakes not to change its legal structure, scope of activities or management control, save for an initial public offering, prior to obtaining written consent from SNB.</li> <li>SNB reserves the right, without prior notice, to change or cancel any or all of the facilities or change the pricing or any terms and conditions, or ask for additional security at any time, depending upon SNB's assessment of the credit risk and market conditions.</li> </ul>	
<b>Termination and Accelerated Repayment</b>	<p>SNB may, at its sole discretion, suspend, cancel or cut down the facilities at any time without any prior notice to RCM and without having to assign any reason for such action. SNB also reserves the right at all times to claim all unpaid amounts along with any accumulated expenses and commissions.</p> <p>Additionally, upon the occurrence of any of the following events of default, SNB may, upon written notification to RCM: (i) accelerate and cancel the facilities and declare that the facilities, the commissions and all other amounts payable are due and payable without any additional claim, notification or any legal action whatsoever; (ii) set off and apply any credit balance in any account of RCM with SNB, and any other indebtedness owed by SNB to RCM, against any amounts due to SNB from RCM, without prior notice to RCM or any other person; and/or (iii) sell any security, investment or real estate of RCM retained with SNB. Furthermore, upon the occurrence of any of the following defaults:</p> <ul style="list-style-type: none"> <li>RCM's failure to fulfill an obligation or to pay any sum payable under this agreement or any other agreement or any security document to which it is a party when due or otherwise required under the provisions hereof for failure to fulfill any of its obligations herein;</li> <li>RCM undergoes liquidation/insolvency proceedings, or any procedures related thereto; if any law, regulation or order, or any change in any law, regulation or order is issued which deviates or purports to deviate, suspends, terminates or relieves RCM or any of the guarantors from fulfilling its obligations hereunder or under any security document; and</li> <li>any situation which in the opinion of SNB gives reasonable grounds to believe that has been a material adverse change in the business, financial, administrative or legal position of RCM, results of operations or prospects of RCM or any of the guarantors.</li> </ul>	
<b>Governing Law and Jurisdiction</b>	The agreement is governed by the laws of the Kingdom, and any dispute arising therefrom shall be referred to SAMAs Committee for Banking Disputes.	

The Company also entered into a credit facility agreement with SNB on 10/10/1441H (corresponding to 02/06/2020G), as renewed on 19/05/1442H (corresponding to 03/01/2021G), whereby banking facilities with an aggregate amount of SAR 450,000,000 were made available by SNB to the Company and its Subsidiaries until 26/05/1443H (corresponding 31/12/2021G). SNB has confirmed through its letter dated 04/09/1443H (corresponding to 05/04/2022G) that the agreement remains available for use by the Company and its Subsidiaries and the parties are in the process of renewing the same.

Below is a brief summary of the main terms of this agreement:

**Table (162): Terms of Credit Facility Agreement with SNB Dated 10/10/1441H (corresponding to 02/06/2020G)**

Details	Description
<b>Total Facility Amount</b>	SAR 450,000,000
<b>Expiry Date</b>	02/05/1443H (corresponding to 31/12/2021G)
<b>Facilities</b>	<b>Maximum</b> Tranche 1 – Murabaha revolving loan for a maximum aggregate amount of SAR 450,000,000.
	<b>Purpose</b> To finance working capital requirements.
	<b>Repayment</b> The earlier of: <ul style="list-style-type: none"> <li>In the case of SNB delivering written notification demanding repayment of the loan, the Company will be granted a grace period of 12 months from the date of SNB's written notice at the end of which repayment will commence via quarterly equal installments over 3 years.</li> <li>Final maturity: <ul style="list-style-type: none"> <li>4 years from the availability period expiry; or</li> <li>in the event of SNB delivering written notice demanding repayment of the loan at any given time, final maturity will be 4 years from SNB's written notification date.</li> </ul> </li> </ul>
	<b>Profit Margin</b> SIBOR + a percentage agreed upon between the parties per annum.
	<b>Maximum</b> Tranche 2 – General letters of guarantee (bid bonds and performance bonds) with 100% sublimit for sight/usance documentary letters of credit with/without control of goods, for a maximum aggregate amount of SAR 100,000,000.
	<b>Repayment</b> <ul style="list-style-type: none"> <li>One year for bid bonds and sight letters of credit, 180 days for acceptance letters of credit.</li> <li>Performance bonds: five (5) years for government entities and three (3) years for private entities.</li> </ul>
	<b>Profit Margin</b> <ul style="list-style-type: none"> <li>Issuance: SAMA rate.</li> <li>Letters of credit acceptance fee: a percentage agreed upon between the parties per annum.</li> </ul>
	<b>Maximum</b> Tranche 3 – Pre-settlement risk for foreign exchange and interest rate products for a maximum aggregate amount of SAR 50,000,000.
	<b>Purpose</b> Pre-settlement risk on foreign exchange and interest rate swaps for commercial purposes.
	<b>Repayment</b> <ul style="list-style-type: none"> <li>Foreign exchange: 3 years.</li> <li>Interest rate swaps: 5 years.</li> </ul>
<b>Fees</b> <ul style="list-style-type: none"> <li>The Company is expected to pay a monthly commission.</li> <li>Base lending rate of a percentage agreed upon between the parties per annum.</li> <li>Overdraw surcharge of a percentage agreed upon between the parties per annum.</li> </ul>	
<b>Guarantees</b>	<ul style="list-style-type: none"> <li>A promissory note for SAR 600,000,000.</li> </ul>
<b>Covenants</b>	<ul style="list-style-type: none"> <li>The Company shall undertake to maintain a maximum leverage ratio of 3:1, maximum net debt / EBTIDA ratio of 8:1, a minimum current ratio of 1:0 and a minimum debt service coverage ratio of 1.5:1.</li> <li>The Company undertakes not to change its legal structure, scope of activities or management control, save for an initial public offering, prior to obtaining written consent from SNB.</li> <li>SNB reserves the right, without prior notice, to change or cancel any or all of the facilities or change the pricing or any terms and conditions or ask for additional security at any time, depending upon SNB's assessment of the credit risk and market conditions.</li> </ul>



Details	Description
<b>Termination and Accelerated Re-payment</b>	<p>SNB may, at its sole discretion, suspend, cancel or cut down the facilities at any time without any prior notice to the Company and without having to assign any reason for such action. SNB also reserves the right at all times to claim all unpaid amounts along with any accumulated expenses and commissions.</p> <p>Additionally, upon the occurrence of any of the following events of default, SNB may, upon written notification to the Company: (i) accelerate and cancel the facilities and declare that the facilities, the commissions and all other amounts payable are due and payable without any additional claim, notification or any legal action whatsoever; (ii) set off and apply any credit balance in any account of the Company with SNB, and any other indebtedness owed by SNB to the Company, against any amounts due to SNB from the Company, without prior notice to the Company or any other person; and/or (iii) sell any security, investment or real estate of the Company retained with SNB. Furthermore, upon the occurrence of any of the following defaults:</p> <ul style="list-style-type: none"> <li>the Company's failure to fulfill an obligation or to pay any sum payable under this agreement or any other agreement or any security document to which it is a party when due or otherwise required under the provisions hereof for failure to fulfill any of its obligations herein;</li> <li>the Company undergoes liquidation/insolvency proceedings, or any procedures related thereto; if any law, regulation or order, or any change in any law, regulation or order is issued which deviates or purports to deviate, suspends, terminates or relieves the Company or any of the guarantors from fulfilling its obligations hereunder or under any security document; and</li> <li>any situation, which in the opinion of SNB, gives reasonable grounds to believe that there has been a material adverse change in the business, financial, administrative or legal position of the Company, results of operations or prospects of the Company or any of the guarantors.</li> </ul>
<b>Governing Law and Jurisdiction</b>	The agreement is governed by the laws of the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for Banking Disputes.

On 07/10/1443H (corresponding to 08/05/2022G), the Company sent a letter to SNB requesting its non-objection to the IPO and the listing of shares of the Company on Tadawul and its waiver of the restrictions on change of ownership in the Company. The Company subsequently received confirmation of the same from SNB.

### 12.8.5 Credit Facility Agreement with ANB

The Company entered into a credit facility agreement with ANB on 01/08/1439H (corresponding to 17/04/2018G), as renewed on 23/07/1443H (corresponding to 02/06/2021G), 30/11/1442H (corresponding to 10/07/2021G) and on 12/03/1444H (corresponding to 10/08/2022G), whereby banking facilities with an aggregate amount of SAR 1,380,625,000 were made available by ANB to the Company and its Subsidiaries until 09/07/1444H (corresponding to 31/01/2023G). ANB has confirmed through its letter dated 05/09/1443H (corresponding to 06/04/2022G) that the agreement is still effective, and that the parties are currently in the process of entering into a new agreement.

Below is a brief summary of the main terms of this agreement:

**Table (163): Terms of Credit Facility Agreement with ANB Dated 01/08/1439H (corresponding to 17/04/2018G)**

Details	Description	
<b>Total Facility Amount</b>	SAR 1,380,625,000	
<b>Expiry Date</b>	09/07/1444H (corresponding to 31/01/2023G)	
<b>Facilities</b>	<b>Maximum</b>	Tranche 1 – Overdraft facilities for a maximum aggregate amount of SAR 10,625,000.
	<b>Purpose</b>	To finance working capital requirements and the Company's purchases in US dollars and to enable the Company to pay the documents related to incoming letters of credit and collection policies.
	<b>Profit Margin</b>	Base price minus 5% per annum.
	<b>Maximum</b>	Tranche 2 – Short-term revolving tawarruq financing for a maximum aggregate amount of SAR 1,000,000,000.
	<b>Purpose</b>	To finance working capital requirements and financing the acquisitions of the shares of major shareholders in sister companies and factory land in order to restructure the Company for the purpose of the initial public offering, while allowing the use of the limit in Saudi Arabian Riyals or its equivalent in US dollars.
<b>Repayment</b>	1, 2, 3 months, or a maximum of 12 months.	

Details	Description	
Facilities	<b>Profit Margin</b>	SIBOR + a percentage agreed upon between the parties per annum.
	<b>Fees</b>	Treasury fee of a percentage agreed upon between the parties per annum.
	<b>Maximum</b>	Tranche 3 – Letters of guarantee for a maximum aggregate amount of SAR 220,000,000.
	<b>Purpose</b>	Issuance of payment guarantees and customs guarantees for the benefit of acceptable beneficiaries of ANB in the public and private sectors, both local and foreign.
	<b>Repayment</b>	Payment guarantees: 1 year from the issuance of the guarantee. Customs guarantees: 2 years from the issuance of the guarantee.
	<b>Profit Margin</b>	a percentage agreed upon between the parties per annum / SAMA tariff.
	<b>Maximum</b>	Tranche 4 – Letters of credit for the maximum aggregate amount of SAR 100,000,000.
	<b>Purpose</b>	To import raw materials and machinery.
	<b>Repayment</b>	6 months.
	<b>Profit Margin</b>	a percentage agreed upon between the parties per annum / SAMA tariff.
	<b>Maximum</b>	Tranche 5 – Foreign exchange contracts for the maximum aggregate amount of SAR 50,000,000.
	<b>Purpose</b>	To prevent and hedge against the risks of currency fluctuations.
<b>Repayment</b>	720 days or 360 days.	
<b>Guarantees</b>	<ul style="list-style-type: none"> <li>• A promissory note for SAR 1,380,625,000.</li> <li>• Any other guarantees required by ANB.</li> </ul>	
<b>Covenants</b>	<ul style="list-style-type: none"> <li>• The Company undertakes to ANB, throughout the validity of these facilities and as long as there is an amount payable or that may become due, the following: <ul style="list-style-type: none"> <li>- to notify ANB immediately upon the occurrence of any case of default or possible case of default;</li> <li>- to maintain its financial, administrative and legal position and the ownership of the Company and not to change its activity as it is on the date of this agreement;</li> <li>- that the claims of ANB against the Company under the agreement will rank pari passu with the claims of all its unsecured creditors;</li> <li>- not to merge with any other company or take any measures towards dissolving the Company;</li> <li>- not to announce or pay any profits or distributions to partners/shareholders or pay any loans to partners/shareholders during any event of default; and</li> <li>- not to guarantee or to become in any way, directly, indirectly, or potentially, liable for any loss, damage or expense as a result of, or substitute for, the non-payment of any debt or obligation by any person, except as may be necessary in the ordinary course of his business.</li> </ul> </li> <li>• ANB has the right to request the Company to make a transfer within the limits of the facilities and increase the facilities amount for a specific period and with the additional conditions it deems appropriate. The Company shall pay those facilities, along with the resulting commissions and expenses</li> <li>• ANB has a right of set-off against all accounts and assets of the Company under ANB's custody and control, which are considered collateral to the outstanding facilities.</li> <li>• No modification or waiver of any of the provisions of this agreement shall be made unless it is in writing and signed by the parties or their authorized representatives.</li> </ul>	
<b>Termination and Accelerated Re-payment</b>	<p>In the event of the occurrence of any of the following events of default, or at its sole discretion, ANB may, with notice to the Company, cancel the facilities and declare amounts immediately due and payable:</p> <ul style="list-style-type: none"> <li>• the Company's failure to fulfill its obligations or to pay any sum payable under this agreement or any other agreement;</li> <li>• the Company undergoes liquidation/insolvency proceedings, or any procedures related thereto; the Company stops doing any substantial part of its business or fundamentally changes the nature or scope of its business;</li> <li>• any change in the ownership or control of the Company; or</li> <li>• if the Company, without obtaining the prior written consent of ANB, makes or arranges any mortgage on any of its current and future fixed and/or movable assets (not pledged to ANB) in favor of any third party.</li> </ul>	
<b>Governing Law and Jurisdiction</b>	The agreement is governed by the laws of the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for Banking Disputes.	

On 07/10/1443H (corresponding to 08/05/2022G), the Company sent a letter to ANB requesting its non-objection to the IPO and the listing of shares of the Company on Tadawul and its waiver of the restrictions on change of ownership in the Company. The Company subsequently received confirmation of the same from ANB.

### 12.8.6 Credit Facility Agreement with Al Rajhi Bank

The Company entered into a credit facility agreement with Al Rajhi Bank on 25/02/1444H (corresponding to 21/09/2022G), whereby a multi-purpose credit facility with multiple tranches and an aggregate amount of SAR 500,000,000 is made available by Al Rajhi Bank to the Company until 15/02/1445H (corresponding to 31/08/2023G).

**Table (164): Below is a brief summary of the main terms of this agreement:**

Title	Description	
<b>Facility's Total Amount</b>	SAR 500,000,000	
<b>Facilities Package</b>	<b>Maximum</b>	Tranche 1.1.1 – Credit sale with a maximum aggregate amount of SAR 500,000,000.
	<b>Purpose</b>	To finance working capital requirements.
	<b>Repayment</b>	12 months.
	<b>Profit Margin</b>	SIBOR + a certain percentage agreed upon between the parties per annum in SAR.
	<b>Maximum</b>	Tranche 1.1.2 – Credit sale and import financing with a maximum aggregate amount of SAR 500,000,000.
	<b>Purpose</b>	To finance working capital requirements.
	<b>Repayment</b>	12 months.
	<b>Profit Margin</b>	SIBOR + a certain percentage agreed upon between the parties per annum in SAR.
	<b>Maximum</b>	Tranche 1.1.3 – Issuing the importer's financing line with a maximum aggregate amount of SAR 500,000,000.
	<b>Purpose</b>	To finance working capital requirements.
	<b>Repayment</b>	12 months.
	<b>Profit Margin</b>	SIBOR + a certain percentage agreed upon between the parties per annum in SAR.
	<b>Maximum</b>	Tranche 1.1.4 – Facility for issuing / opening sight and usance letters of credit with a maximum aggregate amount of SAR 500,000,000.
	<b>Purpose</b>	To finance working capital requirements.
	<b>Repayment</b>	12 months.
	<b>Maximum</b>	Tranche 1.1.5 – Facility for issuing / opening sight and usance letters of credit (Murabaha) with a maximum aggregate amount of SAR 500,000,000.
	<b>Purpose</b>	To finance working capital requirements.
	<b>Repayment</b>	12 months.
	<b>Profit Margin</b>	SIBOR + a certain percentage agreed upon between the parties per annum in SAR.
	<b>Maximum</b>	Tranche 1.1.6 – Facility for issuing final guarantee, financial guarantee and advance payment guarantee with a maximum aggregate amount of SAR 500,000,000.
<b>Purpose</b>	To finance the requirements of entering into projects worth SAR 250,000,000 or less through the issuance of guarantees in favor of project owners.	
<b>Repayment</b>	<ul style="list-style-type: none"> <li>Financial guarantee: 12 months.</li> <li>Final guarantee and down payment: 60 months.</li> </ul>	
<b>Maximum</b>	Tranche 1.1.7 – Facility for issuing advance guarantees with a maximum aggregate amount of SAR 100,000,000.	
<b>Purpose</b>	To issue initial guarantees to enter into projects.	
<b>Repayment</b>	6 months.	
<b>Fees/Penalties</b>	<ul style="list-style-type: none"> <li>Commission in respect of Tranche 1.1.4 – Issuance/opening/amendment/postponement/acceptance fees agreed upon.</li> <li>Commission in respect of Tranches 1.1.6 and 1.1.7 – Issuance and amendment fees agreed upon.</li> </ul>	

Title	Description
<b>Guarantees</b>	<ul style="list-style-type: none"> <li>• A promissory note for SAR 500,000,000.</li> </ul>
<b>Key Covenants</b>	<ul style="list-style-type: none"> <li>• The Company undertakes to obtain Al Rajhi Bank's prior written consent before the issuance of shares by any member of the group.</li> <li>• The Company undertakes to notify Al Rajhi Bank upon any change in the ownership of its capital.</li> <li>• The Company may not assign or any of its rights and obligations under the agreement without the prior written consent of Al Rajhi Bank.</li> <li>• The Company undertakes not to suspend its activities or to enter into an agreement or conciliation against bankruptcy or any insolvency, liquidation, dissolution or merger for the duration of the agreement.</li> <li>• The Company undertakes to maintain a minimum debt ratio of 1:75:1 and current ratio of 1:1 and a maximum leverage ratio of 3:1.</li> <li>• The Company undertakes to maintain a maximum net equity amount of SAR 1,500,000,000.</li> </ul>
<b>Termination and Acceleration of Payment</b>	<p>In the event of the occurrence of any of the events of default, or at its sole discretion, Al Rajhi Bank may, with notice to the Company:</p> <ul style="list-style-type: none"> <li>• withdraw or cancel any or all of the facilities or to lower the authorized limit for any facility;</li> <li>• require the Company to place a deposit and keep it in an account for this purpose;</li> <li>• exercising rights of set-off;</li> <li>• seizing the equivalent of all unpaid amounts from the Company from the Company's current or investment account balances with Al Rajhi Bank until all its obligations are paid; and / or</li> <li>• sell or dispose of all assets or financial instruments in its custody and recover all amounts payable by the Company with respect to any facility.</li> </ul> <p>Events of default include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• the Company fails to comply with any of the provisions of the agreement;</li> <li>• any indebtedness of any obligor becomes payable, or may be considered payable, before its declared maturity date, or if such indebtedness is not paid when it becomes due;</li> <li>• the Company undergoes liquidation/insolvency proceedings or any procedures related thereto; and</li> <li>• failure to do all or any material part of its business.</li> </ul>
<b>Governing Law &amp; Jurisdiction</b>	<p>The agreement is governed by the laws of the Kingdom, and any dispute arising from this agreement shall be referred to the Saudi Central Bank's Committee for Banking Disputes.</p>

On 28/03/1444H (corresponding to 24/10/2022G), the Company sent a letter to Al Rajhi Bank requesting its non-objection to the IPO and the listing of shares of the Company on Tadawul and its waiver of the restrictions on change of ownership in the Company. The Company subsequently received confirmation of the same from Al Rajhi Bank.

## 12.9 Insurance Policies

The Company and its Material Subsidiaries maintain insurance policies covering various types of risks to which they may be exposed. The following table summarizes the key particulars of the insurance policies held by the Company and its Material Subsidiaries:

**Table (165): Insurance Policies**

Coverage Type	Insurer	Policy No.	Insured	Expiry Date	Coverage Amount
<b>1. The Company</b>					
Plant equipment and machinery insurance	Wataniya Insurance	P-03-2021-5-506-007554/R1	The Company	21/07/1444H (corresponding to 12/02/2023G)	<ul style="list-style-type: none"> <li>SAR 15,643,321</li> <li>Third party limit of SAR 1,000,000</li> </ul>
Workmen's compensation insurance	Orient	P/01/6021/2021/2784	The Company	27/03/1444H (corresponding to 23/10/2022G)	<ul style="list-style-type: none"> <li>Employer's liability: AED 3,680,000</li> <li>Repatriation Expenses: AED 25,000 per person</li> </ul>
Comprehensive vehicle insurance policy	Wataniya Insurance	P-03-2020-4-411-046359/R1	The Company	25/04/1444H (corresponding to 19/11/2022G)	SAR 6,077,900
Mobile laboratory and electronic equipment insurance	Salama Cooperative Insurance Company	3/23/71/2022	The Company	10/10/1444H (corresponding to 30/04/2023G)	<ul style="list-style-type: none"> <li>Material Damage: SAR 6,734,400</li> <li>Increased Labor Cost: Coverage of physical losses of laboratories and equipment in the Kingdom and the GCC countries.</li> </ul>
Export credit insurance policy	The Islamic Corporation for the Insurance of Investment and Export Credit	CSTP-SAU-00101	The Company	07/06/1444H (corresponding to 31/12/2022G)	50 times the minimum annual premium or 50 times the premium paid per policy period
Open marine cargo insurance	Tawuniya	614501	The Company	10/10/1444H (corresponding to 30/04/2023G)	SAR 1,500,000
Open marine cargo insurance	Tawuniya	614500	The Company	10/10/1444H (corresponding to 30/04/2023G)	SAR 25,000,000
Insurance covering movable money and money in treasury	Wataniya Insurance	P-03-2021-6-605-010594/R1	The Company	03/08/1444H (corresponding to 23/02/2023G)	Estimated Total Annual Carrying: SAR 349,999,999
Property all risk insurance	Tawuniya	613871	The Company	12/07/1444H (corresponding to 03/02/2023G)	SAR 3,100,000
<b>2. NCI</b>					
Property all risk insurance	Royal & Sun Alliance Insurance (Middle East)	2/1/020/00009960	NCI	07/06/1444H (corresponding to 31/12/2022G)	AED 435,131,898

Coverage Type	Insurer	Policy No.	Insured	Expiry Date	Coverage Amount
Workmen's compensation insurance	Royal & Sun Alliance Insurance (Middle East)	7/1/020/00005293	NCI	07/06/1444H (corresponding to 31/12/2022G)	<ul style="list-style-type: none"> <li>Employer's liability limit per occurrence: AED 1,000,000</li> <li>Employer's aggregate liability: AED 1,000,000</li> <li>Medical Expenses: AED 25,000 per accident</li> <li>Funeral Expenses: AED 5,000 per person</li> <li>Repatriation Expenses: AED 15,000 per person</li> </ul>
Export credit insurance	The Arab Investment & Export Credit Guarantee Corporation	37/02/2018	NCI	12/04/1444H (corresponding to 06/11/2022G (one year, automatically renewable))	Coverage by 0.38% based on the monthly sales disclosure report
Export credit insurance	Ethihad Credit Insurance	WTO100029	NCI	15/12/1443H (corresponding to 14/07/2022G)	Compensation cap is 23 times of premium paid during policy period
Money insurance	Royal & Sun Alliance Insurance (Middle East)	5/1/020/00014322	NCI	07/06/1444H (corresponding to 31/12/2022G)	AED 436
<b>3. RCM</b>					
Comprehensive vehicle insurance policy	Wataniya Insurance	P-03-2020-4-411-047080/R1	RCM	25/04/1444H (corresponding to 19/11/2022G)	SAR 690,300
Installation all risk insurance	Orient	P/01/4011/2019/23	RCM - Dubai branch	20/04/1444H (corresponding to 14/11/2022G)	AED 173,351,024
Installation all risk insurance	Orient UNB Takaful	P/10/1511/151/2020/1	RCM - Dubai branch	20/04/1444H (corresponding to 14/11/2022G)	AED 127,161,012
<b>4. REW</b>					
Comprehensive vehicle insurance policy	Wataniya Insurance	P-03-2020-4-411-046360/R1	REW	25/04/1444H (corresponding to 19/11/2022G)	SAR 156,000

## 12.10 Real Estate Owned by the Company and its Material Subsidiaries

The following table sets out the real estate owned by the Company and its Material Subsidiaries:

Title Deed No.	Title Deed Date	Location	Area (square meters)	Property Owner	Mortgaged
510111035612	19/06/1436H (08/04/2015G)	Plot No. 36/A of land plan No. 2094 located in the Industrial Area, Riyadh, KSA	2,250	RCC	No
920207013380	25/06/1436H (corresponding to 14/04/2015G)	Plot No. 46 land of plan 114/B in Jeddah, KSA	4,500	RCC	No
8/147/3	22/03/1421H (corresponding to 24/06/2000G)	Khamis Mushait Road in Khamis Mushait, KSA	2,499.75	RCC	No
717/334/4	17/10/1422H (corresponding to 01/01/2002G)	Makkah	2,863.55	RCC	No
310116032565	13/02/1437H (corresponding to 25/11/2015G)	A plot of land plan No. 2896 located in Al-Iskan district, Riyadh, KSA	386,200.79	The Company	No
124/1	13/05/1399H (corresponding to 10/04/1979G)	Plots No. 1 to 15 and Plots No. 45 to 54 in area (A) of Al Khalidiyah, Dammam, KSA	12,167.27	RCC	No
362514018494	16/01/1443H (corresponding to 20/12/2021G)	Northern Area of Al Rawaq, Buraidah, KSA	3,000	RCC	No
662505011126	24/01/1443H (corresponding to 01/09/2021G)	Northern Area of Al Rawaq, Buraidah, KSA	3,076.85	RCC	No
Registration No. 9 of Folio No. 9 of Register No. 37	26/08/1422H (corresponding to 11/11/2001G)	224 of Block No. 33/C of land plan No. 90/7, Al Jubail., KSA	987.50	RCC	No
310115040747	16/06/1436H (corresponding to 05/04/2015G)	Plot No.145/B of land plan 196, Al Kharj Road, Riyadh, KSA.	2,315.11	The Company	No
310110030857	06/08/1436H (corresponding to 24/05/2015G)	Plot No. 225/A of land plan No. 1329, Al Aziziyah district, Riyadh	682 meters	RCC	No
13572	06/12/1435H (corresponding to 30/09/2014G)	Plot No. 6 of Al Sajaa Industrial Area, Sharjah, UAE.	56,711	NCI	No
14224	27/12/1435H (corresponding to 24/10/2014G)	Plot No. 34 of Al Sajaa Industrial Area, Sharjah, UAE.	43,981	NCI	No
Preliminary sale agreement *	29/10/1442H (corresponding to 10/06/2021G)	Plots on land in kilo (24) Alexandria - Matrouh Road, Alexandria, Egypt	38,036.95	REW	No

\* (for further details, please see Subsection (2.1.11) "Risks related to credit and doubtful debts" of this Prospectus).

## 12.11 Lease Agreements

The Company and its Material Subsidiaries have concluded thirty-seven (37) lease agreements with a number of lessors in various parts of the Kingdom and abroad. Such agreements include twenty-nine (29) leases in the Kingdom and eleven (11) leases in the UAE, Kuwait and Jordan. The Group has only registered eight (8) of its twenty-nine (29) leases in the Kingdom on the Ejar platform. The following table sets out the details of the real estate leased by the Company and its Material Subsidiaries:

**Table (166): Details of Lease Agreements**

Purpose/Usage	Annual Rent	Effective Date of Lease/Renewal Mechanism (if any)	Area (square meters)	Location	Lessor
<b>1. The Company</b>					
<b>1.1 Employees accommodation</b>					
Employees accommodation	660,000 Saudi Riyals	02/11/1443H (corresponding to 01/06/2022G) For a term of one year, renewable by agreement between the parties	969 m <sup>2</sup>	Riyadh	Tawq Al-Dar Company
Employees accommodation	290,000 Saudi Riyals	02/09/1442H (corresponding to 14/04/2021G) For a term of one year, renewable by agreement between the parties	600 m <sup>2</sup>	Riyadh	Abdullah Mubarak Al-Oubthani
<b>1.2 Warehouses</b>					
Warehouse	360,000 Saudi Riyals	10/11/1441H (corresponding to 01/07/2020G) For a term of three years, automatically renewable	52,337.46 m <sup>2</sup>	Riyadh	Salman Bandar Alsudairy
Warehouse	75,000 Saudi Riyals	01/01/1442H (corresponding to 20/08/2020G) For a term of ten years, automatically renewable	1,500 m <sup>2</sup>	Al Baha	Abdullah Mohammed Alghamdi
Warehouse	12,231 Saudi Riyals	01/06/1423H (corresponding to 10/08/2002G) For a term of ten years, renewable by agreement between the parties	1,528.90 m <sup>2</sup>	Sakaka	Municipality of Al Jouf
Warehouse	10,000 Saudi Riyals	01/01/1439H (corresponding to 21/09/2017G) For a term of five years	2,500 m <sup>2</sup>	Hail	Municipality of Hail
<b>1.3 Factories</b>					
Factory	5,096 Saudi Riyals	18/06/1441H (corresponding to 12/02/2020G) For a term of one year	1,274 m <sup>2</sup>	Riyadh	Modon
Factory	162,204 Saudi Riyals	12/06/1441H (corresponding to 06/02/2020G) For a term of one year, renewable by agreement between the parties	40,551 m <sup>2</sup>	Riyadh	Modon
Factory	22,516 Saudi Riyals	22/11/1428H (corresponding to 02/12/2007G) For a term of two years	11,258 m <sup>2</sup>	Riyadh	Modon
<b>2. RCM</b>					
<b>2.1 Employees accommodation</b>					
Employees accommodation	100,800 UAE Dirhams	28/05/1443H (corresponding to 01/01/2022G) For a term of one year	16 m <sup>2</sup>	Dubai	Valtrans Transportation Systems & Services L.L.C.
Employees accommodation	32,000 UAE Dirhams	14/09/1443H (corresponding to 15/04/2022G) For a term of one year	78 m <sup>2</sup>	Dubai	Mohammad Ismail Jehangiri Rai Jehangiri
Employees accommodation	218,840 Saudi Riyals	10/10/1439H (corresponding to 24/06/2018G) For a term of twenty years, renewable by agreement between the parties	5,471 m <sup>2</sup>	Riyadh	Modon
<b>2.2 Factories</b>					



Purpose/Usage	Annual Rent	Effective Date of Lease/Renewal Mechanism (if any)	Area (square meters)	Location	Lessor
Factory	252,000 Saudi Riyals	26/01/1432H (corresponding to 01/01/2011G) For a term of twenty years, renewable by agreement between the parties	63,000 m2	Riyadh	Modon
Factory	85,000 Saudi Riyals	08/06/1431H (corresponding to 22/05/2010G) For a term of twenty years, renewable by agreement between the parties	21,250 m2	Riyadh	Modon
Factory	20,768 Saudi Riyals	26/01/1432H (corresponding to 01/01/2011G) For a term of twenty years, renewable by agreement between the parties	5,192.25 m2	Riyadh	Modon
Factory	8,378 Saudi Riyals	24/04/1431H (corresponding to 09/04/2010G) For a term of twenty years, renewable by agreement between the parties	8,378 m2	Riyadh	Modon

### 2.3 Showrooms

Showroom	2,400 Kuwaiti Dinars	19/01/1437H (corresponding to 01/11/2015G) For a term of five years, automatically renewable	10 m2	Kuwait	Hamad Abdulmohsin Mohammed AlHammad
Showroom	100,000 Saudi Riyals	03/05/1443H (corresponding to 07/12/2021G) For a term of 364 days, renewable by agreement between the parties	530 m2	Al Hofuf	Abdullatif Abdullah Sultan AlQehaidan

### 2.4 Warehouses

Warehouse	1,650 Kuwaiti Dinars	08/10/1438H (corresponding to 02/07/2017G) For a term of one year	2,000 m2	Kuwait	KGL Stevedoring Company W.L.L
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### 2.5 Offices

Offices	98,000 UAE Dirhams	02/11/1443H (corresponding to 01/06/2022G) For a term of one year, automatically renewable	182.09 m2	Dubai	Sultan Real Estate (a branch of Sultan Group Investment L.L.C)
Offices	12,000 UAE Dirhams	21/11/1443H (corresponding to 20/06/2022G) For a term of one year	20.4380 m2	Abu Dhabi	Rubooa Al Wadi General Contracting & Real Estate L.L.C.
Offices	85,000 UAE Dirhams	07/08/1443H (corresponding to 10/03/2022G) For a term of one year	111.95 m2	Dubai	Optimal Property Management

## 3. REW

### 3.1 Warehouses

Warehouse	30,000 Saudi Riyals	01/07/1443H (corresponding to 02/02/2022G) For a term of 729 days, renewable by agreement between the parties	700 m2	Hafr Al Batin	Hazzaa Moteb Ibn Basees
Warehouse	115,000 Saudi Riyals	21/11/1442H (corresponding to 01/07/2021G) For a term of 364 days, renewable by agreement between the parties	720 m2	Madinah	Al-Thinayyan Real Estate Development and Marketing Company
Warehouse	108,614 Saudi Riyals	19/06/1440H (corresponding to 24/02/2019G) For a term of five years	4,937 m2	Jazan	Municipality of Jazan Governorate
Warehouse	63,652.50 Saudi Riyals	01/03/1442H (corresponding to 18/10/2020G) For a term of one year	400 m2	Yanbu	Red Sea Industries
Warehouse	161,000 Saudi Riyals	02/11/1442H (corresponding to 01/06/2022G) For a term of 1095 days, renewable by agreement between the parties	1,200 m2	Taif	Mohammed Mohammed Ali Althomaly

### 3.2 Factories

Purpose/Usage	Annual Rent	Effective Date of Lease/Renewal Mechanism (if any)	Area (square meters)	Location	Lessor
Factory	25,160 Saudi Riyals	26/06/1434H (corresponding to 06/05/2013G) For a term of ten years, renewable by agreement between the parties	25,160 m2	Riyadh	Modon
Factory	50,768 Saudi Riyals	27/02/1435H (corresponding to 30/12/2013G) For a term of ten years, renewable by agreement between the parties	12,692 m2	Riyadh	Modon
Factory	46,024 Saudi Riyals	26/06/1434H (corresponding to 13/04/2013G) For a term of twenty years, renewable by agreement between the parties	46,024 m2	Riyadh	Modon
<b>3.3 Showrooms</b>					
Showroom	115,000 Saudi Riyals	01/09/1442H (corresponding to 13/04/2021G) For a term of 5 years, renewable by agreement between the parties	1,000 m2	Najran	Saleh Salem Alsuqour
<b>4. RCC</b>					
<b>4.1 Warehouses</b>					
Employees accommodation	6,000 Saudi Riyals	15/04/1441H (corresponding to 12/12/2019G) For a term of one year, automatically renewable	30 m2	Taif	Mohammed Mohammed Ali Althomaly
<b>4.2 Offices</b>					
Offices	162,500 Saudi Riyals	01/08/1439H (corresponding to 17/04/2018G) For a term of one year, renewable by agreement between the parties	249 m2	Riyadh	Zuhair Shaddad Al Mutairy
<b>5. RTC</b>					
<b>5.1 Employees accommodation</b>					
Employees accommodation	230,000 Saudi Riyals	29/06/1443H (corresponding to 01/02/2022G) For a term of one year, renewable by agreement between the parties	600 m2	Riyadh	Saleh Sulaiman AlNamlah
<b>5.2 Factories</b>					
Factory	73,220 Saudi Riyals	24/07/1435H (corresponding to 23/05/2014G) For a term of twenty years, renewable by agreement between the parties	36,610 m2	Riyadh	Modon
Factory	6,000 Saudi Riyals	09/02/1435H (corresponding to 12/12/2013G) For a term of twenty years, renewable by agreement between the parties	3,000 m2	Riyadh	Modon
<b>6. NCI</b>					
Offices	9,500 Jordanian Dinars	29/06/1443H (corresponding to 01/02/2022G) For a term of one year, renewable by agreement between the parties	100 m2	Jordan	Grand City For Building Commercial Complexes

## 12.12 Trademarks and Property Rights

The following table sets out key particulars of the registered trademarks of the Company and its Material Subsidiaries.

**Table (167): Details of Registered Trademarks**

Owner	Category	Country of Registration	Protection Commencement Date	Protection Expiry Date	Registration No.	Logo
The Company	Certificate	KSA	20/09/1436H (corresponding to 07/07/2015G)	19/09/1446H (corresponding to 19/03/2025G)	1436019910	
RTC	Certificate	KSA	20/09/1436H (corresponding to 07/07/2015G)	19/09/1446H (corresponding to 19/03/2025G)	1436019923	
REW	Certificate	KSA	20/09/1436H (corresponding to 07/07/2015G)	19/09/1446H (corresponding to 19/03/2025G)	1436019922	
RCM	Certificate	KSA	20/09/1436H (corresponding to 07/07/2015G)	19/09/1446H (corresponding to 19/03/2025G)	1436019913	
NCI	Certificate	UAE	04/09/1437H (corresponding to 09/06/2016G)	19/06/1447H (corresponding to 10/12/2025G)	244952	

## 12.13 Zakat and Tax Status of the Company

The Company is governed by the Kingdom's laws and regulations, including ZATCA's regulations. The Company has submitted its Zakat and tax returns for all financial years from the date of incorporation up to the financial year ended 31 December 2021G and has accordingly obtained Zakat certificates for these years. However, the Company has not received the final Zakat and tax assessments for the years 2016G-2021G, as all of the Company's Zakat and tax returns are still under review by ZATCA. It should be noted that with regard to the Company's Zakat and tax declaration for the financial year ended 31 December 2016G, the Company received an amendment letter from the Zakat, Tax and Customs Authority on 27/04/2022G, obligating the Company to pay differences amounting to SAR 36,857,358.76. The Company objected to the same and the Zakat, Tax and Customs Authority rejected this objection by virtue of its letter dated 08/09/2022G. As of the date of this Prospectus, the Company is in the process of filing a grievance against the decision of the Zakat, Tax and Customs Authority to the General Secretariat of Tax Committees. The Company's Zakat provisions amounted to SAR 22 million, SAR 29.4 million, SAR 29.7 million and SAR 19.3 million as of 31 December 2019G, 31 December 2020G, 31 December 2021G and 30 June 2022G, respectively.

## 12.14 Litigation and Disputes

Except for the claims set out in this section, the Directors confirm that the Company and its Material Subsidiaries, up to the date of this Prospectus, are not parties to any existing or possible litigation, arbitration or administrative proceedings that would, individually or in aggregate, have an adverse impact on their financial position and results of operations.

### 12.14.1 Litigation initiated by the Company and its Material Subsidiaries

There are currently four pending litigation cases initiated by the Company, and four pending litigation cases initiated by REW. It should be noted that the other Material Subsidiaries currently have not initiated any pending litigation cases.

### 12.14.1.1 Sales and customer litigation cases initiated by the Company

The following table summarizes sales and customer litigation cases initiated by the Company as of the date of this Prospectus.

**Table (168): Summary of commercial litigation initiated by the Company**

Defendant	Dispute Summary	Current Status	Disputed Amount
Nebras Al-Sharq Company	Non-payment of outstanding debts	Judgment issued for the payment of the amount due and detention of the manager of the defendant company.	SAR 7,186,000
Mohammed El Maagal Group (Al-Dammam)	Non-payment of outstanding debts	Judgment issued for the payment of the amount due. However, given that Mohammed El Maagal Group has been declared bankrupt, the assets of Mohammed El Maagal Group will be sold off by the liquidator and the proceeds of the sale will be proportionally distributed to each creditor.	SAR 2,267,690
Arsan Contracting Co.	Non-payment of outstanding debts	Judgement issued for the payment of the amount due. However, Arsan Contracting Co. has not paid the amounts due as of the date of this Prospectus.	SAR 698,279

### 12.14.1.2 Other litigation cases initiated by the Company

The following table summarizes another case filed by the Company against the Zakat, Tax and Customs Authority (ZATCA) in relation to the Company's grievance against the decision of ZATCA, as of the date of this Prospectus.

**Table (169): Summary of other litigation initiated by the Company**

Defendant	Dispute Summary	Current Status	Disputed Amount
ZATCA	Grievance against the letters of ZATCA obligating the Company to pay differences amounting to SAR 36,857,358.76 for the financial year ended 31 December 2016G.	The case was filed with the General Secretariat of Tax Committees on 28/02/1444H (corresponding to 25/09/2022G).	SAR 36,857,358.76

### 12.14.1.3 Sales and customer litigation cases initiated by REW

The following table summarizes sales and customer litigation cases initiated by REW as of the date of this Prospectus.

**Table (170): Summary of commercial litigation initiated by REW**

Defendant	Dispute Summary	Current Status	Disputed Amount
Abdulaziz Al- Fawzan (Al-Dammam), a customer of REW	Non-payment of outstanding debts	Judgment issued for the payment of the amount due and the detention of Abdulaziz Al-Fawzan. However, given that the company has been declared bankrupt, the assets of the company will be sold off by the liquidator and the proceeds of the sale will be proportionally distributed to each creditor.	SAR 24,500,000
Najd Al-Togareya Company (Hail), a customer of REW	Non-payment of outstanding debts	Judgment issued for the payment of the due amount. Furthermore, the defendant filed for bankruptcy which has been transferred to the Bankruptcy Commission in Riyadh. REW has submitted to the Bankruptcy Commission all documents evidencing the due amount to REW. REW is currently following up with the Bankruptcy Commission.	SAR 327,040
Abdallah Abdelrahman Al-Awad (Taif), a customer of REW	Non-payment of outstanding debts	Judgment issued in absentia for the payment of the amount due. The judgment has not been enforced due to the closure of the company and the disappearance of its owner. Once the defendant is detained, he will be made to pay the amount due to REW.	SAR 1,650,025
Mounira Al-Faar Company (Taif), a customer of REW	Non-payment of outstanding debts	An enforcement action was filed for the payment of the due amounts and detention of the defendant. However, the detention was rejected based on the Royal Decree in relation to COVID-19. Once the judgment is enforced, the defendant will be made to pay the amounts due.	SAR 131,826

### 12.14.2 Litigation against the Company and its Material Subsidiaries

The Company has a total of four pending litigation cases filed against it. The disputed amounts, as of the date of this Prospectus, amount to SAR 1,245,264. None of the Material Subsidiaries have litigation cases filed against them.

Set out below are brief summaries of the aforementioned litigation cases as of the date of this Prospectus.

**Table (171): Summary of commercial litigation initiated against the Company**

Claimant	Dispute Summary	Current Status	Disputed Amount
Nebras Al-Sharq Company	The claimant filed a petition for reconsideration of Judgment No. 197/D/VC/ of 1428H for the payment of an amount of SAR 7,186,000 to the Company.	The petition was rejected on 10/04/1443H (corresponding to 15/11/2021G). Although the claimant is entitled to appeal the said decision within 30 days from the date the judgment was issued, as of the date of this Prospectus, the Company has not received any documents evidencing such appeal.	N/A
Hamad Abdulkarim Ben Hamad Al-Gameel (legal representative of the owner of Najd Company)	The plaintiff filed a compensation claim before the General Court of Hail. The Company pleaded lack of jurisdiction, and accordingly the court issued a judgment to that effect. The plaintiff appealed said judgment and the appellate court returned the case to the first instance court for review.	Pending final judgment of either the first instance court or the appellate court.	N/A
Al Mansour Co.	The plaintiff filed a lawsuit before the Commercial Court in Riyadh demanding the Company to pay an amount of USD 19,000 (equivalent to SAR 71,364), the value of the payment made to the Company under the copper purchase and supply account, in addition to an amount of SAR 100,000 as compensation and attorney fees.	The judge decided to delegate an expert body to study the case file and express its technical opinion thereon, and a hearing has been scheduled for 03/02/1444H (corresponding to 28/09/2022G).	SAR 171,364
Essam Ezz Mustafa Al Sahseh	The plaintiff filed a lawsuit before the Commercial Court in Riyadh, demanding the Company to pay the amount due in return for work carried out by the contractor in one of the projects (in Jeddah) that was withdrawn from the same contractor due to the contractor's non-compliance with the terms of the contract.	The judge decided to delegate an expert body to study the case file and provide its technical opinion thereon and a hearing has been scheduled for 03/02/1444H (corresponding to 28/09/2022G).	SAR 1,073,900

## 12.15 Summary of Company's Bylaws

### Article 1: Incorporation

In accordance with the provisions of the Companies Law, its implementing regulations and these Bylaws, Riyadh Cables Group Company has been converted to a "closed joint stock company" according to the following:

### Article 2: Name of the Company

Riyadh Cables Group Company (a Saudi closed joint stock company).

### Article 3: Objectives of the Company

The Company carries out and implements the following objectives:

#	Activity code	Activity name as per ISIC4
1.	273373	Manufacture of electrical connections and wire extension channels from other materials
2.	273372	Manufacture of electrical connections and plastic wire extension channels
3.	273371	Manufacture of electrical connections and metallic wire extension channels
4.	273360	Manufacture of electrical sockets and outlets
5.	273350	Manufacture of different types of switches (for buildings and devices)
6.	273200	Manufacture of insulated wires and cables made of steel, copper or aluminum
7.	273100	Manufacture of fiber optic cables
8.	271050	Manufacture of components for generators, motors and electrical transformer
9.	259923	Manufacture of aluminum cables and girdles
10.	259922	Manufacture of copper cables and girdles
11.	259921	Manufacture of steel cables and girdles
12.	243211	Non-ferrous metal casting (finished products)
13.	242052	Production of semi-finished nickel and copper
14.	242043	Smelting, rolling, drawing, refining and casting lead, zinc, tin and their alloys
15.	242042	Smelting, rolling, drawing, refining and casting aluminum and its alloys
16.	242041	Smelting, rolling, drawing, refining and casting copper and its alloys
17.	261008	Manufacture of connectors and cables for printers, monitors and USB
18.	251112	Manufacture of pylons and their parts
19.	241040	Manufacture of plates, sheets, rolls and coils and all types of rods, skewers, wires and pieces
20.	201310	Manufacture of plastics in their primary forms
21.	162331	Manufacture of wooden cable reels
22.	663003	Managing investments
23.	854951	Management training institutes
24.	811003	Provision of maintenance services within facilities
25.	711081	Project management activities related to energy efficiency
26.	681010	Buying, selling and subdividing of land and real estate, and on-the-map sales activities
27.	492302	Transportation of goods and equipment (heavy haulage)
28.	465971	Wholesale of computer-controlled machinery and tools
29.	422070	Construction and erection of telecommunications and radar stations and towers

#	Activity code	Activity name as per ISIC4
30.	332011	Installation of industrial machinery in industrial facilities
31.	331401	Repair and maintenance of power, distribution and specialty transformers
32.	475250	Retail sale of electrical equipment and installations
33.	433010	Building finishing
34.	410010	General construction of residential buildings
35.	271020	Manufacture of electrical transformers
36.	854954	Training centers
37.	711085	Energy measurement and inspection services
38.	711084	Providing engineering design services for energy efficiency standards
39.	711083	Providing energy design review services
40.	681022	Managing and leasing owned or leased property (non-residential)
41.	477395	Sale and installation of factory machinery and equipment
42.	477325	Sale of electrical and communication cables
43.	477312	Sale of solar energy devices and equipment
44.	432930	Installation, repair and maintenance of lightning rods
45.	432220	Installation, maintenance and repair of solar energy networks
46.	432112	Telecommunications wiring
47.	432111	Electrical wiring
48.	422060	Construction and establishment of electrical power stations and transformers
49.	422010	Long-distance pipelines, communication and power lines
50.	410023	General construction of non-residential steel buildings
51.	410021	General construction of non-residential buildings
52.	351003	Distribution of electrical power
53.	351002	Transmission of electrical power
54.	351001	Generation of electrical power
55.	332032	Machine rigging
56.	332021	Installation of communications equipment
57.	332013	Dismantling large-scale machinery and equipment
58.	332012	Installation of industrial process control equipment
59.	274020	Manufacture of light connections
60.	222034	Manufacture of lighting supplies
61.	201360	Manufacture of polyethylene
62.	201350	Manufacture of propylene
63.	201330	Manufacture of synthetic rubber and natural rubber compounds

The Company exercises its activities after obtaining the necessary licenses from the competent authorities.

**Article 4: Merger and Participation**

The Company may establish companies (limited liability or closed joint stock companies) provided that the capital is five million Saudi Riyals (SAR 5,000,000) at minimum. It may own shares and quotas in other existing companies or merge with them. It also has the right to participate with others in the establishment of joint stock or limited liability companies after satisfying the requirements of regulations and instructions in this regard. The Company may also dispose of these shares or quotas, provided that it does not undertake any brokerage roles in such disposal.

**Article 5: Headquarters of the Company**

The headquarters of the Company is located in the city of Riyadh in the Kingdom of Saudi Arabia. The Board may establish branches, offices or agencies for the Company inside or outside the Kingdom of Saudi Arabia.

**Article 6: Duration of the Company**

The term of the Company shall be ninety-nine (99) Gregorian years starting from the date of its registration in the commercial registry as a joint stock company. This period may always be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to the expiration of its term.

**Article 7: Share Capital**

The Company's share capital shall be SAR 1,500,000,000, divided into 150,000,000 Shares, with an equal nominal value of ten Saudi Riyals (SAR 10) each, all of which are ordinary in-kind Shares.

**Article 8: Shareholders**

The shareholders have subscribed to all of the Company's shares amounting to 150,000,000 shares paid in full.

**Article 9: Payment of the Value of Shares**

The shareholder is obligated to pay the value of the share when it falls due. If a shareholder fails to pay on the due date, the Board may, after notifying said shareholder by registered mail, sell such shares in a public auction or, as the case may be, on the stock exchange, in accordance with the regulations set by the competent authority.

The Company shall collect the amounts due to it from the sale proceeds and return the remainder to the shareholder. If the sale proceeds are not sufficient to meet these amounts, the Company may collect the remainder from all the shareholder's money.

Nevertheless, a defaulting shareholder may, up to the date of sale of such shares, pay the amounts due of such share in addition to all expenses incurred by the Company in this regard.

The Company shall cancel the sold shares in accordance with the provisions of this Article, issue the buyer a new share bearing the serial number of the canceled share and make a notation to that effect in the shareholder's register, along with the name of the new owner.

**Article 10: Trading of Shares**

Shares subscribed by shareholders may not be traded until after the financial statements have been published for two consecutive financial years, each of which shall not be less than twelve months from the date of the Company's transformation. An annotation shall be made on the respective share certificates, indicating their class, the date of the Company's transformation, and the period during which their trading shall be suspended.

Nevertheless, during the Lock-up Period, the ownership of shares may be transferred, in accordance with the provisions of the sale of rights, from one of the shareholders to another shareholder or from the heirs of one of the shareholders in the event of their death to a third party, or in the event of enforcement against the funds of an insolvent or bankrupt shareholder, provided that the other shareholders have pre-emptive rights to own such shares.

The provisions of this Article shall apply to any shares subscribed for by the founding shareholders in the event of an increase in the capital prior to the expiry of the Lock-up Period.



**Article 11: Shares of the Company**

The shares shall be classified as nominal and may not be issued for less than their nominal value. However, they may be issued at a higher value, in which case the difference in value shall be added as a separate item within the shareholders' equity. They may not be distributed as dividends to shareholders. The share shall be indivisible vis à vis the Company. In the event the share is owned by multiple persons, they shall elect one person from amongst themselves to represent them in the exercise of the rights pertaining thereto, and they shall be jointly responsible for the obligations arising from the ownership of such share.

**Article 12: Shareholders Register**

The Company's shares shall be traded by an entry in the Shareholders Register prepared or outsourced by the Company, which shall include the names of the shareholders, their domicile, addresses, their occupations, the serial numbers of the shares and the paid-up value of such shares. The transfer of title to a share shall only be effective vis à vis the Company or any third party from the date of its entry in said register.

**Article 13: Bonds and Sukuk**

The Company may, after the approval of the General Assembly, issue any type of bonds and sukuk inside and outside the Kingdom of Saudi Arabia, in accordance with the regulations set by the competent authorities.

**Article 14: Increase of the Company's Share Capital**

- 1- The Extraordinary General Assembly may resolve to increase the Company's capital, provided that the original capital has been paid up in full, unless the unpaid part of the capital is allocated for shares issued in exchange for converting debt instruments or financing instruments into shares and the period specified for conversion has not yet expired.
- 2- The Extraordinary General Assembly may, in all cases, allocate the issued shares or a part thereof to employees of the Company and its subsidiaries or to some of them, or any combination thereof, in the event of a capital increase. Shareholders may not exercise their pre-emptive right to subscribe to the capital increase when the Company issues the shares allocated to employees.
- 3- The shareholders who own shares at the time of the issuance of the Extraordinary General Assembly's resolution approving a capital increase shall have priority in subscribing to the new shares issued in exchange for cash contribution. These persons shall be informed of their pre-emptive rights by publishing such notification in a daily newspaper or by notifying them through registered mail of the resolution to increase the capital, the terms of subscription, its duration and the start and end dates of the subscription, taking into account what is stated in the Companies Law. The new shares shall be distributed to the holders of pre-emptive rights who have applied for subscription, in proportion to their pre-emptive rights resulting from the capital increase, provided that the number of shares allotted to them does not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the pre-emptive right holders who have applied for more than their proportionate stake, in proportion to their pre-emptive rights resulting from the capital increase, provided that the number of shares allotted to them does not exceed the number of new shares they have applied for. Any remaining new shares shall be offered to third parties, unless otherwise resolved by the Extraordinary General Assembly or the Capital Markets Law.

**Article 15: Decrease of Company's Share Capital**

The Extraordinary General Assembly may resolve to decrease the capital if it exceeds the needs of the Company or if the Company suffered losses. In the latter case only, the capital may be decreased to below the limit set in Article 54 of the Companies Law. That resolution shall not be issued until after reading the Auditor's report regarding the reasons causing the decrease and the obligations on the Company and the effect of the reduction on such obligations.

If the capital decrease is due to it being in excess of the Company's needs, the Company's creditors must be invited to express their objection thereto within 60 days from the date of publication of the reduction resolution in a daily newspaper published in the area where the Company's headquarters is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

**Article 16: Company's Purchase of its Own Shares**

The Company may purchase its own shares. Such shares shall have no voting rights in the shareholders' assemblies.

**Article 17: Board of Directors**

The Company shall be managed by a Board of Directors consisting of seven (7) members to be elected by the Ordinary General Assembly for a term not exceeding three years.

As an exception to this, the term of the first Board of Directors shall be five (5) years starting from the date of the Company's registration in the commercial registry as a joint stock company.

**Article 18: Powers and Duties of the Board**

Without prejudice to the powers reserved for the General Assembly, the Board shall have the widest powers in managing the Company and disposing of its affairs inside and outside the Kingdom. The Board, shall, for example, but not limited to, have the right to sign the articles of incorporation of the companies in which it participates and other contracts, deeds and convey before the notary public and before official authorities, after the issuance of a decision by the Board. The Board shall represent the Company before other government agencies, chambers of commerce and industry, bodies, private entities, companies and institutions of all kinds, and shall have the right to participate in other companies and dispose of their assets, properties and real estate. The Board has the right to purchase real estate and land and accept and release mortgages in favor of the Company, and has the right of establishing branches, incorporating companies, participating and contributing to existing companies inside and outside the Kingdom. The Board has the right to guarantee the companies affiliated with the Company or in which it participates in a way that achieves the Company's interests and objectives. It has the right to sell, buy, invest in general, convey and accept the same, receive, deliver, rent, lease, collect and pay the price. The Board also has the right to sign all types of contracts, agreements, and documents, including, but not limited to, articles of association of companies in which the Company participates with all their amendments, appendices, amendment resolutions and signing the instruments before notaries and official authorities. The Board has the right to carry out all acts and actions that would achieve the Company's objectives. It also has the right to open accounts with banks, issue checks and credit, withdraw and deposit, issue bank guarantees and sign all papers, documents, checks, banking transactions, enter into tenders, receipt and payment, as well as facility agreements, regardless of their duration, sponsorships and guarantees with banks, public lending funds, and local and international financing agencies. It also has the right to conclude and sign Islamic financing agreements, including Islamic Murabaha, tawarruq and treasury agreements, deal in its products, conduct all treasury operations, establish, sign and endorse securities and trade, open investment accounts, issue legal agencies on behalf of the Company in relation to the board's duties, appoint employees and representatives, determine their salaries and bonuses, dismiss them and appoint the CEO of the Company. The Board also prepares an administrative charter that regulates the workflow of the Company and its relations with third parties and sets regulations. The Board may also delegate or authorize others to carry out some or all of the aforementioned powers, and the agent may delegate others.

The Board may also absolve the Company's debtors from their obligations, provided that the minutes of the Board and the rationale for its decision include observing the following conditions:

- 1- The discharge shall be at least one full year after the debt arose.
- 2- The discharge shall be for a specified maximum amount not exceeding 1% of the Company's capital for each year per debtor.
- 3- Discharge is a right of the Board of Directors that may not be delegated.

The Board may also, within the limits of its powers, delegate one or more of its members or a third party to carry out a specific work or certain activities.

**Article 19: Board Membership**

If the position of a member becomes vacant, the Board may appoint an interim member to fill the vacancy, provided that such member shall be experienced and eligible. The Ministry shall be notified within five (5) business days from the date of the appointment. The appointment shall be presented to the Ordinary General Assembly at its first meeting, and the new member shall complete the term of his predecessor.

If the number of Directors falls below the minimum number prescribed in the Companies Law or these Bylaws, the rest of the members shall call the Ordinary General Assembly to convene within sixty days to elect the required number of members.

**Article 20: Board Membership Termination**

A Director's membership in the Board shall be terminated upon the expiry of the Board's term or upon the termination of that Director's membership in the Board pursuant to any applicable laws or regulations in the Kingdom. However, the Ordinary General Assembly may, at any time, dismiss all or some of the Directors, without prejudice to the right of the dismissed member vis à vis the Company to claim compensation if the dismissal is unreasonable or at an inappropriate time. The Director has the right to resign on the condition that such resignation is made at an appropriate time, otherwise, such Director shall be liable towards the Company for damages resulting from such resignation.

**Article 21: Remuneration of Directors**

Remuneration of the members of the Board, if any, shall be determined by the General Assembly, in accordance with the official instructions and resolutions issued in this regard and in accordance with the Companies Law or any complementary regulations or decisions, in addition to an attendance and a transportation allowance determined by the Board in accordance with the regulations, resolutions and instructions in force in the Kingdom. The Board's report to the Ordinary General assembly must include a comprehensive statement of all the amounts received by Directors during the financial year in the way of remuneration, expenses and other benefits. It must also include a statement of all amounts received by the Directors in their capacity as officers or executives of the Company, or in consideration of technical, administrative or advisory services. The report must also include the number of meetings of the Board and the number of sessions attended by each Director as of the date of the last General Assembly.

**Article 22: Authorities of the Chairman, Vice Chairman, Managing Director and Secretary**

The Board shall appoint from among its independent members a Chairman and a Vice-Chairman. It may also appoint a Managing Director. A Director may not combine the position of Chairman of the Board of Directors with any other executive position in the Company.

The Chairman of the Board is responsible for inviting the Board, the Ordinary and Extraordinary General Assembly to convene, presiding over the meetings of the Board and the shareholders' general assembly meetings, representing the Company in its relations with others, before Sharia courts, judicial bodies, administrative courts, civil rights bodies, police departments, labor offices, worker, higher and primary labor committees and commercial paper committees, in addition to all other judicial committees and arbitration bodies, and he has the right to appeal, defend, plead, litigate, conciliate, waive, acknowledge, deny, accept and reject judgments, arbitrate on behalf of the Company, request execution of judgments and oppose them, collect implementation proceeds, and issue legal agencies on behalf of the Company.

The Vice Chairman of the Board shall replace the Chairman of the Board in his absence.

The Board shall appoint a Secretary, from among its members or otherwise, who is responsible for recording the minutes of the Boards' meetings, recording and maintaining the decisions issued in such meetings, in addition to other functions assigned to them by the Board, and the Board shall determine their remuneration.

The term of the Chairman, Vice-Chairman, the Managing Director and the Secretary, if he is a member of the Board, shall not exceed the term of their respective membership in the Board, and they may be reappointed. Furthermore, the Board may dismiss them or any of them at any time without prejudice to the right of the dismissed persons to damages, if such dismissal is made without acceptable justification or at an inappropriate time.

**Article 23: Invitation to Board Meetings**

The Board of Directors shall convene no less than four times per year upon a written invitation by the Chairman. Such invitation shall be accompanied by the agenda. The Chairman of the Board of Directors must invite the Board to a meeting whenever requested by any two Directors.

**Article 24: Quorum and Resolutions**

A meeting of the Board shall not be valid unless attended by at least five (5) Directors in person or by proxy, and in the event that a Director delegates to another Director to attend the meetings of the Board by proxy, the delegation must be in accordance with the following guidelines:

- a Director may not act as proxy for more than one other Director attending the same meeting;
- a proxy shall be appointed in writing;
- a Director acting by proxy may not vote on resolutions on which his principal is prohibited from voting; and

Board resolutions shall be adopted with the approval of no less than four (4) of the Directors present at such meetings.

**Article 25: Minutes of Meetings**

Board deliberations and resolutions shall be recorded in meeting minutes signed by the Chairman and the Secretary. Said meeting minutes shall be documented, after all Directors in attendance sign one of the copies of the meeting minutes, in a special register signed by the Chairman and Secretary. The attendance of the members of the Board is proven by an attendance list to be signed by the attendees. The Board may issue resolutions by circulation in urgent matters and present them to the Directors separately via modern electronic means. Unless one of the members of the Board requests in writing the meeting of the Board for deliberation. These decisions shall be presented to the Board at its first following meeting.

**Article 26: Board Committees**

The Board may form any committee or committees to assist it in carrying out its work, or if the regulations require their existence in the Company. These committees are formed by a decision of the Board that defines the powers and competencies of such committee. These committees are formed according to the Company's need. The members of the committees may be appointed from members of the Board or others. The scope of the committees is limited to the work assigned to them by the Board in accordance with the regulations governing the work of each committee which are approved by the Board or the Company's General Assembly, as the case may be.

**Article 27: Conflict of Interests**

Members of the Board shall inform the Board of any personal interest they have in the business and contracts that are made for the Company's account, and this notification shall be recorded in the minutes of the Board meeting. Members with an interest may not participate in voting on the decision issued in this regard.

**Article 28: General Assembly**

Any subscriber, regardless of the number of his/her shares, shall have the right to attend the Conversion Assembly, and any shareholder has the right to attend General Assemblies, in person or by proxy, provided that other Directors or the Company employees may not attend by proxy.

**Article 29: Convening the Conversion Assembly**

The Shareholders shall invite the Subscribers to convene a Conversion Assembly within 45 days from the date of the Ministry's approval of the conversion of the Company. For the meeting to be valid, the presence of a number of Subscribers representing at least half of the capital is required. If this quorum is not achieved, the second meeting shall be held an hour after the end of the period specified for convening the first meeting, provided that the invitation for the first meeting mentioned the possibility of such. In all cases, the second meeting shall be valid regardless of the number of subscribers represented therein.

**Article 30: Powers of the Conversion Assembly**

The Conversion Assembly shall look into the matters set out in Article 63 of the Companies Law.

**Article 31: Ordinary General Assembly**

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be convened when necessary.

**Article 32: Extraordinary General Assembly**

The Extraordinary General Assembly shall be competent to amend the provisions of the Bylaws, to the extent permitted by law. Furthermore, the Extraordinary General Assembly shall be empowered to adopt resolutions in matters originally within the competence of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

**Article 33: Manner of Convening Shareholders' Assemblies**

General or special shareholders' assemblies shall convene at the invitation of the Board. The Board shall convene an Ordinary General Assembly meeting if requested to do so by the Auditor or the Audit Committee or by a number of shareholders representing at least 5% of the capital. The Auditor may invite the General Assembly to convene if the Board did not invite the General Assembly within thirty days from the date of the Auditor's request.

Invitations to a General Assembly shall be published in a daily newspaper distributed at the Company's headquarters at least 21 days prior to the date set for the meeting. Nevertheless, it shall suffice to send the invitation to all shareholders by registered mail within the time limit set above. A copy of both the invitation and the agenda shall be sent to the Ministry, within the period specified for publication.

**Article 34: Record of Shareholders' Attendance**

Shareholders who wish to attend the General or special assemblies shall register their names, and it is permissible to register and vote through one of the modern electronic means before the time specified for the assembly, in accordance with the regulations set by the competent authorities.

**Article 35: Quorum of the Ordinary General Assembly**

A meeting of the Ordinary General Assembly shall not be valid unless attended by shareholders representing at least half of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened an hour after the end of the period specified for convening the first meeting, provided that the invitation for the first meeting mentioned the possibility of such. In all cases, the second meeting shall be valid regardless of the number of shares represented therein.

**Article 36: Quorum of the Extraordinary General Assembly**

A meeting of the Extraordinary General Assembly shall not be valid unless attended by shareholders representing at least two thirds of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened an hour after the end of the period specified for convening the first meeting, provided that the invitation for the first meeting mentioned the possibility of such. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least a quarter of the share capital.

If the necessary quorum is not reached in the second meeting, an invitation shall be sent for a third meeting to be held in the same manner stipulated under Article 31 of these Bylaws. The third meeting shall be valid regardless of the number of shares represented therein, after the approval of the competent authority.

**Article 37: Vote Count**

Each subscriber has a vote for each share represented by him in the Conversion Assembly, and each shareholder has a vote for each share in the General Assemblies. Cumulative voting shall be used in electing the Board. However, the members of the Board may not participate in voting on assembly resolutions related to their discharge from their liability for the term of their management of the Company.

**Article 38: General Assembly Resolutions**

Resolutions of the Conversion Assembly shall be adopted by an absolute majority of the shares represented in it. Resolutions of the Ordinary General Assembly are issued by an absolute majority of the shares represented in the meeting. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds of the shares represented in the meeting. However, if the resolution to be adopted is related to an increase or decrease in the capital, an extension of the Company's term, or its dissolution before the expiry of the period specified in its Bylaws, or its merger with another company, then such resolution shall be valid only if adopted by a majority of three quarters of the shares represented in the meeting.

**Article 39: Deliberations of the General Assemblies**

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Directors and the Auditor. The Directors or the Auditor shall answer the shareholders' questions in a manner that does not prejudice the Company's interests. If a Shareholder deems the answer to the question unsatisfactory, then such Shareholder may refer the issue to the Assembly and its decision in this regard shall be conclusive.

**Article 40: Proceedings of the General Assembly**

The General Assembly shall be presided over by the Chairman of the Board, Vice Chairman, his representative, or in their absence, whoever is nominated by one of the attending members of the Board. The Chairman shall appoint a secretary for the meeting and a vote collector. Minutes shall be written for the meeting of the assembly and shall contain the names of the shareholders present or represented by proxy, the number of shares they hold in person or by proxy, the number of votes assigned to them, the resolutions adopted, the number of votes approving or dissenting to such resolutions, and a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register signed by the Chairman, Secretary and vote collector.

**Article 41: Formation of the Audit Committee**

An audit committee shall be formed by a resolution of the Ordinary General Assembly comprising of three (3) members who shall be non-executive members of the Board either from the shareholders or others. The resolution shall also determine the Audit Committee's composition rules, mandate and procedures as well as the remuneration of its members.

**Article 42: Audit Committee Quorum**

The meeting of the Audit Committee shall be valid by the presence of the majority of its members. All its decisions shall be adopted by the majority of votes present. In case of a tie vote, the chairman shall have the casting vote.

**Article 43: Purview of the Audit Committee**

The Audit Committee shall oversee the affairs of the Company. For such purpose, the Committee has the right to review all the Company's records and documents and request any explanations or statements from the members of the Board or the executive management. The Committee may request the General Assembly to convene if the Board obstructs its course of work or the Company suffers material losses or damages.

**Article 44: Audit Committee Reports**

The Audit Committee shall review the Company's financial statements, and the reports and notes to be provided by the Auditor. It shall express its opinion on the same, if any. It shall also prepare a report on its opinion with respect to the sufficiency of the Company's internal control system, along with other activities performed within its competence. The Board shall place sufficient copies of this report at the Company's headquarters at least 21 days before the General Assembly date, in order to provide any Shareholder with a copy thereof. This report shall be read out at the meeting.

**Article 45: Auditor**

The Company shall have one or more auditors from among those licensed to practice in the Kingdom. The Ordinary General Assembly shall appoint the Auditor annually and determine their remuneration and term of office. The Ordinary General Assembly may change the Auditor at any time without prejudice to their right to compensation if such change was without acceptable justification or made at an inappropriate time.

**Article 46: Auditor's Duties**

The Auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarifications as they deem necessary to verify the Company's assets, liabilities and other matters that may pertain to the scope of their activities. The Chairman shall enable the Auditor to perform their duties. If the Auditor encounters any difficulty in this regard, they shall record such in a report to be submitted to the Board. If the Board does not facilitate the work of the Auditor, the latter shall request that the Board call for the Ordinary General Assembly to consider the matter.

**Article 47: Financial Year**

The Company's financial year shall commence on 1 January and end on 31 December of each Gregorian year, provided that the first financial year shall commence from the date of the ministerial resolution announcing its conversion until the end of December 2014G.

**Article 48: Annual Reports**

- a- At the end of each financial year, the Board shall prepare the financial statements of the Company together with a report of its business and financial position for the ended financial year. This report shall include the proposed method for distributing profits. The Board shall place such documents at the disposal of the Auditor at least 45 days prior to the date specified for the General Assembly.
- b- The Chairman of the Board, the CEO and the CFO shall sign the documents set forth in paragraph (a) of this Article, and copies thereof shall be placed at the Company's headquarters at the disposition of the shareholders at least 21 days prior to the date specified for the General Assembly meeting.
- c- The Chairman of the Board shall provide the shareholders with the financial statements of the Company, the Board's report and the Auditor's report, unless they are published in a daily newspaper circulated where the Company's headquarters is based. The Chairman shall also send a copy of these documents to the Ministry at least 15 days before the date specified for convening the General Assembly.

**Article 49: Distribution of Dividends**

The Company's annual net profits shall be allocated after deducting all overheads and other costs as follows:

- 1- Ten percent (10%) of the net profits shall be set aside to form a statutory reserve, which may be discontinued by a decision of the Ordinary General Assembly when such statutory reserve totals thirty percent (30%) of the Company's paid-up capital.
- 2- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees, or to support existing institutions of such kind.
- 3- An amount of no less than five percent (5%) of the paid-up share capital shall be distributed to the shareholders out of the remaining balance.
- 4- The remainder shall then be distributed to the shareholders as an additional share in the profits.
- 5- The Board may also distribute interim dividends after obtaining the necessary approvals.

**Article 50: Place and Dates of Dividend Payment**

Shareholder shall be entitled to their share of the profits in accordance with the resolution of the General Assembly issued in this regard. The resolution shall indicate the due date and the date of distribution. The eligibility for profits shall be for the owners of shares registered in the shareholders' register at the end of the day specified for entitlement.

**Article 51: Company Losses**

- 1- If the losses of a joint-stock company reach half of its paid-up capital at any time during the financial year, any of the Company's officers or the Auditor shall inform the Chairman immediately upon becoming aware of such loss. The Chairman shall inform the Directors immediately upon becoming aware of such loss. Within fifteen days of the Board becoming aware of such loss, the Board shall call an Extraordinary General Assembly to be held within 45 days from the date the Board becoming aware of such loss. The Extraordinary General Assembly shall resolve to either increase or decrease the capital in accordance with the Companies Law to the extent that brings the loss below half of the paid-up capital, or to dissolve the Company before the end of the term set in the Companies Law.
- 2- The Company shall be deemed dissolved by virtue of the Companies Law if the General Assembly is not held within the period specified in paragraph (1) of this Article, or if it convened and was unable to issue a decision in this matter, or if it resolved to increase the capital in accordance with the conditions prescribed in this article, but the capital increase is not fully subscribed for within 90 days from the issuance of the Assembly resolution to increase the capital.

### **Article 52: Liability Action**

Each Shareholder has the right to file a liability claim against the Directors on behalf of the Company if the wrongful act committed by them caused said shareholder to suffer damages. Such liability action may only be filed by the shareholder if the Company's right to file such claim remains valid. The Shareholder shall notify the Company of its intention to file such action.

### **Article 53: Dissolution and Winding up of the Company**

The Company, upon its dissolution, shall enter a liquidation phase during which it shall retain its legal personality to the extent required for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify his powers, fees, any restrictions on his powers and the period required for the liquidation process. The voluntary liquidation period shall not exceed five years and may not be further extended without a judicial order. The authority of the Board shall cease upon the dissolution of the Company; however, the Board shall remain responsible for the management of the Company and shall be deemed as the liquidators towards third parties, until a liquidator is appointed. The shareholders' assemblies shall continue to exist during the liquidation period, but their role shall be limited to exercising their powers to the extent that does not conflict with the powers of the liquidator.

### **Article 54**

The Companies Law and its Implementing Regulations shall apply to any matter not addressed by these Bylaws.

### **Article 55**

These Bylaws shall be filed and published in accordance with the Companies Law and its Implementing Regulations.

## **12.16 Shareholders' Rights**

### **12.16.1 Voting Rights**

Each subscriber shall have one vote for every share represented by them at the Conversion Assembly, and each shareholder shall have a vote for every share in the General Assemblies. Cumulative voting shall be used in electing the Board.

### **12.16.2 Rights to Dividends**

Shareholders shall be entitled to their share of the profits in accordance with the resolution of the General Assembly issued in this regard. Such resolution shall indicate the due date and the date of distribution. Eligibility for profits shall be for the owners of shares registered in the shareholders' register at the end of the day specified for entitlement.

### **12.16.3 Redemption and Repurchase Rights**

The Company may purchase, sell or pledge its shares in accordance with the regulations set by the competent authority.

### **12.16.4 Rights to Surplus Assets upon Liquidation or Dissolution**

In accordance with the provisions of Article 163 of the Companies Law, shares shall have equal rights to net profits and liquidation surplus, unless the Company's Articles of Association stipulate otherwise.

### **12.16.5 Approvals Necessary to Amend Voting Rights**

In order to amend the voting rights and voting mechanism at the Company's General Assemblies, the Company's Articles of Association must be amended. The Extraordinary General Assembly shall have the competence to amend the Bylaws in accordance with the provisions of Article 32 of the Bylaws. The Extraordinary General Assembly shall only be convened if attended by shareholders representing at least half of the capital. If such quorum cannot be attained in the first meeting called for, the Extraordinary General Assembly shall convene a second meeting, which shall be valid in all cases, provided that no less than a quarter of the capital is represented therein. If the necessary quorum is not reached in the second meeting, an invitation shall be sent for a third meeting to be held in the same manner stipulated in Article 33 of these Bylaws. The third meeting shall be valid regardless of the number of shares represented therein, after the approval of the competent authority. Resolutions of the Extraordinary General Assembly regarding capital increase or reduction, extension of the Company's term, dissolution of the Company before the expiry of the term specified in its Bylaws or merger of the Company with another company shall be issued by an affirmative vote of two-thirds of the shares represented at the meeting.



## 13. Underwriting

The Company, Selling Shareholders and the Underwriter entered into an Underwriting Agreement on [[•]H (corresponding to [•]G) (“**Underwriting Agreement**”), pursuant to which the Underwriter has agreed to fully underwrite all [•] ([•]) Offer Shares, subject to certain terms and conditions of the Underwriting Agreement. The name and address of the Underwriter are set out below:

### 13.1 Underwriter

#### Riyad Capital

##### Riyad Capital

2414 - Al Shohda Dist., Unit No. 69

Riyadh 13241-7279

Kingdom of Saudi Arabia

Tel: +96611920012299

Fax: +966114865908

Website: www.riyadcapital.com

E-mail: ask@riyadcapital.com



The principal terms of the Underwriting Agreement are set out below:

### 13.2 Summary of Underwriting Agreement

Under the terms and subject to the conditions contained in the Underwriting Agreement:

- a- The Selling Shareholders undertake to the Underwriter that, on the first Business day following allocation of the Offer Shares at the end of the Offering Period, they shall:
  - 1- Sell and allocate the Offer Shares to any Individual Investor or Participating Party whose application for the Offer Shares has been accepted by the Receiving Entities; and
  - 2- Sell and allocate to the Underwriters the Offer Shares that are not subscribed by Individual Investors or Participating Parties pursuant to the Offering.
- b- The Underwriter undertakes to the Selling Shareholders that it will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, as set out below:

**Table (172): Underwritten Shares**

Underwriter	Number of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
Riyad Capital	33,000,000	100%

### 13.3 Underwriting Costs

The Selling Shareholders will pay to the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholders agreed to pay the Underwriter's costs and expenses in connection with the Offering. The Company will not bear any expenses related to the Offering.

## 14. Expenses

The Offering Expenses amount to about [•]Saudi Riyals (SAR [•]), including the fees pertaining to the Financial Advisor, Bookrunners, Underwriter and Lead Manager, the underwriting fees and the fees of the Receiving Entities, the Company's Legal Advisor, and the Underwriter's Legal Advisor, the Financial Due Diligence Advisor and the Market Consultant, in addition to marketing, arrangement, printing, distribution and translation expenses, and other fees related to the Offering. The Selling Shareholders will bear these expenses in full, and the Company will not bear any expenses related to the Offering.

## 15. Post-Listing Undertakings

Following Listing, the Company undertakes to:

- a- Notify the CMA with the date of the first General Assembly to be held following listing so that a representative may attend.
- b- Submit transactions and contracts in which a Director has a direct or indirect interest for authorization by the General Assembly (in accordance with the Companies Law and the Corporate Governance Regulations), provided that the interested Director is prohibited from voting on the relevant resolution, whether in the Board or the General Assembly (for further details regarding Related Party agreements, please see Subsection (12.7) "**Related Party Transactions**" of this Prospectus.
- c- Disclose material developments related to the Company.
- d- Comply with all the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules, and the Corporate Governance Regulations immediately upon listing.
- e- Immediately after the Listing, call for a General Assembly meeting to update the Company's Bylaws.
- f- Fill out Form 8 (related to the compliance with the Corporate Governance Regulations). The Company shall provide the relevant justifications if it fails to meet any of the requirements set out in the Corporate Governance Regulations.
- g- Accordingly, after the Listing, the Directors undertake to:
  - Record all resolutions and deliberations in written meeting minutes signed by the Chairman and Secretary; and
  - Disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

## 16. Waivers

The Company has not applied to the CMA for any waivers from any of its regulatory requirements.

## 17. Subscription Terms and Conditions

The Company has submitted an application to the CMA for the registration and offer of securities and an application for listing of securities on the Exchange in accordance with the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules. All Subscribers must carefully read the Subscription Terms and Conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Receiving Entity or the Bookrunners is deemed as an acceptance and approval of the Subscription Terms and Conditions.

### 17.1 Subscription to Offer Shares

The Offering will consist of thirty-three million (33,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share, representing twenty-two percent (22%) of the Company's share capital, offered at a price of SAR [●] per Share with a total value of SAR[●] million. Note that the Offering to Individual Investors and listing of the Shares thereafter are subject to the successful subscription by Participating Parties for all Offer Shares. The Offering shall be canceled if the Offering is not fully subscribed for during this period. The CMA also has the right to suspend the Offering if, after its approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material adverse change occurs in the Company's operations.

The Offering is restricted to the following tranches of Investors:

#### Tranche (A): Participating Parties

This tranche comprises the parties entitled to participate in the book-building process as specified under the Instructions of Book-building Process and Allocation Method in Initial Public Offerings (IPOs) issued by the CMA (for further details, please see Section (1) "Definitions and Abbreviations" of this Prospectus). The final number and percentage of Offer Shares to be allocated to the Participating Parties will be determined by the Financial Advisor, in coordination with the Company, as deemed appropriate, after the end of the subscription period for Individual Investors. Participating Parties will initially be allocated thirty-three million (33,000,000) shares, representing one hundred percent (100%) of the total Offer Shares. In the event that Individual Investors subscribe for all Offer Shares allocated thereto, the Financial Advisor, in consultation with the Company, shall have the right to reduce the number of Offer Shares allocated to the Participating Parties to at least twenty-nine million, seven hundred thousand (29,700,000) Offer Shares, representing ninety percent (90%) of the total Offer Shares. The Offer Shares will be allocated to the Participating Parties using the optional allocation mechanism. The Company and the Financial Advisor may, as they deem appropriate, not allocate shares to some of the Participating Parties.

#### Tranche (B): Individual Investors

This tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account with the Receiving Entities and is allowed to open an investment account. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, then the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of three million and three hundred thousand (3,300,000) Offer Shares, representing ten percent (10%) of the total Offer Shares, will be allocated to Individual Investors, provided that the Participating Parties subscribe to all the Offer Shares allocated to them. If the Individual Investors do not subscribe for all the shares allocated to them, the Financial Advisor may reduce the number of Shares allotted to them in proportion to the number of Shares to which they subscribed.

## 17.2 Offering Period

Two days starting on Monday 27/4/1444H (corresponding to 21/11/2022G) and ending on Tuesday 24/4/1444H (corresponding to 22/11/2022G).

## 17.3 Subscription Conditions and Method for Each Category of Subscribers

### 17.3.1 Book-Building

- a- The price range will be determined during the Book-building period and will be made available to all Participating Parties by the Financial Advisor, in consultation with the Company, , using the discretionary allocation mechanism.
- b- Participating Parties registered in the Kingdom must submit requests to participate in the book-building process by filling out the Participating Parties' bid form. Participating Parties may amend or cancel their applications at any time during the Book-building period, provided that said applications are amended by submitting a modified Bid Form or an appended Bid Form (where applicable) before the end of the Book-building period. Each Participating Party shall subscribe for a minimum of one hundred thousand (100,000) Shares and a maximum of seven million, four hundred and ninety-nine thousand, nine hundred and ninety-nine (7,499,999) Shares, and in relation to public funds only, shall not exceed the maximum limit for each participating public fund determined in accordance with the Book-Building Instructions. The number of requested shares shall be subject to allocation. The Bookrunner will notify the Participating Parties of the Offer Price and the number of Offer Shares initially allocated thereto. Subscriptions by the Participating Parties shall commence during the Offering Period, which also includes Individual Investors, in accordance with the Subscription Terms and Conditions detailed in the Subscription Applications Forms.
- c- Once the book-building process for Participating Parties is completed, the Financial Advisor will announce the subscription percentage for Participating Parties.
- d- The Financial Advisor and the Company will have the power to determine the Offer Price based on the supply and demand for the Offer Shares, provided that it does not exceed the price set out in the underwriting agreement and provided that the Offer Price is in accordance with the tick size applied by the Exchange.

### 17.3.2 Subscription by Individual Investors

Each Individual Investor shall subscribe for a minimum of ten (10) Offer Shares and a maximum of two hundred and fifty thousand (250,000) Offer Shares. No change or withdrawal of the Subscription Application Forms shall be permitted once submitted.

Subscription Application Forms will be available during the Individual Investors' Offering Period at the branches and/or websites of the Receiving Entities offering this service. Individual Subscription Application Forms shall be completed in accordance with the instructions set out below. Individual Investors can also subscribe through the internet, telephone banking, smart device applications, or ATMs of any of the Receiving Entities' branches that offer any or all such services to its customers, provided that the following requirements are satisfied:

- a- The Individual Investor shall have a bank account at a Receiving Entity that offers such services; and
- b- There should have been no changes to the personal information or data of the Individual Investor since his subscription in the last offering.

A signed Subscription Application Form submitted to any Receiving Entity branch represents a legally binding agreement between the Selling Shareholders and the relevant Individual Investor submitting such application.

Individual Investors may obtain a copy of this Prospectus from the websites of the Company ([www.riyadh-cables.com](http://www.riyadh-cables.com)), the CMA ([www.cma.org.sa](http://www.cma.org.sa)) or the Financial Advisor ([www.riyadcapital.com](http://www.riyadcapital.com)). In addition, Subscription Application Forms can be obtained from the branches of the following Receiving Entities (or from the websites of the Receiving Entities providing such service):

#### Receiving Entities

##### Riyad Bank

Al Shohda Dist.  
P.O. Box 22622 Riyadh 11416  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4013030  
Fax: +966 (11) 4865909  
Website: [www.riyadbank.com](http://www.riyadbank.com)  
E-mail: [customercare@riyadbank.com](mailto:customercare@riyadbank.com)



##### Saudi National Bank (SNB)

King Fahad Road – Al-Aqiq  
King Abdullah Financial District  
P.O. Box 3208, Unit No. 778  
Kingdom of Saudi Arabia  
Tel: +966 (92) 0001000  
Fax: +966 (11) 4060052  
Website: [www.alahli.com](http://www.alahli.com)  
E-mail: [contactus@alahli.com](mailto:contactus@alahli.com)



##### Al Rajhi Bank

King Fahd Road - Al-Muroj District - Al Rajhi Bank Tower  
Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966 11 828 2515  
Fax: +966 11 279 8190  
Website: [www.alrajhibank.com.sa](http://www.alrajhibank.com.sa)  
Email: [contactcenter1@alrajhibank.com.sa](mailto:contactcenter1@alrajhibank.com.sa)



##### Riyad Bank

Eastern Ring Road  
P.O. Box 22622  
Riyadh 11614  
Kingdom of Saudi Arabia  
Tel: +966 11 401 3030  
Fax: +966 11 403 0016  
Website: [www.riyadbank.com](http://www.riyadbank.com)  
E-mail: [customercare@riyadbank.com](mailto:customercare@riyadbank.com)



The Receiving Entities will commence receiving Subscription Application Forms at their branches throughout the Kingdom or through websites, telephone banking or ATMs of the Receiving Entities that offer any or all such services, beginning from Monday 27/4/1444H (corresponding to 21/11/2022G) and ending on Tuesday 28/4/1444H (corresponding to 22/11/2022G). Once the Individual Subscription Application Form is signed and submitted, the relevant Receiving Entity will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Entity, the Subscription Application Form will be considered void. Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount shall be equal to the number of Offer Shares applied for multiplied by the Offer Price of Saudi Riyals [(•)] (SAR [(•)]) per Share.

Subscriptions for less than ten (10) Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of said number, noting that the maximum number of Offer Shares to be applied for is 250,000.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in their Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR [•] per Share.

Individual Subscription Forms should be submitted during the Individual Investors' Offering Period and accompanied, where applicable, with the following documents (the Receiving Entities will verify all copies against the originals and will return the originals to the relevant Individual Investor):

- a- The original and copy of the Individual Investor's national civil identification card or residency identification card (in case of individuals, including GCC nationals, and non-Saudi residents);
- b- The original and copy of the family civil identification card (when subscribing on behalf of family members);
- c- The original and copy of a power of attorney (when subscribing on behalf of others);
- d- The original and copy of the certificate of guardianship (when subscribing on behalf of orphans);
- e- The original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);
- f- The original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and
- g- The original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form, accompanied with a valid original and a copy of the power of attorney. The power of attorney must be notarized by a notary public for the Individual Investors residing in the Kingdom and must be legalized through a Saudi embassy or consulate in the relevant country for Individual Investors residing outside the Kingdom. The concerned official of the Receiving Entity shall match the copy with the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

- a- All Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name.
- b- The primary Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Individual Investors.
- c- The primary Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

- a- The Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor.
- b- Dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor.
- c- The wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Investor). In the latter case, applications made by husbands on behalf of their spouses will be canceled and the independent application of the wives will be processed by the Receiving Entity.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a primary Individual Investor subscribes for Shares for himself and other family members registered in his family book, and a family member submits a separate Subscription Form, such family member's portion of the original application, and only his or her portion, will be canceled.



During the Individual Investors' Offering Period, only a valid residence permit will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is eighteen (18) years. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR ([•]) per Share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

- a- Delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Entities; and
- b- Payment in full by the Individual Investor to the Receiving Entity of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Receiving Entities by authorizing a debit of the Individual Investor's account held with the Receiving Entity to whom the Subscription Application Form is submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such application. The Individual Investor shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he/she has applied for.

## 17.4 Allocation and Refunds

The Lead Manager shall open and operate escrow accounts for the purpose of depositing and keeping subscription monies collected from Participating Parties and Receiving Entities on behalf of Individual Investors. Subscription monies shall be transferred to the Selling Shareholders only upon completion of the Listing, and following the deduction of certain fees and expenses. Details of the escrow account shall be specified in the subscription forms. In addition, Receiving Entities shall deposit all amounts received from the Individual Investors into the escrow accounts.

The Lead Manager and Receiving Entities, as applicable, will notify the Subscribers of the final number of Offer Shares allocated, together with the amounts to be refunded.

Excess subscription monies, if any, will be refunded to the Individual Investors in full without any commissions or deductions and will be deposited in the Subscribers' account as specified in the Subscription Application Forms. Excess subscription monies will not be refunded in cash or to third-party accounts.

The announcement of the final allocation shall be made no later than Thursday 30/4/1444H (corresponding to 24/11/2022G), and the refund of subscription monies shall be made no later than Sunday 3/5/1444H (corresponding to 27/11/2022G). Subscribers should communicate with the Lead Manager or the branch of the Receiving Entity where they submitted their Subscription Application Form, as applicable, for any further information.

### 17.4.1 Allocation of Offer Shares to Participating Parties

The final allocation of Offer Shares to the Participating Parties shall be made by the Financial Advisor, in coordination with the Company, as deemed appropriate, after the end of the subscription process for Individual Investors. Participating Parties will initially be allocated thirty-three million (33,000,000) Shares, representing one hundred percent (100%) of the total Offer Shares. In the event that Individual Investors subscribe for all Offer Shares allocated thereto, the Financial Advisor, in consultation with the Company, shall have the right to reduce the number of Offer Shares allocated to the Participating Parties to at least twenty-nine million, seven hundred thousand (29,700,000) Offer Shares, representing ninety percent (90%) of the total Offer Shares. The Offer Shares will be allocated to the Participating Parties using the discretionary share allocation mechanism. The Company and the Financial Advisor may, as they deem appropriate, not allocate shares to some of the Participating Parties.

Transfer of ownership of the Offer Shares will be valid only from the time Participating Parties pay the costs thereof, the Shares are recorded in the Company's Shareholder Register and the trading of the Shares have commenced on the Exchange, in accordance with the applicable laws and instructions regarding the trading of shares in the Kingdom. If the Shares are not traded or are delisted before trading for any reason, the subscription monies paid by the Participating Parties shall be refunded thereto and the title to the Offer Shares shall be returned to the Selling Shareholders.

#### 17.4.2 Allocation of Offer Shares to Individual Investors

A maximum of three million, three hundred thousand (3,300,000) ordinary shares, representing ten percent (10%) of the Offer Shares, will be allocated to Individual Investors, noting that the minimum allocation per Individual Investor is ten (10) Offer Shares and the maximum allocation per Individual Investor is two hundred and fifty thousand (250,000) Offer Shares. The balance of the Offer Shares, if any, will be allocated on a pro-rata basis of the number of Offer Shares applied for by each Individual Investor to the total number of Shares applied for. In the event that the number of Individual Investors exceeds three hundred and thirty thousand (330,000) Individual Investors, the minimum allocation cannot be guaranteed by the Company, and the allocation will be determined by the Financial Advisor, in consultation with the Company as deemed appropriate. Excess subscription monies, if any, will be refunded to the Individual Investors without any commissions or deductions by the Receiving Entities.

Announcement of the final number of the Offer Shares to be allocated to each Subscriber will be made no later than Thursday 30/4/1444H (corresponding to 24/11/2022G), and excess subscription monies will be refunded no later than Sunday, dated 3/5/1444H (corresponding to 27/11/2022G).

Subscribers should communicate with the branch of the Receiving Entities where they submitted their Subscription Application Form for any further information.

### 17.5 Circumstances Where Listing May Be Suspended or Canceled

#### 17.5.1 Power to Suspend or Cancel Listing

- a- The CMA may suspend the trading of shares or cancel the listing at any time as it deems fit, in any of the following circumstances:
  - 1- The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
  - 2- The Issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its Implementing Regulations or the Exchange Rules.
  - 3- The Issuer fails to pay on time any fees due to the CMA or the Exchange or any fines due to the CMA.
  - 4- The CMA considers that the Company or its business, the level of its operations or its assets are no longer suitable for the continued listing of securities on the Exchange.
  - 5- When a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the Issuer announces sufficient information regarding the target entity and the CMA is satisfied, following the Issuer's announcement, that there will be sufficient information available to the public about the proposed reverse takeover, the CMA may decide not to suspend trading at this stage.
  - 6- When information about the proposed reverse takeover is leaked and the Issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly.
  - 7- When an application for the financial restructuring of the Issuer due to accumulated losses of fifty percent (50%) or more of its capital is registered with the court under the Bankruptcy Law.
  - 8- When a request for liquidation or administrative liquidation of the Issuer is registered with the court under the Bankruptcy Law.
  - 9- Upon issuance of a final court judgment terminating the financial restructuring and initiating the liquidation or administrative liquidation of the Issuer in the court under the Bankruptcy Law.
  - 10- Upon issuance of a final court judgment initiating the liquidation or administrative liquidation of the Issuer under the Bankruptcy Law.
- b- Lifting of the trading suspension under Paragraph (a) above is subject to the following:
  - 1- Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors.
  - 2- Lifting the suspension being unlikely to affect the normal activity of the Exchange.
  - 3- The Company complying with any other conditions that the CMA may require.
  - 4- In the event that the suspension is due to the Company's accumulated losses amounting to fifty percent (50%) or more of its capital under the Bankruptcy Law, the suspension shall be lifted upon the issuance of the final court ruling on the commencement of a financial restructuring of the Issuer under the Bankruptcy Law, unless suspended from practicing its activities by the relevant competent authority.
  - 5- In the event that the suspension was due to a liquidation or administrative liquidation procedure of the Issuer before the court under the Bankruptcy Law, the suspension shall be lifted upon the issuance of the final court ruling rejecting the commencement of liquidation or administrative liquidation procedures under the Bankruptcy Law, unless suspended from practicing its activities by the relevant competent authority.

- c- The Exchange shall suspend the trading of the Issuer's securities in any of the following cases:
  - 1- When the Issuer fails to comply with the deadlines for the disclosure of its periodic financial information within the periods specified in the Rules on the Offer of Securities and Continuous Obligations.
  - 2- When the Auditor's Report on the financial statements of the Issuer contains an adverse opinion or an abstention from expressing opinion.
  - 3- If the liquidity requirements in Parts 2 and 8 of the Listing Rules are not met after the lapse of the period set by the Exchange for the Issuer to rectify its conditions, unless the CMA agrees otherwise.
  - 4- Upon the issuance of a resolution by an Extraordinary General Assembly of the Issuer to reduce its capital for the two trading days following the issuance of such resolution.
- d- The Exchange may, at any time, propose to the CMA to suspend the trading of any listed security or cancel its listing where, in its opinion, any of the circumstances of Paragraph (a) of this Article are likely to occur.
- e- The Issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its Implementing Regulations and the Exchange Rules.
- f- In the event that the Listing suspension continues for six (6) months with no appropriate procedure made by the Issuer to correct such suspension, the CMA may cancel the listing of the Issuer.
- g- Upon the Company's completion of a reverse takeover, the Issuer's shares are de-listed. If the Issuer wishes to re-list its shares, it must submit a new application to list its shares in accordance with the Listing Rules and fulfill the relevant requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.
- h- This Article shall not prejudice the suspension of trading and cancellation of listing resulting from the losses of the Company pursuant to the relevant Implementing Regulations and Exchange Rules.

The Exchange shall remove the suspension referred to in Paragraphs 1 and 2 above after one trading session following the absence of the reason for suspension. In the event that the Company's shares are allowed to be for traded outside the platform, the Exchange shall remove the suspension within a period not exceeding five (5) trading sessions following of the absence of the reason for the suspension.

#### **17.5.2 Voluntary Cancellation of Listing**

- a- An issuer whose securities have been listed may not cancel the listing of its securities on the Exchange without the prior approval of the CMA. To obtain CMA approval, the Issuer must submit a cancellation application to the CMA along with a simultaneous notice to the Exchange. The application must include the following:
  - 1- The specific reasons for the request for cancellation.
  - 2- A copy of the disclosure described in Paragraph (d) below.
  - 3- A copy of the relevant documentation and a copy of each related communication to Shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the Issuer.
  - 4- The names and contact information of the Financial and Legal Advisors appointed according to the Rules on the Offer of Securities and Continuing Obligations.
- b- The CMA may, at its discretion, approve or reject the cancellation request.
- c- The Issuer must obtain the consent of the Extraordinary General Assembly on the cancellation of the Listing after obtaining the CMA's approval.
- d- Where cancellation is made at the Issuer's request, the Issuer must disclose such to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the Issuer's activities.

#### **17.5.3 Temporary Trading Suspension**

- a- The Issuer may request from the Exchange a temporary suspension of trading its securities if an event occurs during trading hours that requires immediate disclosure under the Capital Market Law, its Implementing Regulations or the Exchange Rules, where the Issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange suspends trading of the securities of that Issuer immediately upon receiving such request.
- b- When trading is temporarily suspended at the Issuer's request, the Issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period, the nature of the event that caused it and the extent to which it affects the Issuer's activities.

- c- The CMA may impose a temporary trading suspension without a request from the Issuer if the CMA becomes aware of information or circumstances affecting the Issuer's activities which the CMA deems likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to a temporary trading suspension, the Issuer must continue to comply with the Capital Market Law, its Implementing Regulations and the Exchange Rules.
- d- The Exchange may propose that CMA exercise its authorities under Paragraph (c) above in case it finds that there is information or circumstances that may affect the Issuer's activities and that are likely to interrupt the operation of the Exchange or the protection of investors.
- e- A temporary trading suspension will be lifted following the elapse of the period referred to in the disclosure specified in Paragraph (b) above, unless the CMA or the Exchange decide otherwise.

#### 17.5.4 Lifting of Suspension

Lifting of trading suspension under Paragraph (a) of Subsection (17.5.1) "**Power to Suspend or Cancel Listing**" is subject to the following:

- a- The events which led to the suspension being sufficiently remedied, and the suspension being no longer necessary for the protection of investors.
- b- The Lifting of suspension being unlikely to affect the normal activity of the Exchange.
- c- The Issuer complying with any other conditions that the CMA may require.
- d- Upon issuance of a final judgment initiating the financial restructuring of the Company under the Bankruptcy Law, unless suspended from the practice of its activities by the relevant competent authority, in the event the suspension was in accordance with Article 36, Paragraph A, Subparagraph 13 of the Listing Rules.
- e- Upon issuance of a final judgment rejecting the liquidation procedure or the administrative liquidation under the Bankruptcy Law, unless suspended from the practice of its activities by the relevant competent authority, in the event the suspension was in accordance with Article 36, Paragraph A, Subparagraph 14 of the Listing Rules.

In the event that the listing suspension continues for six (6) months with no appropriate procedure made by the Issuer to correct such suspension, the CMA may cancel the listing of the Issuer.

#### 17.5.5 Re-listing of Canceled Securities

If the Issuer wishes to re-list its shares after the cancellation thereof, it must submit a new application to list its shares in accordance with the Listing rules, and fulfill the relevant requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

### 17.6 Approvals and Decisions Under Which the Shares are Offered

The following are the decisions and approvals under which the Offer Shares are offered:

- a- The resolution of the Company's Board of Directors approving the Offering dated 02/11/1443H (corresponding to 01/06/2022G).
- b- The CMA's announcement of the approval of the application for registration and offer of securities dated 21/3/1444H (corresponding to 17/10/2022G).
- c- The conditional approval of Saudi Tadawul Group (Saudi Exchange) to list the shares dated 24/2/1444H (corresponding to 20/9/2022G).

### 17.7 Lock-up Period

The Substantial Shareholders set out in Table 2 "**Substantial Shareholders and their ownership percentages in the Company Pre-and Post-Offering**" will be subject to a Lock-up Period of six (6) months starting from the commencement of trading of the Shares on the Exchange, during which they may not dispose of their Shares. Following the Lock-up Period, the Substantial Shareholders may dispose of such shares without the prior approval of the CMA.

## 17.8 Acknowledgments by Subscribers

By completing and submitting the Subscription Application Form, each Subscriber:

- a- Agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form.
- b- Warrants that he/she has read and carefully examined this Prospectus and understood all its content.
- c- Accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes in the Offer Shares accordingly.
- d- Declares that neither himself/herself nor any of his/her family members included in the Subscription Application Form have previously subscribed for any shares and that the Company has the right to reject any or all duplicate applications.
- e- Accepts the number of Offer Shares allocated to him/her (to the maximum of the amount subscribed for) as per the Subscription Application Form.
- f- Warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Entity.
- g- Retains his/her right to sue the Company for damages caused by incorrect or incomplete information contained in this Prospectus, or by omitting major information that should have been part this Prospectus and could affect his/her decision to purchase the Shares.

## 17.9 Share Register and Trading Arrangements

Tadawul shall keep a Shareholder Register containing the Shareholders' names, nationalities, addresses, professions, the Shares held thereby and the amounts paid for such Shares.

## 17.10 Saudi Exchange (Tadawul)

In 1990G, full electronic trading of equities in the Kingdom was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In its meeting held on Monday, 29 Safar 1428H (corresponding to 19/03/2007G), the Council of Ministers approved the establishment of the Exchange. This was in accordance with Article 20 of the Capital Market Law establishing Tadawul as a joint stock company. Tadawul is headquartered in Riyadh, the Kingdom of Saudi Arabia. Tadawul is the official source of all market information. The Saudi Stock Exchange (Tadawul) is the sole entity authorized in the Kingdom of Saudi Arabia to operate as a stock exchange. It mainly carries out listing and trading in securities. Tadawul is an affiliate member of the International Organization of Securities Commissions and the World Federation of Exchanges.

Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process, from the execution of the trade transaction through settlement thereof. Trading occurs on each Business Day of the week between 10:00 am and 3:00 pm from Sunday to Thursday, during which orders are executed. Outside of these times, orders can be entered, amended or canceled from 9:30 a.m. and 10:00 a.m. These times change during the holy month of Ramadan as announced on the official website of Tadawul. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at the best price) are executed first, followed by limit orders (orders placed at a price limit), such that if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website, which provides instant market data, media and news data, as well as other sites concerned with capital markets. Exchange transactions are settled on a T+2 basis, meaning that the ownership transfer of shares is settled two Business days after the trade transaction is executed.

## 17.11 Securities Depository Center Company (Edaa)

The Securities Depository Center Company ("Edaa") was established in 2016G as a closed joint stock company having a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal value of SAR 10 per share, and is wholly owned by the Saudi Stock Exchange (Tadawul). The establishment of Edaa was made upon the CMA's approval of the request provided by the Exchange's Board of Directors in relation to converting the Securities Depository Center into a joint stock company in accordance with the Capital Market Law. The principal activities of Edaa are to conduct business related to depositing, registering, transferring, settling and clearing securities, and recording any ownership restrictions on deposited securities. Further, it deposits and manages the records of the issuers of securities and organizes issuers' general assemblies, including remote voting services (e-voting), reporting, notifications, and information, as well as providing other related services that Edaa may provide in accordance with the Capital Market Law and its Implementing Regulations.

### 17.12 Trading of the Company's Shares

Trading of the Shares is expected to commence after the final allocation process and the announcement of the start date of trading of the Company's shares. Dates and times included in this Prospectus are only indicative and may be changed or extended subject to the approval of the CMA. Following Listing, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, GCC nationals, companies, commercial banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into swap agreements with a Capital Market Institution licensed by the CMA, and to hold and trade in the Shares on the Exchange on behalf of a foreign non-GCC investor. It should be noted that Capital Market Institution shall be deemed the legal owners of the Shares under the swap agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered and its Shares have been listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in connection with pre-trading activities.

### 17.13 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

This Prospectus has been released in both Arabic and English languages and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for foreign financial institutions, subject to the applicable laws and instructions. Recipients of this Prospectus are required to inform themselves of any regulatory restrictions relevant to the Offering and the sale of Offer Shares and to observe all such restrictions.

## 18. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office in Riyadh KSA, between 8:00 a.m and 4:00 p.m. from Monday 6/4/1444H (corresponding to 31/10/2022G) until Tuesday 28/4/1444H (corresponding to 22/11/2022G) for a period of no less than twenty (20) days prior to the end of the Offering Period:

- A copy of the CMA's announcement approving the Offering.
- The resolution of the Company's Board approving the Offering.
- The Company's Bylaws and Articles of Association and the amendments made thereto.
- The Company's commercial registration certificate issued by the MoC.
- The Financial evaluation report prepared by the Financial Advisor.
- The Company's financial statements for the financial years ended 31 December 2019G, 2020G and 2021G.
- The Company's reviewed financial statements for the six-month period ended 30 June 2022G.
- The Company's reviewed financial statements for the nine-month period ended 30 September 2022G.
- The market study report prepared by the Market Consultant.
- The Underwriting Agreement.
- All other reports, letters, documents, valuations and data prepared by any expert wholly or partly included or referred to in this Prospectus.
- The contracts and agreements disclosed in Subsection (12.6) "**Material Agreements**" and Subsection (12.7) "**Related Party Transactions**" of this Prospectus.
- A document describing the mechanism adopted to determine the price range used during the Book-building process.
- Letters of consent from each of:
  - The Financial Advisor, the Bookrunners, the Underwriter and the Lead Manager (Riyad Capital) for the inclusion of their names, logos and statements in this Prospectus.
  - The Legal Advisor (The Law Office of Megren M. Al-Shaalan) for the inclusion of its name, logo and statement in this Prospectus.
  - The Financial Due Diligence Advisor (PricewaterhouseCoopers) for the inclusion of its name, logo and statement in this Prospectus.
  - The Auditor for the financial years 2019G, 2020G and 2021G and the six-month period ended 30 June 2022G, KPMG Professional Services (formerly KPMG Al Fozan & Partners), for the inclusion of its name, logo, statement and audit reports for the above periods in this Prospectus.
  - The Market Consultant (Arthur D. Little Saudi Arabia) for the inclusion of its name, logo and statement in this Prospectus.

## 19. Financial Statements and Auditor's Report

This section contains the audited financial statements for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G, the reviewed financial statements for the six-month period ended 30 June 2022G, the reviewed financial statements for the nine-month period ended 30 September 2022G and the accompanying notes thereto, which have been prepared in accordance with IFRS and other standards and pronouncements approved by SOCPA and reviewed by KPMG Professional Services (formerly known as KPMG Al Fozan & Partners).



**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
together with the  
**Independent Auditor's Report**  
For the year ended 31 December 2019

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
together with the Independent Auditor's Report  
For the year ended 31 December 2019

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**KPMG Al Fozan & Partners**  
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 License No. 46/11/323 issued 11/3/1992

## Independent Auditors' Report

### To the Shareholders of Riyadh Cables Group Company

#### Opinion

We have audited the consolidated financial statements of **Riyadh Cables Group Company** (A Saudi Closed Joint Stock Company) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 9 Ramadan 1440H corresponding to 14 May 2019.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, Board of director members, are responsible for overseeing the Group's financial reporting process.

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.



## Independent Auditors' Report

### To the Shareholders of Riyadh Cables Group Company (continued)

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements


Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Riyadh Cables Group Company** and its subsidiaries.

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

  
 Fahad Mubarak Al Dossari  
 License No.: 469

Riyadh on:  
 Date: 14 May 2020  
 Corresponding to: 21 Ramadan 1441 H



**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2019  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Notes	2019	2018
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,228,550,434	1,207,361,129
Financial assets in unquoted equity shares	11	2,387,484	2,387,484
Right-of-use assets	6	14,429,329	-
<b>Total non-current assets</b>		<b>1,245,367,247</b>	<b>1,209,748,613</b>
<b>Current assets</b>			
Inventories	12	1,040,853,013	1,029,085,209
Trade receivables	14	1,084,250,518	883,593,599
Contract assets	13	13,809,346	9,168,629
Advances and other current assets	10	44,506,318	59,499,266
Advances to purchase financial assets	27	21,000,000	-
Cash and cash equivalents	15	53,614,705	45,984,310
<b>Total current assets</b>		<b>2,258,033,900</b>	<b>2,027,331,013</b>
<b>Total assets</b>		<b>3,503,401,147</b>	<b>3,237,079,626</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital	28	1,500,000,000	1,500,000,000
Statutory reserve	29	207,268,152	187,580,045
Retained earnings		189,479,708	231,347,978
Acquisition reserve of a subsidiary under common control	1	22,725,173	22,725,173
Foreign currency translation reserve		(604,124)	(307,016)
<b>Equity attributable to the shareholders of the parent company</b>		<b>1,918,868,909</b>	<b>1,941,346,180</b>
Non-controlling interest		392,048	392,138
<b>Total equity</b>		<b>1,919,260,957</b>	<b>1,941,738,318</b>
<b>Non-current liabilities</b>			
Post-employment benefits	16	96,146,476	102,236,115
Lease liability on right-of-use assets	6	12,385,358	-
<b>Total non-current liabilities</b>		<b>108,531,834</b>	<b>102,236,115</b>
<b>Current liabilities</b>			
Islamic finance facilities	17	1,209,531,500	853,550,000
Accrued expenses and other liabilities	19	91,721,315	129,962,570
Trade and other payables	20	90,017,183	85,848,895
Provisions	18	59,912,122	79,165,387
Contract liabilities	13	-	24,175,754
Provision for Zakat and income tax	26	22,123,551	20,402,587
Lease liability on right-of-use assets - current portion	6	2,302,685	-
<b>Total current liabilities</b>		<b>1,475,608,356</b>	<b>1,193,105,193</b>
<b>Total liabilities</b>		<b>1,584,140,190</b>	<b>1,295,341,308</b>
<b>Total equity and liabilities</b>		<b>3,503,401,147</b>	<b>3,237,079,626</b>

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Notes	2019	2018
Revenue	21	4,565,676,154	4,302,863,240
Cost of revenues		(4,085,657,371)	(3,946,417,494)
<b>Gross profit</b>		<b>480,018,783</b>	356,445,746
<b>Operating expenses</b>			
Selling and distribution costs	22	(97,964,977)	(83,222,455)
General and administrative expenses	23	(85,119,353)	(78,206,777)
Allowance / (reversal of) for expected credit losses	14	(33,455,516)	5,359,112
Other income, net	24	15,019,810	4,204,710
<b>Income from operations</b>		<b>278,498,747</b>	204,580,336
Finance costs	25	(49,619,023)	(45,326,092)
<b>Income before Zakat and income tax</b>		<b>228,879,724</b>	159,254,244
Zakat and income tax	26	(31,875,390)	(23,814,216)
<b>Net income for the year</b>		<b>197,004,334</b>	135,440,028
<b>Attributable to:</b>			
Shareholders of the parent company		196,881,064	135,285,613
Non-controlling interest		123,270	154,415
<b>Net income for the year</b>		<b>197,004,334</b>	135,440,028
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign operations translation reserve		(297,108)	(529,984)
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurements of post-employment benefit obligations	16	10,938,773	1,633,029
<b>Comprehensive income</b>		<b>207,645,999</b>	136,543,073
<b>Comprehensive income attributable to:</b>			
Shareholders of the parent company		207,522,729	136,388,658
Non-controlling interest		123,270	154,415
		<b>207,645,999</b>	<b>136,543,073</b>

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

**RIVADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2019  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

		Equity attributable to the shareholders of the parent company							
		Acquisition			reserve of a		Foreign currency translation reserve	Non- controlling interest	Total equity
Notes	Share capital	Statutory reserve	Retained earnings	subsidary under common control	subsidary under common control	Total			
<b>For the year ended 31 December 2019</b>									
	Balance as at 1 January 2019	1,500,000,000	187,580,045	231,347,978	22,725,173	(307,016)	1,941,346,180	392,138	1,941,738,318
	Net income for the year	-	-	196,881,064	-	-	196,881,064	123,270	197,004,334
	Other comprehensive income for the year	-	-	10,938,773	-	(297,108)	10,641,665	-	10,641,665
	Total comprehensive income for the year	-	-	207,819,837	-	(297,108)	207,522,729	123,270	207,645,999
	Net income transferred to statutory reserve	-	-	19,688,107	-	-	-	-	-
	Dividends	-	-	(230,000,000)	-	-	(230,000,000)	(123,360)	(230,123,360)
30	<b>Balance at 31 December 2019</b>	1,500,000,000	207,268,152	189,479,708	22,725,173	(604,124)	1,918,868,909	392,048	1,919,260,957
<b>Balance at 1 January 2018 - restated</b>									
	Balance at 1 January 2018 - restated	1,500,000,000	174,051,484	401,113,439	23,967,761	222,968	2,099,355,652	811,366	2,100,167,018
	Net income for the year	-	-	135,285,613	-	-	135,285,613	154,415	135,440,028
	Other comprehensive income for the year	-	-	1,633,029	-	(529,984)	1,103,045	-	1,103,045
	Total comprehensive income for the year	-	-	136,918,642	-	(529,984)	136,388,658	154,415	136,543,073
	Movement in acquisition reserve of a subsidiary under common control	-	-	-	(1,242,588)	-	(1,242,588)	-	(1,242,588)
1	Net income transferred to statutory reserve	-	-	13,528,561	-	-	-	-	-
30	Dividends	-	-	(293,155,542)	-	-	(293,155,542)	(573,643)	(293,729,185)
	<b>Balance at 31 December 2018</b>	1,500,000,000	187,580,045	231,347,978	22,725,173	(307,016)	1,941,346,180	392,138	1,941,738,318

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2019  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	2019	2018
<b>Operating activities:</b>		
Profit for the year before zakat	228,879,724	159,254,244
<b>Adjustments</b>		
Allowance / (reversal of) for expected credit losses	33,455,516	(5,359,112)
Reversal for provision of slow-moving inventory	(12,754,177)	(47,181,547)
Finance costs	40,179,926	45,326,092
Depreciation	66,758,688	64,277,636
Depreciation of right-of-use of assets	1,784,639	-
Acquisition reserve	-	(1,242,588)
Provision for accounts receivable	410,450	-
Loss from disposal of property, plant and equipment	268,180	1,786
Interest on lease liabilities	840,508	-
Post-employment benefits	16,964,952	11,208,233
<b>Changes in working capital:</b>		
Trade receivables	(234,112,435)	268,817,514
Contract liabilities	(24,175,754)	(15,587,134)
Contract assets	(4,640,717)	(9,168,629)
Inventories	986,373	181,968,211
Advances and other current assets	14,582,498	(19,273,709)
Derivatives	-	8,420,602
Advances to purchase financial assets	(21,000,000)	-
Trade and other payables	4,168,288	(116,538,533)
Provisions	(19,253,265)	(75,832,061)
Lease liabilities	(2,366,433)	(831,706)
Accruals and other liabilities	(40,125,154)	9,858,567
Net finance costs paid	(38,419,387)	(41,877,081)
Zakat and income tax paid	(30,154,426)	(40,979,620)
Post-employment benefits paid	(12,115,819)	(9,979,292)
<b>Net cash flows (used in) / generated from operating activities</b>	<b>(29,837,825)</b>	<b>365,281,873</b>
<b>INVESTING ACTIVITIES</b>		
Payments to purchase of property, plant and equipment	(89,168,439)	(65,589,230)
Proceed from sale of property, plant and equipment	952,267	68,887
<b>Net cash flows used in investing activities</b>	<b>(88,216,172)</b>	<b>(65,520,343)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of Islamic financing facilities during the year	(2,568,430,000)	(53,981,772)
Proceeds from Islamic financing facilities during the year	2,924,411,500	-
Dividend paid	(230,000,000)	(293,729,185)
<b>Net cash provided from/(used in) financing activities</b>	<b>125,981,500</b>	<b>(347,710,957)</b>
Net change in cash and cash equivalents during the year	7,927,503	(47,949,427)
Cash and cash equivalents at beginning of the year	45,984,310	94,463,721
Effect of exchange rate changes on cash and cash equivalents	(297,108)	(529,984)
<b>Cash and cash equivalents at end of the year</b>	<b>53,614,705</b>	<b>45,984,310</b>

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.



**RIYADH CABLES GROUP COMPANY**  
 (A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
 For the year ended 31 December 2019  
 (All amounts are expressed in Saudi Riyals unless otherwise stated)

Consolidated Statement of Cash Flows (continued)

	<u>2019</u>	<u>2018</u>
<b>Non cash transaction:</b>		
Withholding tax against dividends to shareholders	-	6,844,458
Change in actuarial assumptions relating to employees' defined benefits obligations	<b>10,938,773</b>	(1,633,029)
Finance costs relating to employees' defined benefits obligations	-	3,338,880
Changes arising from right-of-use assets due to application of IFRS 16	<b>14,429,329</b>	-
Spare parts inventories transferred to property, plant and equipment	-	19,289,798
Allowance for expected credit losses charged to retained earnings	-	15,337,744

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**1- REPORTING ENTITY**

Riyadh Cables Group Company (the “Company”) was formed as a closed joint stock company according to Regulation for Companies in the Kingdom of Saudi Arabia and operating under Commercial Registration No. 1010052927 issued on 24 Jumada’ II 1435H (corresponding to 24 April 2014). The Company operates under Industrial License No. 396/R dated 12 Jumada’ II 1416H (corresponding to 25 November 1995) amended by Industrial License No. 36/R dated 5 Muharram 1418H (corresponding to 12 May 1997) amended by Industrial License No. 2572 dated 16 Rajab 1434H (corresponding to 26 May 2013). The Company’s registered office is located at Second Industrial Area, P.O. Box 26862 Riyadh 11496, Kingdom of Saudi Arabia.

The Company and its subsidiaries listed below (collectively referred to as the “Group”) are engaged in the production of cables made from copper aluminum isolated and non-isolated, for use with low, medium and high voltage transformers.

These consolidated financial statements have been prepared for Riyadh Cables Group Company and its subsidiaries listed below:

Subsidiary	Legal status	Country of incorporation	Ownership interest held by the Group (directly or indirectly)	
			2019	2018
1-Saudi Modern Company for Metals, Cables and Plastic Industry and its subsidiaries listed below:	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
1.1 Qatar Cables Company LLC	A Limited Liability Company	Qatar	50%	50%
1.2 Arabian Gulf Company for Electrical Cables LLC	A Limited Liability Company	Kuwait	49%	49%
1.3 Gulf Company Electrical Works	A Limited Liability Company	Oman	100%	100%
1.4 Egyptian Riyadh Cable for Electrical Works (*)	Joint Stock Company (E.S.C)	Egypt	49%	-
2-Saudi Modern Company for Specialized Wires and Cables Industry	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
3- Saudi Modern Company for Telephone Cables Industry	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
4- Riyadh Cables Company and its subsidiaries listed below:	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
4.1 National Cables Industry Company	A single shareholder limited liability company	United Arab Emirates	100%	100%
4.2 Alrowad Company for Production of Electrical Cables Limited (**)	A single shareholder limited liability company	Iraq	100%	100%
4.3 Iraqi National Company for Cables Industry	A limited liability company	Iraq	100%	-
5-Saudi Modern Company for Cables Limited	A limited liability company	Kingdom of Saudi Arabia	100%	100%

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**1- REPORTING ENTITY (CONTINUED)****Information about subsidiaries:****1) Saudi Modern Company for Metals, Cables and Plastic Industry**

Saudi Modern Company for Metals, Cables and Plastic Industry (the "Company") was formed as a Saudi Closed Joint Stock Company according to the Regulation for Companies in the Kingdom of Saudi Arabia under Commercial Registration No. 1010081709 dated 24 Jumada' II 1435H (corresponding to 24 April 2014). The Ministerial resolution No. 148/Q dated 17 Jumada' II 1435H (corresponding to 17 April 2014) has been issued to approve the conversion of the Company into a closed joint stock company by converting the Company including its rights and obligations as of 17 April 2014.

The Company operates under industrial license No. 9 issued on 9 Muharram 1411H (corresponding to 31 July 1990) which has been amended by the industrial license No. 3263 dated 25 Dhul Qi'dah 1436H (corresponding to 9 September 2015).

The principal activities of the Company include production and sale of copper rods to manufacture telephone and electrical wires, single or multi-cores low voltage cables in addition to production and sale of copper pipes to manufacture refrigeration and aluminum conductors insulated PVC materials.

**- Egyptian Riyadh Cable for Electrical Works (\*)**

Egyptian Riyadh Cable for Electrical Works was formed on 2 October 2019 and is an Egyptian joint stock company in accordance with the provisions of the laws applicable in the Arab Republic of Egypt. The headquarter of the Company is located at 33 Kasr El Nil Street - Abdeen - Cairo. According to the Company's contract No. 19-37814-01-1-01, the principal activities of the Company include import and export all kinds of electric cables and their sizes, electrical pneumatic conveyors, telephone cables, fiber optic cables, copper rods, aluminum rods, control cables, panels, transformers, electrical wires, electrical accessories, electrical machinery and equipment and electrical works contracting.

**2) Saudi Modern Company for Specialized Wires and Cables Industry**

Saudi Modern Company for Specialized Wires and Cables Industry ("the company") was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010106953 on 24 Jumada' II 1435H (corresponding to 25 April 2014). The Company conducts its industrial activities under an industrial license No. 89 dated 10 Muharram 1440H (corresponding to 20 September 2018) issued by Ministry of Energy, Industry and Mineral Resources.

The principal activities of the Company include production of wires and other electronic and electrical cables.

**3) Saudi Modern Company for Telephone Cables Industry**

Saudi Modern Company for Telephone Cables Industry ("the company") was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010107248 dated 17 Jumada' II 1435H (corresponding to 13 April 2014). The Company conducts its industrial activities under an industrial license No. 105 dated 27 Muharram 1413H (corresponding to 28 July 1992) issued by Ministry of Energy, Industry and Mineral Resources.

The principal activities of the Company include production of wires and other electronic and electrical cables.

**RIYADH CABLES GROUP COMPANY**  
 (A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the year ended 31 December 2019  
 (All amounts are expressed in Saudi Riyals unless otherwise stated)

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**1- REPORTING ENTITY (CONTINUED)**

**Information about subsidiaries:**

**4) Riyadh Cables Company**

Riyadh Cables Company (“the company”) was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010146019 issued on 24 Rajab 1435H (corresponding to 24 April 2014). The shareholders of the Company agreed in their meeting held on 27 Safar 1435H (corresponding to 30 December 2013) to convert the Company from a limited liability company into a Saudi closed joint stock company. The Ministerial resolution No. 148/Q dated 17 Jumada’ II 1435H (corresponding to 17 April 2014) has been issued to approve the announcement of conversion of the Company into a closed joint stock company by converting the Company including its rights and obligations as of 17 April 2014.

**- National Cables Industry Company**

National Cables Industry Company was formed in 2001 with a capital of AED 80 million. The principal activities of the Company include the production and distribution of electric power transmission cables, the production of electrical wires, the production of telecommunications wires, the production of cables and metal strips and fire resistance.

**- Alrowad Company for Production of Electrical Cables Limited (\*\*)**

On 31 August 2017, National Cables Industry Company (a subsidiary of Riyadh Cables Company) acquired 100% of Alrowad Company for Production of Electrical Cables Limited in Iraq in the amount of SR 23,008,317 from a related party, "Abdul Qadir Al Muhaidib & Sons Company". The net assets of the Company at the acquisition date amounted to SR 46,976,078. Gains from the acquisition of SR 23,967,761 was recognized in the consolidated statement of changes in equity, and the share in profit or loss from the investment in a subsidiary was recorded from the date of acquisition at 31 August 2017 to the report date at 31 December 2017 in the statement of profit or loss and other comprehensive income. During 2018, the acquisition provision was adjusted to SR 1,242,588 which is represented by additional costs incurred by the Company as a result of the acquisition of Alrowad Company.

**- Iraqi National Company for Cables Industry**

The Company was formed according to the Articles of Association No. (M.U / 02-8161) dated 18 September 2018 with a capital of IQD 5.5 billion. The Company aims to develop capital investment in the production of electrical wires and cables according to national development plans.

**5) Saudi Modern Company for Cables Limited**

Saudi Modern Company for Cables Limited (“the Company”) was formed as a limited liability company under Commercial Registration No. 1010143896 issued in Riyadh on 1 Rajab 1417H (corresponding to 11 November 1996). The Company is a subsidiary of Riyadh Cables Group Company (the Holding Company/Group). The principal activities of the Company according to the Commercial Registration include general constructional and architectural contracting, construction and maintenance of industrial buildings and production lines, industrial services in the maintenance, repair and operation of industrial, electrical and telephone machines, computers, laboratory equipment and its installation and operation, commercial services in marketing, import and export services, inspection services in non-insurance activities, and advertising services.

**2- BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and by-laws of the Group.

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**3- BASIS OF MEASUREMENT**

The consolidated financial statements have been prepared on the historical cost basis and the going concern concept, except for the following:

- Employees' defined benefits obligations that have been actuarially evaluated and measured at their present value using the projected unit credit method.
- Financial assets carried at fair value through profit or loss

**4- FUNCTIONAL AND PRESENTATION CURRENCY**

These consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

**5- BASIS OF CONSOLIDATION**

**Subsidiaries**

Subsidiaries are all entities controlled by the Group. Control is achieved when the Group has rights to the returns, from its involvement in the investee has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

- Power over the investee (i.e., existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over the investee, including:

- The contractual arrangements with the other vote holders of the investee.
- Rights arising from other contractual arrangements, together with the
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

**Accounting for business combinations involving entities or businesses under common control**

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement, the management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretation. Several such bodies have issued guidance and some allow the pooling of interests method in accounting for business combinations involving entities under common control.

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**5- BASIS OF CONSOLIDATION (CONTINUED)**

The management has adopted the pooling of interest method to account for the business combinations of entities under common control. This method involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is good will arising from the difference between the consideration paid and the equity acquired it is reflected directly in the equity.
- The consolidated statement of profit or loss of the combining entities reflects the results of the full year irrespective of when the combination took place.

**Non-controlling interest**

NCI are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit and loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost.

**Transactions eliminated on consolidation**

Intercompany transactions, balances and unrealized profits or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

**6- ADOPTION OF NEW AND AMENDED IFRS**

**6.1 Effect of changes in accounting policies as a result of adoption of new IFRS**

The Group has adopted IFRS 16 'Leases' for the first time. The nature and effect of the changes from adoption this new accounting standard as described below: Several other interpretations and amendments apply for the first time in 2019, but have no impact on the consolidated financial statements of the Group.

The Group has not early adopted any standards or interpretations and amendments that have been issued but are not yet effective.

**IFRS 16 'Leases'**

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019.

The Group has adopted IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

When applying the modified retrospective approach, a lessee does not restate comparative figures. Instead, a lessee recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The Group considers that the right-of-use assets equal to "lease liabilities of the right-of-use assets" as at 1 January 2019, and therefore, the opening balance of the retained earnings has not been restated on the date of the initial application.

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**6- ADOPTION OF NEW AND AMENDED IFRS (CONTINUED)**

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transitions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component or others on the basis of their fixed values prices.

For Leases previously classified as operating leases:

(a) lessee recognizes, a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lessee measures that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

(b) lessee recognizes, a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lessee chooses, on a lease-by lease basis, to measure that right-of-use asset its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The details of accounting policies under IAS 17 Leases are disclosed separately if they are different from those accounting policies under IFRS 16 and the effect of the changes is disclosed below:

**Policy applicable from 1 January 2019**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for specific consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

*Right-of-use assets*

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.



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**6- ADOPTION OF NEW AND AMENDED IFRS (CONTINUED)**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability

*Lease Liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Group has presented separately the right-of-use assets and the lease liabilities in the consolidated statement of financial position.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Leases - estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

**Under IAS 17**

In a comparative period, assets held under operating leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in consolidated statement of profit or loss on a straight-line basis over the term of the lease.



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**6- ADOPTION OF NEW AND AMENDED IFRS (CONTINUED)**

**Impact on the consolidated financial statements**

On transition to IFRS 16, the Company has recognized right-of-use assets and lease liabilities, recognizing the difference in the consolidated statement of profit or loss and other comprehensive income. The impact on transition is summarized below.

	<b>For the year ended 31 December 2019</b>
<b>Impact on the consolidated financial statements at 1 January 2019</b>	
Lease Liabilities	<u>15,427,513</u>
Right-of-use assets	15,427,513
Prepayments	786,455
Right-of-use assets at 1 January 2019	<u>16,213,968</u>
<b>Right-of-use assets</b>	
Assets recognized during the year	16,213,968
Depreciation charged during the year	<u>(1,784,639)</u>
Right-of-use assets at 31 December 2019	<u>14,429,329</u>
<b>Depreciation charge for the period ended 31 December 2019 has been allocated as follows:</b>	
Cost of sales	<u>1,784,639</u>
<i>Lease liabilities</i>	
	<b>For the year ended 31 December 2019</b>
<b>Maturity Analysis – Contractual undiscounted cash flows</b>	
<b>Discounted lease liabilities included in the consolidated statement of financial position</b>	
<b>As at 31 December 2019</b>	
Current	2,302,685
Non-current	12,385,358
	<u>14,688,043</u>
	<b>For the year ended 31 December 2019</b>
<i>Amounts recognized in the consolidated statement of profit or loss</i>	
Right of use assets depreciation	<u>1,784,639</u>
Interest on lease liabilities	<u>840,508</u>

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**6- ADOPTION OF NEW AND AMENDED IFRS (CONTINUED)**

**6.2 The new and amended IFRS applied that have no material impact on the financial statements**

*Amendments to IFRS 9 'Prepayment Features with Negative Compensation'*

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments have had no impact on the consolidated financial statements of the Group.

*Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

**6.3 Annual Improvements - 2015-2017 Cycle**

• *IFRS 3 "Business Combinations"*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments have had no impact on the consolidated financial statements of the Group as there is no transaction contains joint control.

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**6- ADOPTION OF NEW AND AMENDED IFRS (CONTINUED)**

**6.3 Annual Improvements - 2015-2017 Cycle (continued)**

**• IAS 12 “Income Taxes”**

The amendments clarify that the income tax consequences of the dividend are more directly related to previous transactions or events that have generated income that can be distributed from the dividends to the shareholders.

Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

These amendments have had no impact on the consolidated financial statements of the Group as there is no transaction resulting in income tax consequences from dividends.

**• IAS 23 “Borrowing Costs”**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale is complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group’s current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Group classifies all other liabilities as non-current.

**Property, plant and equipment**

Property, plant and equipment (except for lands and projects in progress) are stated at cost, net of accumulated depreciation and any accumulated impairment losses, if any. Lands and projects in progress are stated at cost less any accumulated impairment losses, if any. Cost includes all amounts necessary for bringing the asset to the existing location to be ready for its intended use by management. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met, as well as costs incurred during the pre-operating period, less proceeds from sale of experimental production.

When parts of property, plant and equipment are significant in cost compared with total cost of asset, and when these parts/components have useful lives different from other parts and required to be replaced at intervals, the Group has to recognize such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed (planned or unplanned), its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. This is recorded as a separated part with a useful life equal to the period up to the upcoming planned inspection. The carrying amount of the replaced part is derecognized. In case the upcoming inspection is made before the planned date, any outstanding carrying value for previous inspection is recorded as an expense. Other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation is calculated from the date for which assets are available for their intended use. Self-constructed assets are from the date of completing such assets and be ready for their intended use. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives as follows:

Depreciation is calculated using the straight-line method over the useful lives of the assets as follows:

	Number of years
Buildings	25
Plant and equipment	20 - 30
Strategic spare parts	10
Motor Vehicles	4
Furniture and fixtures	4 – 10
Tools	5
Laboratory equipment	10
Computers	10

Lands and projects in progress are not depreciated. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at end of each year.

Any item of property, plant and equipment is derecognized upon disposal or when it is unlikely that any future economic benefits will arise from the continuing use of the assets. Profits and losses resulting from disposal of property, plant and equipment that are retired, sold or unrecognized are identified by comparing the proceeds with carrying amount of an asset and are recognized under "other income, net" in the consolidated statement of profit or loss.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of non-financial assets**

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from assets or group of other assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period.

**Contract assets and liabilities**

Under IFRS 15, when a party to a contract implements its liabilities, the entity shall present in its statement of financial position, contract assets or liabilities, depending on the relationship between the entity's performance and customer payments. Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred or implemented to the customer.

Contract liabilities are an entity's obligation to transfer goods or perform services for the benefit of the customer for which the entity received consideration (or is entitled to a payment for) from the customer. If the consideration agreed in the contract includes a variable amount, the Company estimates the amount of consideration that the Company is entitled to in exchange for transferring the goods or services agreed upon with the customer.

**Foreign currencies**Transactions and balances

Foreign currency transactions are initially recorded by the Group's entities denominated in the functional currency of each of them according to the exchange rate prevailing on the date when the transaction becomes qualified for recognition for the first time. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date.

The differences arising on the settlement or translation of monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income of the Group.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate prevailing at the date of the initial transaction.

Translate the financial statements of the Group's subsidiaries

The results and financial position of foreign operations (dealing in currencies that are not economically inflated) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- items of assets and liabilities presented for each statement of financial position are translated at the closing rate at the date of statement of financial position.
- income and expenses for each statement of profit or loss and other comprehensive income are transferred at the average exchange rates (unless the average rate does not nearly reasonably represent the effect of the accumulated exchange rates prevailing on the transaction dates, in which case the income and expenses are translated at the exchange rates on the transaction dates);
- All currency exchange differences are recognized in other comprehensive income.

**Inventories**

Inventories include raw materials, work in progress, finished goods, supplies and spare parts that are recorded at the low cost and net realizable value (NRV). Work in progress and finished goods inventories include direct materials, direct labors and an appropriate proportion of fixed and variable indirect expenses, the last is recorded on the basis of normal operating capacity.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories (Continued)**

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is considered as the estimated selling price in ordinary course of business, less estimated costs to completion and the estimated costs necessary to complete the sale.

**Financial instruments**

***Recognition and initial measurement***

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes party to the contractual provisions of the instrument.

A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component is initially measured at the transaction price.

***Financial assets***

***Classification of financial assets***

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVTOCI.

<b>Financial assets</b>	<b>IFRS 9 classification</b>
Cash and bank balances	Amortized cost
Trade receivables	Amortized cost
Due from related parties	Amortized cost
Other non-current assets	Amortized cost

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Subsequent measurement*

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net Profit and loss including interest revenue and dividends are recognized in the consolidated statement of profit or loss.
<b>Financial asset at amortized cost</b>	These assets are measured at amortized cost using the effective interest method. Amortized value is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in the statement of income. Any gain or loss on derecognition of an investment is recognized in the consolidated statement of profit or loss.
<b>Financial assets through other comprehensive income (debt investments)</b>	Subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net profits and losses are recognized in OCI. On derecognition, accumulated profits and losses in OCI are reclassified to the consolidated statement of profit or loss. As at 31 December 2019, the Group has no such assets.
<b>Financial assets through other comprehensive income (investments in equity instruments)</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Any profit or loss on derecognition or recognition of investment is recognized in equity, and may not be reclassified to the consolidated statement of profit or loss. As at 31 December 2019, the Group has no such assets.

*Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

*Derecognition*

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

- (a) the Group has transferred substantially all the risks and rewards of the asset, or
- (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

*Impairment of financial assets*

IFRS 9 impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVTOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Presentation of impairment**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from customers are presented separately in the consolidated statement of profit or loss and other comprehensive income.

Expected credit loss assessment for trade and other receivables

The Group applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. This method is applied for assessing an allowance against:

- financial assets measured at amortized cost of the Group

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD). These are briefly described below:

**Loss Given Default (LGD):** This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

**Probability of Default (PD):** the likelihood of a default over a particular time horizon.

**Exposure at default (EAD):** This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Group uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.



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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial assets (continued)**

**Impairment of financial assets (continued)**

*Macroeconomic weighted average scenarios*

The Group includes macroeconomic factor of GDP to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for the above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on the likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

*Definition of default*

In the above context, the Group considers default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the customer is more than 360 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of comprehensive income. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the consolidated statement of profit or loss.

*Specific provision*

Specific provision is recognized on customer to customer basis at every reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

**Financial liabilities**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly includes trade and other payables, related party and borrowings as mentioned in note 20.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial liabilities (continued)**

<b>Financial liabilities</b>	<b>IFRS 9 classification</b>
Trade payables	Amortized cost
Accrued expenses and other current liabilities	Amortized cost
Loans	Amortized cost
Due to related parties	Amortized cost

***Derecognition***

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

***Modifications of financial assets and financial liabilities***

***Financial assets***

If the terms of the financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in the de-recognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

***Financial liabilities***

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

***Cash and cash equivalents***

For the purpose of presentation of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank balances, short-term deposits, call deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are not subject to significant risk of changes in value.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair value measurement**

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

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

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

**Statutory reserve**

Statutory reserve is based on statutory requirements, and in accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group is required to set aside 10% of its annual net income to the statutory reserve until such reserve equals 30% of the Group's share capital. This statutory reserve is not available for distribution.

**Dividends to the shareholders of the Group**

Dividends to the shareholders of the Group are recognized as liability in the consolidated financial statements of the Group in the year in which the dividends are approved by the shareholders of the Group.

**Employees' benefits**

***Short-term employees' benefits***

Short-term employees' benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees' benefits are payable to all employees who are employed under the terms and conditions of the Labor Laws applicable on the Group on termination of their employment contracts.

***Defined contribution plan***

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognizes contribution payable to the GOSI as an expense when due.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Employees' benefits (continued)**

***Defined benefit plans (employees' end-of-service benefits)***

The Group operates defined benefit plans, under the Saudi Labor Law applicable based on employees' accumulated periods of service at the statement of financial position.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Previously, employees' end of service benefits' liability was calculated at the current value of the vested benefits to which the employee was entitled, should his service be terminated at the reporting date.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the statement of profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- The date on which the Group recognizes related restructuring costs
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income.

**Deferred Tax**

Deferred tax, if any, is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recorded when it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is recognized, or the liability is settled, based on tax rates (and tax rules) that have been enacted or substantively enacted up to the end of the financial period.

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of liabilities may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as interest expense.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition**

The Group has adopted IFRS 15: Revenue from Contracts with Customers, which was effective from 1 January 2018.

Revenue is measured based on consideration specified in a contract with a customer, includes unbilled revenue (contract asset) and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer.

The Group assess the services promised in a contract with a customer and identifies as a performance obligation either:

- a) service that is distinct.
- b) series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, as it meets the following criteria:

- (a) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
- (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

As the performance obligations where one of the above conditions are met, revenue is recognized over time at which time the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a advance from customer (contract liability).

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition (continued)**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The application of IFRS 15 has required management to make the following judgments:

***Satisfaction of performance obligations***

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Group has assessed that based on the agreement entered into with the customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognizes revenue over time. Where this is not the case revenue is recognized at a point in time. For sale of goods revenue is generally recognized at point in time.

***Determination of transaction prices***

The Group is required to determine the transaction price in respect of each of its agreements with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

***Transfer of control in contracts with customers***

In case where the Group determines that performance obligations are satisfied at a point in time, revenue is recognized when control over the assets that is subject of contract is transferred to the customer.

In addition, the application of IFRS 15 has resulted in the following estimation process:

***Allocation of transaction price to performance obligation in contracts with customers***

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognized over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include the time elapsed for service contracts.

***Other matters to consider***

***Variable consideration***

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised goods or services to a customer. The Group estimates the transaction price on contracts with variable consideration using the expected value or most likely amount method. The method is applied consistently throughout the contract and to similar types of contracts.

***Significant financing component***

The Group adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenue sources***

The Group earns revenue from following sources:

<b>Revenue sources</b>	<b>Revenue recognition</b>
Sale of goods	at a point in time
Contract revenue	over time

**Revenue from sale of goods**

Revenue is measured based on consideration specified in the contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when control of the product is transferred to the customer, which happens upon delivery to the customer.

If the consideration promised in a contract includes a variable amount, the Group estimates the fees to which it is entitled in exchange for transferring the promised goods or services to the customer.

**Contract revenue**

Revenue from on-site installation contracts satisfies over time revenue recognition criteria. It is measured based on input method by the percentage of actual cost incurred to-date to estimated total cost for each contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances changed. Any resulting increase or decrease in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that lead to the revision become known to the management.

Estimated costs and profits in excess of invoices on incomplete contracts are included in current assets as contract assets, and invoices in excess of costs incurred and estimated profits, if any, are included in current liabilities as contract liabilities.

**Contract costs**

Additional costs are recognized to obtain the contract as an expense, unless the Group has reasonable expectation of recovering these costs from its customer, as these costs are explicitly charged to the customers. The Group consumes these costs on a regular basis in conformity with transferring goods or services to a customer.

**Cost of sales**

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labors, depreciation and other related indirect overheads. This also includes share of the related common overheads.

**Selling and distribution costs**

This include any costs incurred to execute or facilitate all sale transactions in the Group. These costs typically include salaries of the sales employees, costs of managing the exhibitions, marketing and distribution expenses, and logistics expenses as well as commissions, fees and the like. This includes share of the related general common costs.

**General and administrative expenses**

This pertain to operational expenses that are not directly related to the production of any goods or services. This includes share of the related general common costs.

Allocations of common expenses between direct cost, selling and distribution expenses, general and administrative expenses, when required, are made on a consistent basis.



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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Finance cost**

The finance cost consists of the interest and other costs that an entity incurs in connection with borrowing of allocated funds through the Group, the interest on the employee's end-of-service benefits according to IAS 19 'Employee Benefits', and interest expenses on lease liabilities in accordance with IFRS 16 'Leases'. All other borrowing costs are recognized in the consolidated statement of income in the year in which they are incurred.

**Zakat and income tax****Zakat**

Zakat is provided for in accordance with regulations of the General Authority of Zakat and Tax in the Kingdom of Saudi Arabia ("GAZT") on an accrual basis. The Zakat charge is recognized in the consolidated statement of profit or loss. The differences, if any, resulting from the final assessments are adjusted in the year when assessments are finalized.

**Income tax**

Income tax is applied at the specified rates on the adjusted share of the income of non-Saudi shareholders specified in accordance with the Saudi regulations that are endorsed in the Kingdom of Saudi Arabia and is included in the consolidated statement of profit or loss and other comprehensive income.

For subsidiaries incorporated and operating outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with the tax regulations of their respective countries, when it is material. The Group considers that both the current and deferred income tax for these subsidiaries are immaterial.

**8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

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

These estimates and assumptions are based upon experience and other various factors that are believed to be reasonable under these circumstances and are used to estimate the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period, if the effect of revision is limited to that period only, or they are recognized in the revision period and future periods if the revision affects both current and future periods.

The key assumption concerning the future and key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year is discussed below:

***Impairment of non-financial assets***

At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.



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**8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)**

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. An impairment loss reversal is recognized immediately in the consolidated statement of profit or loss.

Useful life of property, plant and equipment

The management of the Group determines the useful life of property, plant and equipment for calculating depreciation. The estimate is carried out after considering the expected usage of the asset or obsolescence. Management performs periodic review for the estimated useful lives and depreciation method to ensure that depreciation duration and method are consistent with the expected pattern for the economic benefit of the assets.

Fair value estimation of financial instruments

The Group uses the most observable market inputs when measuring the fair value of an asset or a liability. Fair values are classified in a fair value hierarchy based on the inputs used in the valuation which are shown as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Expected credit loss allowance for trade receivables

The Group uses a provision matrix to calculate ECLs of trade receivables. The provision rates are based on days past due for groupings of various customer segments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 14.

Provision for slow moving and obsolete items

Inventories are stated at the lower of cost and net realizable value; When inventories become old or obsolete, an estimate is made for their net realizable value. For individually significant amounts, this estimate is made on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of aging or obsolescence.

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**8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)**

Assumptions of employees' benefits obligations

The Group operates an end-of-service benefits plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuations. For details of assumptions and estimate please refer Note 16.

Certain actuarial assumptions have been applied as set out in Note 16 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate for the consideration required to settle the present obligation at reporting date taking into account risk and doubts specific to liability. Where the provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When the Company expects some or all of economic benefits that are required to settle a provision of third party to be reimbursed, the accrued amount is recognized as an asset if the reimbursed amount is virtually certain and its value can be reliably estimated.

Onerous contracts

Current liabilities - arising from onerous contracts - are identified and recognized as provisions. The contract is considered onerous contract if the company enters into a contract in which the unavoidable costs of meeting the contractual obligations exceed the financial returns expected to be received under the contract.

Zakat and income tax

When calculating the Zakat and income tax expense for the current period, the Group has adjusted its net income and applied certain assumptions to the Zakat and the income tax base used to calculate the Zakat and income tax expense. However, the Zakat legislations issued the General Authority of Zakat and Tax ("GAZT") with respect to these amendments are subject to amendments and interpretations that are subject to change. The Group's management has provided its best estimates for those assumptions.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease as the weighted average rate used is 4.72%.

Going concern

The Group management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group and the Group have the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis

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**9- PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings (**)	Plant and equipment	Motor vehicles	Furniture and fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (*)	Total
<b>Cost</b>											
<b>1 January 2019</b>	222,959,721	360,384,834	1,825,853,550	15,565,673	25,350,656	45,413,919	107,760,959	13,733,958	10,622,811	87,718,709	2,715,364,790
Additions	-	5,742,923	5,746,104	715,657	936,585	3,761,292	344,403	898,996	-	71,022,479	89,168,439
Disposals	-	-	-	(616,872)	-	-	-	-	(915,719)	-	(1,532,591)
Transfers from asset under construction	-	3,715,273	36,416,449	-	-	-	-	-	-	(40,131,722)	-
Transfers between assets	-	(11,067)	11,067	-	-	-	-	-	-	-	-
Foreign operations	(22,639)	(61,079)	194,885	(1,040)	98,583	(425,369)	-	(9,623)	-	(29,899)	(256,181)
<b>31 December 2019</b>	<b>222,937,082</b>	<b>369,770,884</b>	<b>1,868,222,055</b>	<b>15,663,418</b>	<b>26,385,824</b>	<b>48,749,842</b>	<b>108,105,362</b>	<b>14,623,331</b>	<b>9,707,092</b>	<b>118,579,567</b>	<b>2,802,744,457</b>
<b>Accumulated depreciation</b>											
<b>1 January 2019</b>	-	179,883,171	1,179,404,263	13,549,903	18,879,670	37,794,471	65,199,904	10,365,726	1,046,314	1,880,239	1,508,003,661
Charge for the year	-	12,857,296	37,727,643	922,843	2,140,698	2,811,326	8,683,073	659,879	955,930	-	66,758,688
Disposals	-	-	-	(347,290)	-	-	-	-	(94,888)	-	(442,178)
Foreign operations	-	(22,096)	(95,637)	(593)	(1,642)	(4,569)	-	(1,611)	-	-	(126,148)
<b>31 December 2019</b>	<b>-</b>	<b>192,718,371</b>	<b>1,217,036,269</b>	<b>14,124,863</b>	<b>21,018,726</b>	<b>40,601,228</b>	<b>73,882,977</b>	<b>11,023,994</b>	<b>1,907,356</b>	<b>1,880,239</b>	<b>1,574,194,023</b>
<b>Net book value</b>											
<b>31 December 2019</b>	<b>222,937,082</b>	<b>177,052,513</b>	<b>651,185,786</b>	<b>1,538,555</b>	<b>5,367,098</b>	<b>8,148,614</b>	<b>34,222,385</b>	<b>3,599,337</b>	<b>7,799,736</b>	<b>116,699,328</b>	<b>1,228,550,434</b>
<b>31 December 2018</b>	<b>222,959,721</b>	<b>180,501,663</b>	<b>646,449,287</b>	<b>2,015,770</b>	<b>6,470,986</b>	<b>7,619,448</b>	<b>42,561,055</b>	<b>3,368,232</b>	<b>9,576,497</b>	<b>85,838,470</b>	<b>1,207,361,129</b>

\* Represent the value of the work in progress related to the construction of the Group's plant facilities, in addition to the new accounting system "SAP System".

\*\* This item includes buildings constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a period of 20 years.

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**9- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land	Buildings (****)	Plant and equipment	Motor vehicles	Furniture and fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (*)	Total
<b>Cost</b>											
1 January 2018	217,159,547	347,306,829	1,815,281,290	14,944,896	24,958,912	74,252,740	104,380,842	13,128,508	-	58,908,017	2,670,321,581
Reclassification to inventories (**)	-	-	-	-	-	(29,912,609)	-	-	-	-	(29,912,609)
Additions	5,800,174	1,182,959	4,423,292	785,032	710,308	1,086,509	781,938	605,450	-	50,183,695	65,559,357
Disposals	-	-	(771,626)	(164,255)	(318,564)	(1,778)	-	-	-	-	(1,256,223)
Transfers from asset under construction	-	11,895,046	17,722,252	-	-	393,461	2,598,179	-	-	(32,608,938)	-
Transfers between assets	-	-	(10,801,658)	-	-	(404,404)	-	-	-	11,206,062	-
Transfers from inventories (**)	-	-	-	-	-	-	-	-	10,622,811	-	10,622,811
Foreign operations translations	-	-	-	-	-	-	-	-	-	29,873	29,873
<b>31 December 2018</b>	<b>222,959,721</b>	<b>360,384,834</b>	<b>1,825,853,550</b>	<b>15,565,673</b>	<b>25,350,656</b>	<b>45,413,919</b>	<b>107,760,959</b>	<b>13,733,958</b>	<b>10,622,811</b>	<b>87,718,709</b>	<b>2,715,364,790</b>
<b>Accumulated depreciation</b>											
1 January 2018	-	167,356,019	1,146,511,240	12,639,549	16,908,236	35,639,307	56,102,954	9,754,270	-	-	1,444,911,575
Charge for the year	-	12,527,152	35,069,868	1,074,607	2,289,946	2,561,343	9,096,950	611,456	1,046,314	-	64,277,636
Disposals	-	-	(701,010)	(164,253)	(318,512)	(1,775)	-	-	-	-	(1,185,550)
Transfers between assets	-	-	(1,475,835)	-	-	(404,404)	-	-	-	1,880,239	-
<b>31 December 2018</b>	<b>-</b>	<b>179,883,171</b>	<b>1,179,404,263</b>	<b>13,549,903</b>	<b>18,879,670</b>	<b>37,794,471</b>	<b>65,199,904</b>	<b>10,365,726</b>	<b>1,046,314</b>	<b>1,880,239</b>	<b>1,508,003,661</b>
<b>Net book value</b>											
<b>31 December 2018</b>	<b>222,959,721</b>	<b>180,501,663</b>	<b>646,449,287</b>	<b>2,015,770</b>	<b>6,470,986</b>	<b>7,619,448</b>	<b>42,561,055</b>	<b>3,368,232</b>	<b>9,576,497</b>	<b>85,838,470</b>	<b>1,207,361,129</b>
<b>31 December 2017</b>	<b>217,159,547</b>	<b>179,950,810</b>	<b>668,770,050</b>	<b>2,305,347</b>	<b>8,050,676</b>	<b>38,613,433</b>	<b>48,277,888</b>	<b>3,374,238</b>	<b>-</b>	<b>58,908,017</b>	<b>1,225,410,006</b>

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**10- ADVANCES AND OTHER CURRENT ASSETS**

	<u>2019</u>	<u>2018</u>
Value-added tax (VAT)	2,573,104	21,508,244
Advances to suppliers	11,485,487	12,044,635
Refundable deposits - customs	4,933,392	4,176,537
Prepaid expenses	15,241,288	14,624,750
Employees' receivables	2,459,180	1,851,682
Insurance deposit	-	1,703,364
Income tax paid in advance	-	2,492,899
Others	8,224,317	1,097,155
Less: decrease in advances and other current assets	<u>(410,450)</u>	<u>-</u>
	<u>44,506,318</u>	<u>59,499,266</u>

**11- FINANCIAL ASSETS IN UNQUOTED EQUITY SHARES**

	<u>Shareholding</u>	<u>2019</u>	<u>2018</u>
	%		
Natural Gas Distribution Company *	7.67%	1,916,660	1,916,660
International Company for Insulation Materials *	19.7%	470,824	470,824
		<u>2,387,484</u>	<u>2,387,484</u>

\* The aforementioned investments are the unquoted investments in active financial markets. There is no material difference between their fair value and their book value.

**12- INVENTORIES**

	<u>2019</u>	<u>2018</u>
Raw materials	210,093,710	215,178,184
Finished goods	589,067,815	632,874,122
Work in progress	133,634,826	124,503,817
Goods-in-transit	60,697,960	14,795,001
Packaging material	18,645,354	24,773,146
Spare parts	71,775,909	72,558,603
Others (project accessories)	2,919,478	3,138,552
<b>Total</b>	<u>1,086,835,052</u>	<u>1,087,821,425</u>
Less: allowance for slow moving inventory	<u>(45,982,039)</u>	<u>(58,736,216)</u>
<b>Net inventories</b>	<u>1,040,853,013</u>	<u>1,029,085,209</u>

Movement in allowance for slow moving inventory is as follows:

	<u>2019</u>	<u>2018</u>
1 January	58,736,216	105,917,763
Provision during the year	3,602,918	3,534,732
Provision reversed during the year	<u>(16,357,095)</u>	<u>(50,716,279)</u>
<b>31 December</b>	<u>45,982,039</u>	<u>58,736,216</u>

\* The Group has entered into a variety of contracts to meet the price fluctuations risk of copper and aluminum, which are a group of futures contracts for the purchase of copper and aluminum in order to meet the entity's requirements expected from use in manufacturing processes. The effect of the change in the fair value of these contracts, which are not classified as hedging instruments, has been recorded in calculating the cost of production included in the consolidated statement of profit or loss and other comprehensive income. At 31 December 2019, the unimplemented future contracts for copper and aluminum was US \$ 108 million, equivalent to SR 405 million.

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**13- CONTRACTS ASSETS / LIABILITIES****Contract assets**

	<u>2019</u>	<u>2018</u>
Total costs incurred up to reporting date	295,108,570	77,408,917
Total income recognized up to reporting date	33,629,561	17,569,885
Less: Progress billings	<u>(314,928,785)</u>	<u>(85,810,173)</u>
	<u>13,809,346</u>	<u>9,168,629</u>

**Contract liabilities**

	<u>2019</u>	<u>2018</u>
Total costs incurred up to reporting date	-	241,378,444
Total income recognized up to reporting date	-	21,552,951
Less: Progress billings	<u>-</u>	<u>(287,107,149)</u>
	<u>-</u>	<u>(24,175,754)</u>

**14- TRADE RECEIVABLES**

	<u>2019</u>	<u>2018</u>
Trade receivables	1,180,740,656	956,798,324
Retention receivable	18,224,000	8,083,805
Allowance for expected credit losses	<u>(114,714,138)</u>	<u>(81,288,530)</u>
<b>Net trade receivables</b>	<u>1,084,250,518</u>	<u>883,593,599</u>

Accounts receivable amounts include due from related parties of SR 3,571,695 (2018: SR 1,571,736).

**The ageing of trade receivables and retention receivable:**

	<u>Past due and impaired</u>						
	<u>Total</u>	<u>1 to 90 days</u>	<u>From 91-180 days</u>	<u>From 181-270 days</u>	<u>271-365 days</u>	<u>366-455 days</u>	<u>More than 455 days</u>
<b>2019</b>	<u>1,198,964,656</u>	<u>815,121,748</u>	<u>264,752,001</u>	<u>30,526,937</u>	<u>75,445,637</u>	<u>2,758,609</u>	<u>10,359,724</u>
2018	964,882,129	791,616,487	88,636,816	40,591,799	2,936,751	8,642,835	32,457,441

Expected credit loss assessment for trade and other receivables:

The Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the lifetime expected credit losses for all financial assets measured at amortized cost.

The key inputs into the measurement of ECL are the following variables:

- probability of default using a statistical model (i.e. normal distribution curve)
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

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**14- TRADE RECEIVABLES (CONTINUED)**

The movement in allowance for expected credit losses for trade receivables is as follows:

	<u>2019</u>	<u>2018</u>
1 January	<b>81,288,530</b>	71,309,898
IFRS 9 Adjustments	-	15,337,744
Allowance / (reversal of) allowance for expected credit losses *	<b>33,455,516</b>	(5,359,112)
Exchange translation differences	<b>(29,908)</b>	-
<b>31 December</b>	<b><u>114,714,138</u></b>	<u>81,288,530</u>

\* The balance of the provision made during the year included an allowance for doubtful debts, for a customer of SR 17 million in which the Group has made it against a debt of SR 34 million as at 31 December 2019, which is currently being worked on to find a final settlement for the full debt through the Company's legal advisor.

**15- CASH AND CASH EQUIVALENTS**

	<u>2019</u>	<u>2018</u>
Bank balances	<b>53,121,000</b>	45,546,673
Cash on hand	<b>493,705</b>	437,637
	<b><u>53,614,705</u></b>	<u>45,984,310</u>

**16- POST-EMPLOYMENT BENEFITS OBLIGATIONS**

The Group operates defined benefit plans in line with the labor law requirements in the countries where the Group's entities operate. The payments under this plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment.

**The employment benefits plans are unfunded.**

***Opening balance in the consolidated statement of financial position***

The amounts recognized in the consolidated statement of financial position and the movements in the net defined benefits obligations during the year are as follows:

	<u>2019</u>	<u>2018</u>
1 January	<b>102,236,115</b>	99,301,323
Current service cost	<b>12,588,128</b>	11,208,233
Interest cost	<b>4,382,000</b>	3,338,880
Paid during the year	<b>(12,115,819)</b>	(9,979,292)
Actuarial gains	<b>(10,938,773)</b>	(1,633,029)
Exchange translation differences	<b>(5,175)</b>	-
<b>31 December</b>	<b><u>96,146,476</u></b>	<u>102,236,115</u>

***Significant actuarial assumptions***

The significant actuarial assumptions used were as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	<b>2.70%</b>	4.38%
Salary growth rate	<b>2.00%</b>	4.38%

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**16- POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)****Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted key assumptions made is as follows:

	Change	Impact on the balance of the defined benefit obligation in 2019	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(84,937,000)	98,049,000
Salary growth rate	1%	98,028,000	(84,843,000)
Impact on the balance of the defined benefit obligation in 2018			
	Change	Increase in assumption	Decrease in assumption
Discount rate	1%	(90,414,596)	103,338,753
Salary growth rate	1%	103,268,454	(90,360,271)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to happen, and changes in some assumptions may be related to others. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognized in the consolidated statement of financial position.

**17- ISLAMIC FINANCE FACILITIES**

The Group entered into credit facilities agreements with several local banks to support working capital during the year with a total amount of SR 2.9 billion (2018: SR 3.4 billion) at Islamic Murabaha interest rates agreed upon with the banks. All credit facilities were granted according to promissory notes approved by some members of the Board of Directors according to the authorities granted to them and approved by the Board of the Company. Interest rates on short-term loan are linked to the SIBOR plus a variable rate during the year.

	2019	2018
<b>1 January</b>	<b>853,550,000</b>	886,700,000
Withdrawn during the year	2,924,411,500	2,554,350,000
Paid during the year	(2,568,430,000)	(2,587,500,000)
31 December	<b>1,209,531,500</b>	853,550,000

**18- PROVISIONS**

	2019	2018
Provision for onerous contracts (18-1)	55,438,185	55,114,996
Provision for warranty obligation	-	20,000,000
Provision for legal cases (18-2)	4,473,937	4,050,391
	<b>59,912,122</b>	79,165,387



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**18- PROVISIONS (CONTINUED)**

18.1 A provision of SR 55,438,185 (2018: SR 55,114,996) has been created by the Group in relation to the contracts as the current commitment of some of these contracts entered into with the Group's customers (onerous contracts) that will require cash outflows to settle these contracts due to increased copper and aluminum prices (used in cable products) during the year.

18.2 This provision represents the management's best estimate to meet the flow of resources in exchange for a lawsuit filed against the Group by one of its clients.

**19- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<u>2019</u>	<u>2018</u>
Advances from customers	37,082,465	54,000,337
Rebate receivables	-	20,277,355
Employee accruals	12,182,507	7,362,980
Accrued project expenses	4,946,946	-
Accrued expenses	30,861,661	44,802,563
Accrued VAT	6,647,736	3,519,335
	<u>91,721,315</u>	<u>129,962,570</u>

**20- TRADE PAYABLES**

	<u>2019</u>	<u>2018</u>
Trade payables	90,017,183	85,848,895

- Accounts payable amounts include due to related parties of SR 76,502 (2018: SR 945,804).

**21- REVENUE**

	<u>For the year ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Sale of goods	4,468,908,758	4,216,853,893
Contract revenue	96,767,396	86,009,347
	<u>4,565,676,154</u>	<u>4,302,863,240</u>

**22- SELLING AND DISTRIBUTION EXPENSES**

	<u>For the year ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Salaries and employee related benefits	42,815,636	39,177,096
Shipping charges	32,611,197	25,972,396
Sales commission	4,338,656	3,574,082
Advertising and showrooms expenses	4,044,867	3,271,295
Rental expenses	1,736,783	1,494,633
Inspection and quality testing expenses	727,220	1,020,747
Insurance expense	891,922	578,003
Depreciation expense	688,569	637,294
Communication expenses	784,274	557,968
Other expenses	9,325,853	6,938,941
	<u>97,964,977</u>	<u>83,222,455</u>

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**23- GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Salaries and employee related benefits	<b>58,290,446</b>	59,645,504
Professional and legal fees	<b>11,801,325</b>	5,745,541
Depreciation expense	<b>4,514,111</b>	4,578,516
Maintenance and repair expense	<b>2,637,713</b>	2,074,827
Travel and insurance expense	<b>1,208,368</b>	503,577
Communications and network expense	<b>624,526</b>	497,331
Offices supplies expenses	<b>88,190</b>	131,877
Other expenses	<b>5,954,674</b>	5,029,604
	<b>85,119,353</b>	78,206,777

**24- OTHER INCOME - NET**

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Gain / loss on disposal of fixed assets	<b>(268,180)</b>	8,513
Reversal of provisions	<b>683,202</b>	-
(Loss) / gain on foreign currency translation	<b>(752,109)</b>	(463,583)
Others	<b>15,356,897</b>	4,659,780
	<b>15,019,810</b>	4,204,710

**25- FINANCE COSTS**

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Bank interest	<b>40,179,926</b>	37,768,164
Bank commissions	<b>4,898,589</b>	4,219,048
Interest on employees' defined benefits obligations	<b>3,700,000</b>	3,338,880
Interest on lease liabilities	<b>840,508</b>	-
	<b>49,619,023</b>	45,326,092

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**26- ZAKAT AND INCOME TAX*****Zakat and income tax status***

The Group received a final assessment up to 31 December 2015. The assessments for years 2016 through 2018 are still under review by the General Authority of Zakat and Income Tax (GAZT). Zakat and income tax are calculated on the independent financial statements of the Group's companies. Zakat due to Saudi shareholders and tax due to foreign shareholders have been calculated according to the separate financial statements of each company in the Group. The Company's shareholders structure has been changed as a result of foreign shareholders entering the shareholding structure as of 1 April 2017. Accordingly, Zakat due from Saudi shareholders and tax due from foreign shareholders are calculated and charged in accordance with separate financial statements of the Group's companies.

The Group's entities received Zakat and income tax certificates stating that these entities filed their tax and Zakat returns to GAZT in the Kingdom of Saudi Arabia up to the year ended 31 December 2018 and received the required receipts and certificates. Furthermore, the Group received Zakat certificate for the year 2019 valid up to 30 April 2021.

- The Group has calculated the deferred tax and it has not been recorded, as its amount is not material to the consolidated financial statements.

***Provision for Zakat and income tax***

*The movement in zakat and income tax provision for the years ended 31 December 2019 and 2018 is as follows:*

<b>Zakat</b>	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
1 January	19,650,125	34,454,934
Provision for the year	28,466,101	21,721,087
Prior year Zakat settlements	(5,167,081)	-
Paid during the year	(24,496,063)	(36,525,896)
31 December	<b>18,453,082</b>	19,650,125

<b>Income tax</b>	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
1 January	752,462	3,113,057
Provision for the year	3,409,289	2,093,129
Paid during the year	(491,282)	(4,453,724)
31 December	<b>3,670,469</b>	752,462

**RIYADH CABLES GROUP COMPANY**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**27- RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the Company consist of the shareholders, key management personnel, directors, and companies which are directly or indirectly controlled or influenced by the shareholders, directors, key management personnel. The Group transacts with different related parties in ordinary course of its business. Transactions are entered into with the related parties on the terms and conditions approved by the Group's management or its board of directors.

**Related party balances**

Amounts due from / (to) related parties resulting from transactions with related parties are as follows:

	<b>Nature of relationship with related parties</b>	<b>2019</b>	<b>2018</b>
Advances to purchase financial assets - due from a related party			
Al-Atheer Real Estate Development Company *	Joint management	<b>21,000,000</b>	-
Due from related parties - classified as trade receivables			
Masdar Building Material	Owned by a shareholder	<b>51,680</b>	-
Serra Holding Group	One of the shareholders is a shareholder in the company	<b>24,822</b>	14,327
		<b>76,502</b>	<b>14,327</b>

\* During the year 2019, Riyadh Cables Group Company paid SR 21 million to Al-Atheer Real Estate Development Company, as a down payment for a joint investment with Abdul Qadir Al-Muhaidib & Sons Company "Shareholder" and Al-Atheer International Limited, is a related party.

<b>Due from related parties - classified as trade receivables</b>	<b>Nature of relationship with related parties</b>	<b>2019</b>	<b>2018</b>
Thabat Contracting Company	Owned by a shareholder	<b>1,468,608</b>	319,768
Masdar Building Material Company	Joint management	<b>2,103,087</b>	640,259
		<b>3,571,695</b>	<b>960,027</b>

**Transaction with related parties**

Transactions with a related party that have been performed during the year, in the ordinary course of business, are summarized below:

	<b>Nature of relationship with related parties</b>	<b>Nature of transaction</b>	<b>2019</b>	<b>2018</b>
Masdar Building Material	Owned by a shareholder	Purchase	<b>1,427,914</b>	1,930,483
Masdar Building Material	Owned by a shareholder	Sales	<b>13,267,861</b>	6,275,749
Serra Holding Group	One of the shareholders is a member of the Board of Directors of the company	Purchase	<b>53,940</b>	91,187
Thabat Contracting Company	Owned by a shareholder	Sales	<b>9,845,002</b>	3,581,315

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**27 -RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****Key management personnel remuneration**

The remuneration of the board of directors and other key management personnel during the year are as follows:

	<u>2019</u>	<u>2018</u>
Salaries and short-term benefits	<b>18,795,600</b>	16,590,759
Post-employment benefits	<b>398,125</b>	353,793
	<b><u>19,193,725</u></b>	<u>16,944,552</u>

**28 SHARE CAPITAL**

At 31 December 2019 and 2018, the Company's share capital consists of 150 million shares at SR 10 each. The total issued capital is SR 1.5 billion. There were no movements in share capital during the year. The Company's shareholder structure includes Saudi and foreign shareholders.

	<b>31 December 2019 and 2018</b>		
	<b>No. of shares</b>	<b>Shareholding %</b>	<b>Value (SAR)</b>
A.K. Al Muhaidib & Sons Company	46,000,000	30.67%	460,000,000
Ajial Al Hekma Investments Company Ltd.	43,000,000	28.67%	430,000,000
Alma Limited Company *	17,854,167	11.9%	178,541,670
Ahmad Samer Zaim	17,854,167	11.9%	178,541,670
Mohammed Hekmat Zaim	7,500,000	5%	75,000,000
Mohammed Abdulaziz Towaijri	1,500,000	1%	15,000,000
Khader Mohsin Al-Ibraheem	1,500,000	1%	15,000,000
Ihsan Zaim	4,437,500	2.96%	44,375,000
Rana Hamdi Zaim	5,177,083	3.45%	51,770,830
Leena Hamdi Zaim	5,177,083	3.45%	51,770,830
	<b><u>150,000,000</u></b>	<b><u>100%</u></b>	<b><u>1,500,000,000</u></b>

\* During 2019, shares owned by Mr. Saad Hamdi Zaim have been transferred to Alma Limited Company.

**29 STATUTORY RESERVE**

In accordance with the Regulations for Companies in Kingdom of Saudi Arabia, the Group has established a statutory reserve by the appropriation of 10% of net income for the year until such reserve equals 30% of the share capital.

**30 DIVIDENDS**

- During the year 2019, the Company distributed SR 230 million, based on the minutes of the Ordinary General Assembly meeting held on 25 June 2019, an amount of (SR 200 million) and based on the minutes of the Board of Directors dated 14 October 2019, an amount of (SR 30 million).

- During the year 2018, the Group distributed cash dividends to shareholders of SR 300 million based on the minutes of the Extraordinary General Assembly meeting held on 10 June 2018.

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**31 FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks, the most important of which are the risks listed below:

Credit Risk

Liquidity risk

Market risk (currency risk, interest rate risk and commodity risk)

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital, in addition to the quantitative disclosures included in these consolidated financial statements.

**Risk management framework**

The Board of Directors is full responsible for the establishment and oversight of the Group's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee will report regularly to the board of directors on its activities.

The Group's current risk management policies are established to identify and analyze the risks faced by the Group, so as to set appropriate risk limits and controls, and to monitor risks and abide by limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and establishment of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee of the Group oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The internal audit provide assistance to the audit committee of the Group in its control role. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which will be reported to the audit committee.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and cash at banks.

**Trade receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management takes into account the demographics of the Group's customer base, including the default risks for the industry and the country in which customers operate, as these factors may have an impact on credit risk, especially in current economic conditions. Geographically, there is no concentration of credit risk.

The Group only transacts with known and creditworthy third parties. It is the Group's policy that all customers who wish to transact on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, the receivables balances are continuously monitored, resulting in the Group being exposed to bad debts is not material.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using on internal and external rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are monitored regularly.

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**31 FINANCIAL RISK MANAGEMENT (CONTINUED)**

The Group establishes an allowance for trade receivables impairment that represents its estimate of lifetime expected credit losses on trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

**Financial institutions**

The Group has policies that limits the amount of credit exposure to any financial institution and this is regularly monitored.

The other categories of financial events do not result in significant credit risk.

The table below shows the credit quality details of the Group's receivables by credit risk rating scores:

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Less than 3 months	<b>815,121,748</b>	791,616,487
More than 3 months and less than 6 months	<b>264,752,001</b>	88,636,816
More than 6 months and less than one year	<b>105,972,574</b>	43,528,550
Over 1 year	<b>13,118,333</b>	41,100,276
31 December	<b><u>1,198,964,656</u></b>	<u>964,882,129</u>

The provision for impairment losses in receivables is as follows:

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Allowance for expected credit losses	<b><u>(114,714,138)</u></b>	<u>(81,288,530)</u>

For trade receivables, the Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the lifetime expected credit losses for all financial assets measured at amortized cost.

The key inputs into the measurement of ECL are the following variables:

- probability of default using a statistical model (i.e. normal distribution curve)
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

For cash at banks, cash and cash equivalents are deposited with banks with a high credit rating. The Group regularly updates its cash flows. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using on internal and external rating criteria. Outstanding customer receivables are monitored regularly.

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

**RIYADH CABLES GROUP COMPANY**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**31 FINANCIAL RISK MANAGEMENT (CONTINUED)**

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Furthermore, the Group maintains various credit methods.

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

<b>31 December 2019</b>	<b>Less than one year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Carrying amount</b>
Short-term Islamic finance facilities	1,209,531,500	-	-	1,209,531,500
Trade payables	90,017,183	-	-	90,017,183
Accruals and other payables	91,721,315	-	-	91,721,315
	1,391,269,998	-	-	1,391,269,998
<b>31 December 2018</b>	<b>Less than one year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Carrying amount</b>
Short-term Islamic finance facilities	853,550,000	-	-	853,550,000
Trade payables	85,848,895	-	-	85,848,895
Accruals and other payables	129,962,570	-	-	129,962,570
	1,069,361,465	-	-	1,069,361,465

**Market risk**

Market risk is the risk that changes in market prices such as currency rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable standards, while optimizing the return.

The Group purchases financial derivatives and uses its financial obligations to manage market risks. All these transactions are carried out within the guidelines set by the Board of Directors.

**Currency risks**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group, which is primarily Saudi Riyals.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances, in addition to buying derivative instruments.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in the Saudi Riyals against USD - EUR, by 5% higher or lower with all other variables held constant, of the Group's monetary assets and liabilities:

	Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2019	Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2019
	<b>USD sensitivity in SAR thousands</b>	<b>EUR sensitivity in SAR thousands</b>
5% increase	1,550,033	(158,903)
5% decrease	(1,550,033)	158,903



**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**31 FINANCIAL RISK MANAGEMENT (CONTINUED)**

	Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2018	Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2018
	<b>USD sensitivity in SAR thousands</b>	<b>EUR sensitivity in SAR thousands</b>
5% increase	910,692	(69,370)
5% decrease	(910,692)	69,370

The Group's exposure to foreign currency risk at the end of the reporting year, expressed in SR, was as follows:

	2019			2018		
	USD	EUR	CHF	USD	EUR	CHF
<i>Trade receivables</i>	74,249,888	-	-	48,052,334	-	-
<i>Trade payables</i>	43,249,223	3,178,056	51,775	29,838,485	1,387,405	-

**Interest rate risks**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate, because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is primarily related to the Group's long-term loans with floating interest rates obtained from the holding company.

To reduce volatility and increase predictability of interest expenses, the Group may use debt issuance or enter into simple financial derivatives such as interest rate swaps.

The Group is exposed to the risk of changes in the interest rate market mainly due to loans. Loans at variable rates expose the Group to a change in cash flows as a result of changes in interest rates.

The Group's exposure to risk of changes in interest rates is as follows:

	<b>For the year ended 31 December</b>	
	2019	2018
Variable interest rate loans	<b>1,209,531,500</b>	853,550,000

**Interest rate sensitivity**

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) gains or losses by the amounts shown below. The analysis assumes that all other variables, especially the foreign exchange rate, remain constant.

<b>31 December 2019</b>	<b>Statement of profit or loss</b>	
	<b>Increase 100 Points</b>	<b>Decrease 100 Points</b>
Variable interest rate loans	<b>12,095,315</b>	<b>(12,095,315)</b>
Change in cash flows	<b>12,095,315</b>	<b>(12,095,315)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**31 FINANCIAL RISK MANAGEMENT (CONTINUED)**

31 December 2018	Statement of profit or loss	
	Increase 100 Points	Decrease 100 Points
Variable interest rate loans	8,535,500	(8,535,500)
Change in cash flows	8,535,500	(8,535,500)

**Commodity risk**

The Group is exposed to the impact of market fluctuations on the prices of various inputs to production including aluminum and copper. The Group manages some key elements of commodity price risk through the use of fixed-price forward contracts.

**32 CAPITAL MANAGEMENT****Risk management**

Capital is equity attributable to the equity holders of the Group. The primary objective to the Group's capital management is to support its business and maximize shareholder value.

The policy of the Board of Directors is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the Company. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions.

The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by adjusted total equity. The Board of Directors also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's debt to adjusted capital ratio at the end of the reporting year was as follows:

	<u>2019</u>	<u>2018</u>
<i>Total liabilities</i>	<b>1,584,016,830</b>	1,295,341,308
<i>Less: cash and cash equivalents</i>	<b>(53,614,705)</b>	(45,984,310)
<i>Adjusted net debt</i>	<b>1,530,402,125</b>	1,249,356,998
<i>Total equity</i>	<b>1,919,260,957</b>	1,941,738,318
<i>Adjusted equity and net debt</i>	<b>3,449,663,082</b>	3,191,095,316
<i>Adjusted debt ratio from adjusted equity ratio</i>	<b>44%</b>	39%

**33 CONTINGENCIES AND COMMITMENTS***Capital commitments*

At 31 December 2019, the Group has commitments of SR 14.6 million (31 December 2018: SR 18.5 million) relating to capital expenditures.

*Legal claim contingency*

The Group faces, in its ordinary course of business, lawsuits, which are under litigation. While the ultimate results of these matters cannot be determined with certainty, the Group's management does not expect that they will have a material adverse effect on the consolidated financial statements of the Group.

*Contingent assets and liabilities*

The contingent liabilities amounted to SR 622 million (31 December 2018: SR 510 million) against bank facilities in the form of letters of credit and guarantees obtained by the Group from several local banks against commission for granting facilities without any bank cover.

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**34 COMPARATIVE FIGURES**

Certain comparative figures for the year 2018 have been reclassified to conform to the current year's presentation.

<b><u>Financial statement line item</u></b>	<b><u>Balance before reclassification</u></b>	<b><u>Reclassification</u></b>	<b><u>Balance after reclassification</u></b>
Trade and other payables	82,930,542	2,918,353	85,848,895
Selling and distribution costs	77,863,343	5,359,112	83,222,455
<b>Other income, net</b>	<b>4,476,625</b>	<b>(271,915)</b>	<b>4,204,710</b>

**35 SUBSEQUENT EVENTS**

Subsequent to the date of the consolidated financial statements and at the beginning of 2020, the Coronavirus (COVID-19) pandemic invaded the world, causing disruption in the economic and commercial sectors in general.

The Kingdom of Saudi Arabia has taken precautions to reduce the adverse effects of this pandemic. The management believes that it is not currently possible to determine all the economic impacts that may result from that pandemic, up to the date of the consolidated financial statements. In spite of this, the management does not expect that there will be any significant future adverse impacts due to the existence of many initiatives to support and stimulate the economy undertaken by the government of the Kingdom of Saudi Arabia in this context.

**36 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been approved by the Board of Directors on 5 Ramadan 1441H (corresponding to 28 April 2020).

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
***Consolidated Financial Statements***  
For the year ended 31 December 2020  
*together with the*  
***Independent Auditor's Report***

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
Consolidated Financial Statements together with the Independent Auditor's Report  
For the year ended 31 December 2020

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### KPMG Professional Services

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Kingdom of Saudi Arabia  
Headquarter

Commercial Registration No 1010425494

### كي بي إم جي للاستشارات المهنية

وأجبة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

## Independent Auditors' Report

### To the Shareholders of Riyadh Cables Group Company

#### Opinion

We have audited the consolidated financial statements of **Riyadh Cables Group Company** (A Saudi Closed Joint Stock Company) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, Board of director members, are responsible for overseeing the Group's financial reporting process.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة منقطة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي منقوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفرزاد وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.



## Independent Auditors' Report (continued)

### To the Shareholders of Riyadh Cables Group Company

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Riyadh Cables Group Company** and its subsidiaries.

#### KPMG Professional Services

Fahad Mubarak Al Dossari  
License No.: 469



Riyadh on:  
Date: 6 Dhul Qadah 1442H  
Corresponding to: 16 June 2021

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
Consolidated Statement of Financial Position  
As at 31 December 2020

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	2020	2019
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	9	1,144,404,191	1,228,550,434
Intangible assets	10	72,082,561	-
Financial assets in unquoted equity shares	11	4,304,149	2,387,484
Right-of-use assets	13	12,639,802	14,429,329
<b>Total non-current assets</b>		<b>1,233,430,703</b>	<b>1,245,367,247</b>
Current assets			
Inventories	14	1,145,045,903	1,040,853,013
Trade receivables	16	818,985,307	1,084,250,518
Contract assets	15	6,822,102	13,809,346
Advances and other current assets	12	33,593,181	44,506,318
Advances to purchase financial assets	29	-	21,000,000
Cash and cash equivalents	17	64,252,757	53,614,705
<b>Total current assets</b>		<b>2,068,699,250</b>	<b>2,258,033,900</b>
<b>Total assets</b>		<b>3,302,129,953</b>	<b>3,503,401,147</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	30	1,500,000,000	1,500,000,000
Statutory reserve	31	229,111,048	207,268,152
Retained earnings		207,953,866	189,479,708
Acquisition reserve of a subsidiary	1	22,725,173	22,725,173
Foreign currency translation reserve		(428,649)	(604,124)
<b>Equity attributable to the shareholders of the company</b>		<b>1,959,361,438</b>	<b>1,918,868,909</b>
Non-controlling interests		(35,891)	392,048
<b>Total equity</b>		<b>1,959,325,547</b>	<b>1,919,260,957</b>
<b>Non-current liabilities</b>			
Post-employment benefits	18	96,426,743	96,146,476
Lease liabilities	13	10,431,847	12,385,358
<b>Total non-current liabilities</b>		<b>106,858,590</b>	<b>108,531,834</b>
<b>Current liabilities</b>			
Islamic Finance Facilities	19	858,675,000	1,209,531,500
Accrued expenses and other liabilities	21	107,882,441	91,721,315
Trade and other payables	22	127,607,217	90,017,183
Provisions	20	110,304,740	59,912,122
Provision for Zakat and income tax	28	29,422,275	22,123,551
Lease liabilities - current portion	13	2,054,143	2,302,685
<b>Total current liabilities</b>		<b>1,235,945,816</b>	<b>1,475,608,356</b>
<b>Total liabilities</b>		<b>1,342,804,406</b>	<b>1,584,140,190</b>
<b>Total equity and liabilities</b>		<b>3,302,129,953</b>	<b>3,503,401,147</b>

CFO

Head of Executive Committee

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.



**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2020**  
**(All amounts are expressed in Saudi Riyals unless otherwise stated)**

	<i>Note</i>	<u>2020</u>	<u>2019</u>
Revenue	23	4,086,816,140	4,565,676,154
Cost of revenue		<u>(3,650,438,801)</u>	<u>(4,085,657,371)</u>
<b>Gross profit</b>		<b>436,377,339</b>	480,018,783
<b>Operating expenses</b>			
Selling and distribution expenses	24	<b>(87,009,617)</b>	(97,964,977)
General and administrative expenses	25	<b>(84,497,147)</b>	(85,119,353)
Allowance / (reversal of) allowance for expected credit losses	16	<b>12,139,922</b>	(33,455,516)
Other income, net	26	<b>8,600,129</b>	15,019,810
<b>Income from operations</b>		<b>285,610,626</b>	278,498,747
Finance costs	27	<b>(35,350,544)</b>	(49,619,023)
<b>Profit before zakat and income tax</b>		<b>250,260,082</b>	228,879,724
Zakat and income tax	28	<b>(32,136,967)</b>	(31,875,390)
<b>Net income for the year</b>		<b>218,123,115</b>	197,004,334
<b>Attributable to:</b>			
Shareholders of the Company		<b>218,428,959</b>	196,881,064
Non-controlling interests		<b>(305,844)</b>	123,270
<b>Net income for the year</b>		<b>218,123,115</b>	197,004,334
<b>Other comprehensive income</b>			
<b><i>Items that may be reclassified to profit or loss</i></b>			
Foreign operations translation reserve		<b>175,475</b>	(297,108)
<b><i>Items that will not be reclassified to profit or loss</i></b>			
Re-measurements of post-employment benefit obligations	18	<b>388,095</b>	10,938,773
<b>Total comprehensive income</b>		<b>218,686,685</b>	207,645,999
<b>Comprehensive income attributable to:</b>			
Shareholders of the Company		<b>218,992,529</b>	207,522,729
Non-controlling interests		<b>(305,844)</b>	123,270
		<b>218,686,685</b>	207,645,999

CFO

Head of Executive Committee

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
Consolidated statement of changes in equity  
**For the year ended 31 December 2020**  
**(All amounts are expressed in Saudi Riyals unless otherwise stated)**

Note	Equity attributable to the shareholders of the company							Non-controlling interests	Total equity
	Share capital	Statutory reserve	Retained earnings	Acquisition reserve of a subsidiary	Foreign currency translation reserve	Total			
Balance at 1 January 2019	1,500,000,000	187,580,045	231,347,978	22,725,173	(307,016)	1,941,346,180	392,138	1,941,738,318	
Net income for the year	-	-	196,881,064	-	-	196,881,064	123,270	197,004,334	
Other comprehensive income for the year	-	-	10,938,773	-	(297,108)	10,641,665	-	10,641,665	
Total comprehensive income for the year	-	-	207,819,837	-	(297,108)	207,522,729	123,270	207,645,999	
Net income transferred to statutory reserve	-	19,688,107	(19,688,107)	-	-	-	-	-	
Dividend distribution	-	-	(230,000,000)	-	-	(230,000,000)	(123,360)	(230,123,360)	
Balance at 31 December 2019	1,500,000,000	207,268,152	189,479,708	22,725,173	(604,124)	1,918,868,909	392,048	1,919,260,957	
<b>For the year ended 31 December 2020</b>									
<b>Balance at 1 January 2020</b>	<b>1,500,000,000</b>	<b>207,268,152</b>	<b>189,479,708</b>	<b>22,725,173</b>	<b>(604,124)</b>	<b>1,918,868,909</b>	<b>392,048</b>	<b>1,919,260,957</b>	
Net income for the year	-	-	218,428,959	-	-	218,428,959	(305,844)	218,123,115	
Other comprehensive income for the year	-	-	388,095	-	175,475	563,570	-	563,570	
Total comprehensive income for the year	-	-	218,817,054	-	175,475	218,992,529	(305,844)	218,686,685	
Net income transferred to statutory reserve	-	21,842,896	(21,842,896)	-	-	-	-	-	
Dividend distribution	-	-	(178,500,000)	-	-	(178,500,000)	(122,095)	(178,622,095)	
<b>Balance at 31 December 2020</b>	<b>1,500,000,000</b>	<b>229,111,048</b>	<b>207,953,866</b>	<b>22,725,173</b>	<b>(428,649)</b>	<b>1,959,361,438</b>	<b>(35,891)</b>	<b>1,959,325,547</b>	

CFO

Head of Executive Committee

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Consolidated statement of cash flows

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)**

	2020	2019
<b>Operating activities</b>		
Profit for the year before zakat	250,260,082	228,879,724
<b>Adjustments for:</b>		
Provision (reversal of provision) for expected credit losses	(12,139,922)	33,455,516
Reversal for provision against slow moving inventories	5,001,190	(12,754,177)
Finance costs	24,557,668	40,179,926
Depreciation	62,161,104	66,758,688
Depreciation of right-of-use of assets	1,789,527	1,784,639
Provision for accounts receivable	-	410,450
Provisions	50,392,618	(19,253,265)
Gains/loss from disposal of property, plant and equipment	(68,000)	268,180
Interest on lease liabilities	275,566	840,508
Gains on revaluation of investments at fair value through profit or loss	(1,916,665)	-
Post-employment benefits	11,629,629	16,964,952
<b>Working capital changes:</b>		
Trade receivables	277,405,132	(234,112,435)
Contract liabilities	-	(24,175,754)
Contract assets	6,987,244	(4,640,717)
Inventories	(109,194,080)	986,373
Advances and other current assets	10,913,137	14,582,498
Advances to purchase financial assets	21,000,000	(21,000,000)
Trade and other payables	37,590,037	4,168,288
Accruals and other liabilities	16,161,124	(40,125,154)
Net finance costs paid	(24,557,668)	(38,419,387)
Zakat and income tax charged	(24,838,243)	(30,154,426)
Post-employment benefits paid	(10,961,267)	(12,115,819)
<b>Net cash flow generated from / (used in) operating activities</b>	<b>592,448,213</b>	<b>(27,471,392)</b>
<b>Investing activities</b>		
Payments to purchase of property, plant and equipment	(50,372,292)	(89,168,439)
Proceed from sale of property, plant and equipment	342,870	952,267
<b>Net cash flows used in investing activities</b>	<b>(50,029,422)</b>	<b>(88,216,172)</b>
<b>Financing activities</b>		
Repayment of Islamic financing facilities during the year	(3,097,081,500)	(2,568,430,000)
Proceeds from Islamic financing facilities during the year	2,746,225,000	2,924,411,500
Lease liabilities under right-of-use assets	(2,477,619)	(2,366,433)
Dividend paid	(178,622,095)	(230,000,000)
<b>Cash flows (used in)/generated from financing activities</b>	<b>(531,956,214)</b>	<b>123,615,067</b>
Net change in cash and cash equivalents during the year	10,462,577	7,927,503
Cash and cash equivalents at the beginning of the year	53,614,705	45,984,310
Effect of exchange rate changes on cash and cash equivalents	175,475	(297,108)
<b>Cash and cash equivalents at the end of the year</b>	<b>64,252,757</b>	<b>53,614,705</b>

CFO

Head of Executive Committee

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****1- REPORTING ENTITY**

Riyadh Cables Group Company (“the Company”) was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010052927 issued on 24 Jumada’ II 1435H (corresponding to 24 April 2014). The Company operates under Industrial License No. 396/R dated 12 Jumada’ II 1416H (corresponding to 25 November 1995) amended by Industrial License No. 36/R dated 5 Muharram 1418H (corresponding to 12 May 1997) amended by Industrial License No. 2572 dated 16 Rajab 1434H (corresponding to 26 May 2013). The Company’s registered office is located at Second Industrial Area, P.O. Box 26862 Riyadh 11496, Kingdom of Saudi Arabia.

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below (collectively referred to as the “Group”). The principal activities of the Group include the production of cables made from copper aluminum isolated and non-isolated, for use with low, medium and high voltage transformers.

These consolidated financial statements have been prepared for Riyadh Cables Group Company and its subsidiaries listed below:

Subsidiaries	Legal status	Country of incorporation	Ownership interest held by the Group (directly or indirectly)	
			2020	2019
1-Saudi Modern Company for Metals, Cables and Plastic Industry and its subsidiaries listed below:	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
1.1 Qatar Cables Company LLC	Limited Liability Company	Qatar	50%	50%
1.2 Arabian Gulf Company for Electrical Cables LLC	Limited Liability Company	Kuwait	49%	49%
1.3 Gulf Company Electrical Works	Limited Liability Company	Oman	100%	100%
1.4 Egyptian Riyadh Cable for Electrical Works (*)	Joint Stock Company (E.S.C)	Egypt	49%	49%
2-Saudi Modern Company for Specialized Wires and Cables Industry	A Closed Joint Stock Company	KSA	100%	100%
3- Saudi Modern Company for Telephone Cables Industry	A Closed Joint Stock Company	KSA	100%	100%
4- Riyadh Cables Company and its subsidiaries listed below:	A Closed Joint Stock Company	KSA	100%	100%
4.1 National Cables Industry Company	A single shareholder limited liability company	UAE	100%	100%
4.2 Alrowad Company for Production of Electrical Cables Limited (**)	A single shareholder limited liability company	Iraq	100%	100%
4.3 Iraqi National Company for Cables Industry	LLC	Iraq	100%	100%
5- Saudi Modern Company for Cables Limited	LLC	KSA	100%	100%

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****1- REPORTING ENTITY (CONTINUED)****Information about subsidiaries:****1- Saudi Modern Company for Metals, Cables and Plastic Industry**

Saudi Modern Company for Metals, Cables and Plastic Industry (the "Company") was formed as a Saudi Closed Joint Stock Company according to the Regulation for Companies in the Kingdom of Saudi Arabia under Commercial Registration No. 1010081709 dated 24 Jumada' II 1435H (corresponding to 24 April 2014). The Ministerial resolution No. 148/Q dated 17 Jumada' II 1435H (corresponding to 17 April 2014) has been issued to approve the conversion of the Company into a closed joint stock company by converting the Company including its rights and obligations as of 17 April 2014.

The Company operates under industrial license No. 9 issued on 9 Muharram 1411H (corresponding to 31 July 1990) which has been amended by the industrial license No. 3263 dated 25 Dhul Qi'dah 1436H (corresponding to 9 September 2015).

The principal activities of the Company include production and sale of copper rods to manufacture telephone and electrical wires, single or multi-cores low voltage cables in addition to production and sale of copper pipes to manufacture refrigeration and aluminum conductors insulated PVC materials.

**- Egyptian Riyadh Cable for Electrical Works (\*)**

Egyptian Riyadh Cable for Electrical Works was formed on 2 October 2019 and is an Egyptian joint stock company in accordance with the provisions of the laws applicable in the Arab Republic of Egypt. The headquarter of the Company is located at 33 Kasr El Nil Street - Abdeen - Cairo. According to the Company's contract No. 19-37814-01-1-01, the principal activities of the Company include import and export all kinds of electric cables and their sizes, electrical pneumatic conveyors, telephone cables, fiber optic cables, copper rods, aluminum rods, control cables, panels, transformers, electrical wires, electrical accessories, electrical machinery and equipment and electrical works contracting.

**2- Saudi Modern Company for Specialized Wires and Cables Industry**

Saudi Modern Company for Specialized Wires and Cables Industry ("the company") was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010106953 on 24 Jumada' II 1435H (corresponding to 25 April 2014). The Company conducts its industrial activities under an industrial license No. 89 dated 10 Muharram 1440H (corresponding to 20 September 2018) issued by Ministry of Energy, Industry and Mineral Resources.

The principal activities of the Company include production of wires and other electronic and electrical cables.

**3- Saudi Modern Company for Telephone Cables Industry**

Saudi Modern Company for Telephone Cables Industry ("the company") was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010107248 dated 17 Jumada' II 1435H (corresponding to 13 April 2014). The Company conducts its industrial activities under an industrial license No. 105 dated 27 Muharram 1413H (corresponding to 28 July 1992) issued by Ministry of Energy, Industry and Mineral Resources.

The principal activities of the Company include production of wires and other electronic and electrical cables.

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****1. REPORTING ENTITY (CONTINUED)****Information about subsidiaries: (continued)****4- Riyadh Cables Company**

Riyadh Cables Company (“the company”) was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010146019 issued on 24 Rajab 1435H (corresponding to 24 April 2014). The shareholders of the Company agreed in their meeting held on 27 Safar 1435H (corresponding to 30 December 2013) to convert the Company from a limited liability company into a Saudi closed joint stock company. The Ministerial resolution No. 148/Q dated 17 Jumada’ II 1435H (corresponding to 17 April 2014) has been issued to approve the announcement of conversion of the Company into a Closed Joint Stock Company by converting the Company including its rights and obligations as of 17 April 2014.

**- National Cables Industry Company**

National Cables Industry Company was formed in 2001 with a capital of AED 80 million. The principal activities of the Company include the production and distribution of electric power transmission cables, the production of electrical wires, the production of telecommunications wires, the production of cables and metal strips and fire resistance.

**- Alrowad Company for Production of Electrical Cables Limited (\*\*)**

On 31 August 2017, National Cables Industry Company (a subsidiary of Riyadh Cables Company) acquired 100% of interest in Alrowad Company for Production of Electrical Cables Limited in Iraq in the amount of SR 23,008,317 from a related party, "Abdul Qadir Al Muhaidib & Sons Company". The net assets of the Company at the acquisition date amounted to SR 46,976,078. Gains from the acquisition of SR 23,967,761 was recognized in the consolidated statement of changes in equity, and the share in profit or loss from the investment in a subsidiary was recorded from the date of acquisition at 31 August 2017 to the report date at 31 December 2017 in the statement of profit or loss and other comprehensive income. During 2018, the acquisition provision was adjusted to SR 1,242,588 which is represented by additional costs incurred by the Company as a result of the acquisition of Alrowad Company.

**- Iraqi National Company for Cables Industry**

The Company was formed according to the Articles of Association No. (M.U / 02-8161) dated 18 September 2018 with a capital of IQD 5.5 billion. The Company aims to develop capital investment in the production of electrical wires and cables according to national development plans.

**4- Saudi Modern Company for Cables Limited**

Saudi Modern Company for Cables Limited (“the Company”) was formed as a limited liability company. Saudi Modern Company for Cables Limited (“the Company”) was formed as a limited liability company under Commercial Registration No. 1010143896 issued in Riyadh on 1 Rajab 1417H (corresponding to 11 November 1996). The Company is a subsidiary of Riyadh Cables Group Company (the Holding Company/Group). The principal activities of the Company according to the Commercial Registration include general constructional and architectural contracting, construction and maintenance of industrial buildings and production lines, industrial services in the maintenance, repair and operation of industrial, electrical and telephone machines, computers, laboratory equipment and its installation and operation, commercial services in marketing, import and export services, inspection services in non-insurance activities, and advertising services.

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****2- BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and by-laws of the Group.

**- Impact of Coronavirus (Covid-19) Outbreak**

The Covid-19 pandemic continues to disrupt global markets and continues to spread to many geographic regions. Hence, the Group continues to be cognizant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level.

The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Company believe are reasonable in the circumstances.

There is a considerable degree of judgement involved in preparing these estimates.

The underlying assumptions are also subject to uncertainties which are often outside the control of the Group.

Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption Covid-19 outbreak may have on its operations and financial performance.

As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now.

The management of the Group is currently monitoring the situation and its impact on the Group's operation, cash flows and financial position.

Management believes, based on their assessment, that the Group has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

**3- BASIS OF MEASUREMENT**

The consolidated financial statements have been prepared on the historical cost basis and the going concern concept, except for the following:

- Employees' defined benefits obligations that have been actuarially evaluated and measured at their present value using the projected unit credit method.
- Financial assets carried at fair value through profit or loss

**4- PRESENTATION AND FUNCTIONAL CURRENCY**

These consolidated financial statements were presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest SAR, unless otherwise indicated.



**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****5- BASIS OF CONSOLIDATION****Subsidiaries**

Subsidiaries are all entities controlled by the Group. Control is achieved when the Group has rights to the returns, from its involvement in the investee has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

- Power over the investee (i.e., existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over the investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements. And
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

**Accounting for business combinations involving entities or businesses under common control**

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable.

In making that judgement, the management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretation. Several such bodies have issued guidance, and some allow the pooling of interests' method in accounting for business combinations involving entities under common control.

The management has adopted the pooling of interest method to account for the business combinations of entities under common control. This method involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is goodwill arising from the difference between the consideration paid and the equity acquired it is reflected directly in the equity.
- The consolidated statement of profit or loss of the combining entities reflects the results of the full year irrespective of when the combination took place.

**Non – controlling interest**

NCI are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.



**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****5- BASIS OF CONSOLIDATION (CONTINUED)**

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit and loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

**6- APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)****6.1 The new and amended IFRS applied that have no material impact on the financial statements**

There are various amendments and interpretations that are effective for periods beginning on or after 1 January 2020, but have no effect on the Group's consolidated financial statements.

**Amendments to IFRS 3 "Definition of a Business"**

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

**Amendments to IFRS 7, IFRS 9 and IAS 39 "Interest Rate Benchmark Reform"**

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

**Amendments to IAS 1 and IAS 8 "Definition of material"**

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****6- APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)****Conceptual Framework for Financial Reporting issued on 29 March 2018**

The 'Conceptual Framework' is not a standard, and none of the concepts contained therein override the concepts or requirements in any other standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

**Accounting standards issued but not yet effective**

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning on or after January 1, 2021 are listed below. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements.

- COVID-19-Related Rent Concessions (Amendments to IFRS 16).
- IFRS 17 - "Insurance contracts", applicable for the period beginning on or after January 1, 2023;
- Amendments to IAS 1 - "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after 1 January 2022.
- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37).
- Interest rate benchmark reforms – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)

**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period;
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period;
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Property, plant and equipment**

Property, plant and equipment (except for lands and projects in progress) are stated at cost, net of accumulated depreciation and any accumulated impairment losses, if any.

Lands and projects in progress are stated at cost less any accumulated impairment losses, if any.

Cost includes all amounts necessary for bringing the asset to the existing location to be ready for its intended use by management. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met, as well as costs incurred during the pre-operating period, less proceeds from sale of experimental production.

When parts of property, plant and equipment are significant in cost compared with total cost of asset, and when these parts/components have useful lives different from other parts and required to be replaced at intervals, the Group has to recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed (planned or unplanned), its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

This is recorded as a separated part with a useful life equal to the period up to the upcoming planned inspection. The carrying amount of the replaced part is derecognized.

In case the upcoming inspection is made before the planned date, any outstanding carrying value for previous inspection is recorded as an expense. Other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation is calculated from the date for which assets are available for their intended use. Self-constructed assets are from the date of completing such assets and be ready for their intended use. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives as follows:

Depreciation is calculated using the straight-line method over the useful lives of the assets as follows:

	Number of years
Buildings	25
Plant and equipment	20 - 30
Strategic spare parts	10
Motor vehicles	4
Furniture & fixtures	4 – 10
Tools	5
Laboratory equipment	10
Computers	10

Lands and projects in progress are not depreciated. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at end of each year.

Any item of property, plant and equipment is derecognized upon disposal or when it is unlikely that any future economic benefits will arise from the continuing use of the assets. Profits and losses resulting from disposal of property, plant and equipment that are retired, sold or unrecognized are identified by comparing the proceeds with carrying amount of an asset and are recognized under "other income, net" in the consolidated statement of profit or loss.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Intangible assets**

Intangibles assets are initially recognized at cost less accumulated amortization and impairment losses, if any. Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Amortization is charged to statement of profit or loss by applying the straight-line basis whereby the carrying amount of an asset is amortized over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets (computer software) is 15 years.

The Company accounts for impairment, where indications exist, by reducing the asset's carrying amount to the recoverable amount.

**Impairment of non-financial assets**

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from assets or group of other assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period.

**Contract assets and liabilities**

Under IFRS 15, when a party to a contract implements its liabilities, the entity shall present in its statement of financial position, contract assets or liabilities, depending on the relationship between the entity's performance and customer payments. Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred or implemented to the customer.

Contract liabilities are an entity's obligation to transfer goods or perform services for the benefit of the customer for which the entity received consideration (or is entitled to a payment for) from the customer. If the consideration agreed in the contract includes a variable amount, the Company estimates the amount of consideration that the Company is entitled to in exchange for transferring the goods or services agreed upon with the customer.

**Foreign currencies****Transactions and balances**

Foreign currency transactions are initially recorded by the Group's entities denominated in the functional currency of each of them according to the exchange rate prevailing on the date when the transaction becomes qualified for recognition for the first time. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date.

The differences arising on the settlement or translation of monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income of the Group.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate prevailing at the date of the initial transaction.

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Translate the financial statements of the Group's subsidiaries**

The results and financial position of foreign operations (dealing in currencies that are not economically inflated) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of assets and liabilities presented for each statement of financial position are translated at the closing rate at the date of statement of financial position.
- Income and expenses for each statement of profit or loss and other comprehensive income are transferred at the average exchange rates (unless the average rate does not nearly reasonably represent the effect of the accumulated exchange rates prevailing on the transaction dates, in which case the income and expenses are translated at the exchange rates on the transaction dates);
- All currency exchange differences are recognized in other comprehensive income.

**Inventories**

Inventories include raw materials, work in progress, finished goods, supplies and spare parts that are recorded at the low cost or net realizable value. Work in progress and finished goods inventories include direct materials, direct labors and an appropriate proportion of fixed and variable indirect expenses, the last is recorded on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is considered as the estimated selling price in ordinary course of business, less estimated costs to completion and the estimated costs necessary to complete the sale.

**Financial instruments*****Recognition and initial measurement***

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component is initially measured at the transaction price.

***Financial assets*****Classification of financial assets**

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Financial assets (continued)*Classification of financial assets

A financial asset shall be measured at FVOCI if both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVTOCI.

<b>Financial assets</b>	<b>IFRS 9 classification</b>
Cash and bank balances	At amortized cost
Trade receivables	At amortized cost
Due from related parties	At amortized cost
Other non-current assets	At amortized cost

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net profit and loss including interest revenue and dividends are recognized in the consolidated statement of profit or loss.
<b>Financial assets at amortized cost</b>	These assets are measured at amortized cost using the effective interest method. Amortized value is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in the statement of income. Any gain or loss on derecognition of an investment is recognized in the consolidated statement of profit or loss.
<b>Financial assets through other comprehensive income (debt investments)</b>	Subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net profits and losses are recognized in OCI. On derecognition, accumulated profits and losses in OCI are reclassified to the consolidated statement of profit or loss. As at 31 December 2020, the Group has no such assets.
<b>Financial assets through other comprehensive income (investments in equity instruments)</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Any profit or loss on derecognition or recognition of investment is recognized in equity, and may not be reclassified to the consolidated statement of profit or loss. As at 31 December 2020, the Group has no such assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Financial assets (continued)*Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

(a) The Group has transferred substantially all the risks and rewards of the asset, or

(b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment of financial assets

IFRS 9 impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVTOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
  - Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Presentation of impairment**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from customers are presented separately in the consolidated statement of profit or loss and other comprehensive income.

Expected credit loss assessment for trade and other receivables

The Group applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against:

- Financial assets measured at amortized cost of the Group

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The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period.

The historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group has identified GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD). These are briefly described below:

**Loss given default (LGD):** This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

**Probability of default (PD):** the likelihood of a default over a particular time horizon.

**Exposure at default (EAD):** This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Group uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

***Macroeconomic weighted average scenarios***

The Group includes macroeconomic factor of GDP to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

***Definition of default***

In the above context, the Group considers default when:

- The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The customer is more than 360 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.



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The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of comprehensive income. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the consolidated statement of profit or loss.

***Specific provision***

Specific provision is recognized on customer to customer basis at every reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

***Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly includes trade and other payables, related party and borrowings as mentioned in note 20.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

<b>Financial liabilities</b>	<b>IFRS 9 classification</b>
Trade payables	At amortized cost
Accrued expenses and other current liabilities	At amortized cost
borrowings	At amortized cost
Due to related parties	At amortized cost

***Derecognition***

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

***Modifications of financial assets and financial liabilities******Financial assets***

If the terms of the financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

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The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

**Cash and cash equivalents**

For the purpose of presentation of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank balances, short-term deposits, call deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are not subject to significant risk of changes in value.

**Fair value measurement**

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

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

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

**Statutory reserve**

Statutory reserve is based on statutory requirements, and in accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group is required to set aside 10% of its annual net income to the statutory reserve until such reserve equals 30% of the Group's share capital. This statutory reserve is not available for distribution.

**Dividends to the shareholders of the Group**

Dividends to the shareholders of the Group are recognized as liability in the consolidated financial statements of the Group in the year in which the dividends are approved by the shareholders of the Group.

**Employees' benefits*****Short-term employees' benefits***

Short-term employees benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees benefits are payable to all employees employed under the terms and conditions of the labour laws applicable on the Group, on termination of their employment contracts.

***Defined contribution plan***

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognizes contribution payable to the GOSI as an expense when due.

**Employees' benefits*****Defined benefit plans (employees' end-of-service benefits)***

The Group operates defined benefit plans, under the Saudi Labor Law applicable based on employees' accumulated periods of service at the date of statement of financial position.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Previously, employees' end of service benefits' liability was calculated at the current value of the vested benefits to which the employee was entitled, should his service be terminated at the reporting date.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the statement of profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- The date on which the Group recognizes related restructuring costs
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

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**7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Employees' benefits (continued)**

The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- net interest expense or income.

**Zakat and income tax****Zakat**

Zakat is provided for in accordance with regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia on an accrual basis. The Zakat charge is recognized in the consolidated statement of profit or loss. The differences, if any, resulting from the final assessments are adjusted in the year when assessments are finalized.

**Income tax**

Income tax is applied at the specified rates on the adjusted share of the income of non-Saudi shareholders specified in accordance with the Saudi regulations that are endorsed in the Kingdom of Saudi Arabia and is recognized in the consolidated statement of profit or loss and other comprehensive income.

For subsidiaries incorporated and operating outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with the tax regulations of their respective countries, when it is material. The Group considers that both the current and deferred income tax for these subsidiaries are immaterial.

**Deferred tax**

Deferred tax, if any, is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recorded when it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is recognized, or the liability is settled, based on tax rates (and tax rules) that have been enacted or substantively enacted up to the end of the financial period.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

*ii) Lease liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Group has presented separately the right-of-use assets and the lease liabilities in the statement of financial position.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term

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Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of liabilities may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as interest expense.

**Revenue recognition**

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' which was effective from 1 January 2018.

Revenue is measured based on consideration specified in a contract with a customer, includes unbilled revenue (contract asset) and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The Group assess the services promised in a contract with a customer and identifies as a performance obligation either:

- a) service that is distinct.
- b) series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation.

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The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- (a) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
- (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

As the performance obligations where one of the above conditions are met, revenue is recognized over time at which time the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to advances from customer (contract liability).

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The application of IFRS 15 has required management to make the following judgments:

***Satisfaction of performance obligations***

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

The Group has assessed that based on the agreement entered into with the customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date.

In these circumstances the Group recognizes revenue over time. Where this is not the case revenue is recognized at a point in time. For sale of goods revenue is generally recognized at point in time.

***Determination of transaction prices***

The Group is required to determine the transaction price in respect of each of its agreements with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

***Transfer of control in contracts with customers***

In case where the Group determines that performance obligations are satisfied at a point in time, revenue is recognized when control over the assets that is subject of contract is transferred to the customer.

In addition, the application of IFRS 15 has resulted in the following estimation process:

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The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognized over time.

The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned.

In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include the time elapsed for service contracts.

***Other matters to consider******Variable consideration***

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised goods or services to a customer. The Group estimates the transaction price on contracts with variable consideration using the expected value or most likely amount method. The method is applied consistently throughout the contract and to similar types of contracts.

***Significant financing component***

The Group adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component.

***Revenue streams***

The Group earns revenue from following sources:

<b><i>Revenue streams</i></b>	<b><i>Revenue recognition</i></b>
Sale of goods	At point in time
Contract revenue	over time

**Revenue from sale of goods**

Revenue is measured based on consideration specified in the contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when control of the product is transferred to the customer, which happens upon delivery to the customer.

If the consideration promised in a contract includes a variable amount, the Group estimates the fees to which it is entitled in exchange for transferring the promised goods or services to the customer.

**Contract revenue**

Revenue from on-site installation contracts satisfies over time revenue recognition criteria. It is measured based on input method by the percentage of actual cost incurred to-date to estimated total cost for each contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances changed. Any resulting increase or decrease in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that lead to the revision become known to the management.

Estimated costs and profits in excess of invoices on incomplete contracts are included in current assets as contract assets, and invoices in excess of costs incurred and estimated profits, if any, are included in current liabilities as contract liabilities.



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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Contract costs**

Additional costs are recognized to obtain the contract as an expense, unless the Group has reasonable expectation of recovering these costs from its customer, as these costs are explicitly charged to the customers. The Group consumes these costs on a regular basis in conformity with transferring goods or services to a customer.

**Cost of sales**

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labors, depreciation and other related general indirect costs. This also includes share of the related common overheads.

**Selling and distribution expenses**

This include any costs incurred to execute or facilitate all sale transactions in the Group. These costs typically include salaries of the sales employees, costs of managing the exhibitions, marketing and distribution expenses, and logistics expenses as well as commissions, fees and the like. This includes share of the related general common costs.

**General and administrative expenses**

This pertain to operational expenses that are not directly related to the production of any goods or services. This includes share of the related general common costs.

Allocations of common expenses between direct cost, selling and distribution expenses, general and administrative expenses, when required, are made on a consistent basis.

**Finance cost**

The finance cost consists of the interest and other costs that an entity incurs in connection with borrowing of allocated funds through the Group, the interest on the employee's end-of-service benefits according to IAS 19 'Employee Benefits', and interest expenses on lease liabilities in accordance with IFRS 16 'Leases'.

All other borrowing costs are recognized in the consolidated statement of income in the year in which they are incurred.

**8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

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

These estimates and assumptions are based upon experience and other various factors that are believed to be reasonable under these circumstances and are used to estimate the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period, if the effect of revision is limited to that period only, or they are recognized in the revision period and future periods if the revision affects both current and future periods.

The key assumption concerning the future and key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year is discussed below:

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)***Impairment of non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. An impairment loss reversal is recognized immediately in the consolidated statement of profit or loss.

*Useful life of property, plant and equipment*

The management of the Group determines the useful life of property, plant and equipment for calculating depreciation. The estimate is carried out after considering the expected usage of the assets or obsolescence. Management performs periodic review for the estimated useful lives and depreciation method to ensure that depreciation duration and method are consistent with the expected pattern for the economic benefit of the assets.

*Fair value estimation of financial instruments*

The Group uses the most observable market inputs when measuring the fair value of an asset or a liability. Fair values are classified in a fair value hierarchy based on the inputs used in the valuation which are shown as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*Expected credit loss allowance for trade receivables*

The Group uses a provision matrix to calculate ECLs of trade receivables. The provision rates are based on days past due for groupings of various customer segments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e. GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial sector, the historical default rates are adjusted.

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**8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)**

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 14.

*Provision for slow moving and obsolete items*

Inventories are stated at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made for their net realizable value.

For individually significant amounts, this estimate is made on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of aging or obsolescence.

*Assumptions of employees' benefits obligations*

The Group operates an end-of-service benefits plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuations. For details of assumptions and estimate please refer Note 16.

Certain actuarial assumptions have been applied as set out in Note 16 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate for the consideration required to settle the present obligation at reporting date taking into account risk and doubts specific to liability. Where the provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When the Company expects some or all of economic benefits that are required to settle a provision of third party to be reimbursed, the accrued amount is recognized as an asset if the reimbursed amount is virtually certain and its value can be reliably estimated.

*Onerous contracts*

Current liabilities - arising from onerous contracts - are identified and recognized as provisions. The contract is considered as onerous contract if the Company enters into a contract in which the unavoidable costs of meeting the contractual obligations exceed the financial returns expected to be received under the contract.

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**8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)**

*Zakat and income tax*

When calculating the Zakat and income tax expense for the current period, the Group has adjusted its net income and applied certain assumptions to the Zakat and income tax base used to calculate the Zakat and income tax expense.

However, the Zakat legislations issued the Zakat, Tax and Customs Authority (“ZATCA”) with respect to these amendments are subject to amendments and interpretations that are subject to change. The Group's management has provided its best estimates for those assumptions.

*Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities.

The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

*Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group and the Group have the resources to continue in business for the foreseeable future.

Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Therefore, the consolidated financial statements continue to be prepared on a going concern basis

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**9- PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings (**)	Machine and equipment	Motor Vehicles	Furniture & fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (*)	Total
Cost											
1 January 2020	222,937,082	369,770,884	1,868,222,055	15,663,418	26,385,824	48,749,842	108,105,362	14,623,331	9,707,092	118,579,567	2,802,744,457
Additions	-	205,197	849,037	130,560	466,318	737,193	2,508,035	366,280	-	45,109,672	50,372,292
Disposals	-	-	(188,000)	(188,000)	-	(77,000)	-	-	-	(274,870)	(727,870)
Transfers from asset under construction	-	-	12,299,785	-	-	-	-	-	-	(12,299,785)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	(74,568,167)	(74,568,167)
31 December 2020	222,937,082	369,976,081	1,881,182,877	15,605,978	26,852,142	49,410,035	110,613,397	14,989,611	9,707,092	76,546,417	2,777,820,712
Accumulated depreciation											
1 January 2020	-	192,718,371	1,217,036,269	14,124,863	21,018,726	40,601,228	73,882,977	11,023,994	1,907,356	1,880,239	1,574,194,023
Charge for the year	-	14,116,732	30,759,317	661,144	2,018,388	3,262,594	7,253,427	625,396	978,500	-	59,675,498
Disposals	-	-	(188,000)	(188,000)	-	(77,000)	-	-	-	-	(453,000)
31 December 2020	-	206,835,103	1,247,607,586	14,598,007	23,037,114	43,786,822	81,136,404	11,649,390	2,885,856	1,880,239	1,633,416,521
Net carrying amount											
31 December 2020	222,937,082	163,140,978	633,575,291	1,007,971	3,815,028	5,623,213	29,476,993	3,340,221	6,821,236	74,666,178	1,144,404,191
31 December 2019	222,937,082	177,052,513	651,185,786	1,538,555	5,367,098	8,148,614	34,222,385	3,599,337	7,799,736	116,699,328	1,228,550,434

\* Represent the value of the work in progress related to the construction of the Group's plant facilities.

\*\* This item includes buildings constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a period of 20 years.

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****9- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land	Buildings (**)	Machine and equipment	Motor Vehicles	Furniture & fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (*)	Total
<b>Cost</b>											
<b>1 January 2019</b>	222,959,721	360,384,834	1,825,853,550	15,565,673	25,350,656	45,413,919	107,760,959	13,733,958	10,622,811	87,718,709	2,715,364,790
Additions	-	5,742,923	5,746,104	715,657	936,585	3,761,292	344,403	898,996	-	71,022,479	89,168,439
Disposals	-	-	-	(616,872)	-	-	-	-	(915,719)	-	(1,532,591)
Transfers from asset under construction	-	3,715,273	36,416,449	-	-	-	-	-	-	(40,131,722)	-
Transfers between assets	-	(11,067)	11,067	-	-	-	-	-	-	-	-
Foreign operations translations	(22,639)	(61,079)	194,885	(1,040)	98,583	(425,369)	-	(9,623)	-	(29,899)	(256,181)
<b>31 December 2019</b>	<b>222,937,082</b>	<b>369,770,884</b>	<b>1,868,222,055</b>	<b>15,663,418</b>	<b>26,385,824</b>	<b>48,749,842</b>	<b>108,105,362</b>	<b>14,623,331</b>	<b>9,707,092</b>	<b>118,579,567</b>	<b>2,802,744,457</b>
<b>Accumulated depreciation</b>											
<b>1 January 2019</b>	-	179,883,171	1,179,404,263	13,549,903	18,879,670	37,794,471	65,199,904	10,365,726	1,046,314	1,880,239	1,508,003,661
Charge for the year	-	12,857,296	37,727,643	922,843	2,140,698	2,811,326	8,683,073	659,879	955,930	-	66,758,688
Disposals	-	-	-	(347,290)	-	-	-	-	(94,888)	-	(442,178)
Foreign operations translations	-	(22,096)	(95,637)	(593)	(1,642)	(4,569)	-	(1,611)	-	-	(126,148)
<b>31 December 2019</b>	<b>-</b>	<b>192,718,371</b>	<b>1,217,036,269</b>	<b>14,124,863</b>	<b>21,018,726</b>	<b>40,601,228</b>	<b>73,882,977</b>	<b>11,023,994</b>	<b>1,907,356</b>	<b>1,880,239</b>	<b>1,574,194,023</b>
<b>Net carrying amount</b>											
<b>31 December 2019</b>	<b>222,937,082</b>	<b>177,052,513</b>	<b>651,185,786</b>	<b>1,538,555</b>	<b>5,367,098</b>	<b>8,148,614</b>	<b>34,222,385</b>	<b>3,599,337</b>	<b>7,799,736</b>	<b>116,699,328</b>	<b>1,228,550,434</b>
<b>31 December 2018</b>	<b>222,959,721</b>	<b>180,501,663</b>	<b>646,449,287</b>	<b>2,015,770</b>	<b>6,470,986</b>	<b>7,619,448</b>	<b>42,561,055</b>	<b>3,368,232</b>	<b>9,576,497</b>	<b>85,838,470</b>	<b>1,207,361,129</b>

\* Represent the value of the work in progress related to the construction of the Group's plant facilities.

\*\* This item includes buildings constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a period of 20 years.

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	<u>2020</u>	<u>2019</u>
	<b>Computer software</b>	Computer software
<b>Cost:</b>		
As at 1 January	-	-
Additions during the year	<u>74,568,167</u>	-
As at 31 December	<u>74,568,167</u>	-
<b>Amortization:</b>		
As at 1 January	-	-
Charge for the year	<u>2,485,606</u>	-
As at 31 December	<u>2,485,606</u>	-
Net book value as at 31 December	<u>72,082,561</u>	-

\*\* The above intangible assets represent cost of SAP system which was used beginning of current year 2020.

**11- FINANCIAL ASSETS IN UNQUOTED EQUITY SHARES**

	<u>Shareholding</u>	<u>2020</u>	<u>2019</u>
Natural Gas Distribution Company **	7.67%	<u>3,833,325</u>	1,916,660
International Company for Insulation Materials *	19.7%	<u>470,824</u>	470,824
		<u>4,304,149</u>	<u>2,387,484</u>

\* The aforementioned investments are investments unquoted in active financial markets. The management estimated that there is no material difference between their fair value and their book value.

\*\* During 2020, the Extraordinary General Assembly of the Natural Gas Distribution Company agreed to increase its capital by SR 25 million with an increase of 50%, by capitalizing SR 10 million from the statutory reserve account and SR 10 million from the contractual reserve account, in addition to SR 5 million from the retained earnings account. Thus, the investment balance amounted to SR 3,833,325 on 31 December 2020 (2019: SR 1,916,660).

**12- ADVANCES AND OTHER CURRENT ASSETS**

	<u>2020</u>	<u>2019</u>
Value added tax	<u>999,588</u>	2,573,104
Advances to suppliers	<u>16,481,891</u>	11,485,487
Refundable deposits - customs	<u>2,212,603</u>	4,933,392
Prepaid expenses	<u>5,492,044</u>	15,241,288
Employees' receivables	<u>1,243,689</u>	2,459,180
Other	<u>7,163,366</u>	8,224,317
Less: decrease in advances and other current assets	<u>-</u>	<u>(410,450)</u>
	<u>33,593,181</u>	<u>44,506,318</u>

**RIYADH CABLES GROUP COMPANY****(A Saudi closed joint stock company)**

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****13- RIGHT-OF-USE ASSETS**

	<u>2020</u>	<u>2019</u>
<b>Right-of-use assets</b>		
As at 1 January	14,429,329	-
Assets recognized during the year	-	16,213,968
Depreciation charged during the year	<u>(1,789,527)</u>	<u>(1,784,639)</u>
Right-of-use assets at 31 December	<u>12,639,802</u>	<u>14,429,329</u>

Depreciation charge for the period ended has been allocated as follows:

Cost of sales	<u>1,789,527</u>	<u>1,784,639</u>
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**Lease liabilities****Maturity analysis – contractual undiscounted cash flows**

	<u>2020</u>	<u>2019</u>
<b>Discounted lease liabilities included in the consolidated statement of financial position</b>		
Current	2,054,143	2,302,685
Non-current	<u>10,431,847</u>	<u>12,385,358</u>
	<u>12,485,990</u>	<u>14,688,043</u>

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2019</b>
<b>Amounts recognized in the consolidated statement of profit or loss</b>		
Depreciation of right-of-use assets	<u>1,789,527</u>	<u>1,784,639</u>
Interest on lease liabilities	<u>275,566</u>	<u>840,508</u>

**14- INVENTORIES**

	<u>2020</u>	<u>2019</u>
Raw materials	199,545,977	210,093,710
Finished goods	741,444,333	589,067,815
Work in progress	145,384,122	133,634,826
Goods-in-transit	15,774,723	60,697,960
Packaging material	24,478,801	18,645,354
Spare parts	68,242,851	71,775,909
Others (project accessories)	1,158,325	2,919,478
<b>Total</b>	<u>1,196,029,132</u>	<u>1,086,835,052</u>
Less: allowance for slow moving inventory	<u>(50,983,229)</u>	<u>(45,982,039)</u>
<b>Net inventories</b>	<u>1,145,045,903</u>	<u>1,040,853,013</u>

\* The Group has entered into a variety of future contracts to meet the price fluctuations risk of copper raw and aluminum, in order to meet the Group's requirements expected from use in manufacturing processes. The effect of closing these contracts - contracts to buy or sell non-financial instruments / or contracts for self-use which are not classified as hedging instruments -, has been recorded in the cost of production included in the consolidated statement of profit or loss and other comprehensive income. The book value of the unexecuted future contracts for copper and aluminum on 31 December 2020, amounted to 107 million US dollars, equivalent to 401 million Saudi riyals.

Movement in allowance for slow moving inventory is as follows:

	<u>2020</u>	<u>2019</u>
1 January	45,982,039	58,736,216
Provision during the year	7,753,410	3,602,918
Reversal of provision during the year	<u>(2,752,220)</u>	<u>(16,357,095)</u>
<b>31 December</b>	<u>(50,983,229)</u>	<u>45,982,039</u>



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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****15- CONTRACT ASSETS****Contract assets**

	<u>2020</u>	<u>2019</u>
Total costs incurred up to reporting date	<b>304,265,771</b>	295,108,570
Total income recognized up to reporting date	<b>30,454,170</b>	33,629,561
Less: Progress billings	<b>(327,897,839)</b>	(314,928,785)
	<b><u>6,822,102</u></b>	<u>13,809,346</u>

**16- TRADE RECEIVABLES**

	<u>2020</u>	<u>2019</u>
Trade receivables	<b>877,006,763</b>	1,198,964,656
Allowance for expected credit losses	<b>(58,021,456)</b>	(114,714,138)
Net trade receivables	<b><u>818,985,307</u></b>	<u>1,084,250,518</u>

Accounts receivable amounts include due from related parties of SR 3,828,229 (2019: SR 3,520,015).

**The ageing of trade receivables is as follows:**

	<u>Total</u>	<u>Age bracket</u>				<u>More than 365 days</u>
		<u>0 to 90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>271-365 days</u>	
<b>2020</b>	<b>877,006,763</b>	<b>818,623,722</b>	<b>11,178,135</b>	<b>6,745,703</b>	<b>3,954,393</b>	<b>36,504,810</b>
2019	1,198,964,656	815,121,748	264,752,001	30,526,937	75,445,637	13,118,333

**Expected credit loss assessment for trade and other receivables:**

The Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the lifetime expected credit losses for all financial assets measured at amortized cost. The key inputs into the measurement of ECL are the following variables:

- **Probability of default using a statistical model (i.e. normal distribution curve)**
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

The movement in allowance for expected credit losses for trade receivables is as follows:

	<u>2020</u>	<u>2019</u>
1 January	<b>114,714,138</b>	81,288,530
Allowance / (reversal of) allowance for expected credit losses *	<b>(12,139,922)</b>	33,455,516
Utilization of provisions during the year	<b>(44,552,760)</b>	-
Exchange translation differences	-	(29,908)
<b>31 December</b>	<b><u>58,021,456</u></b>	<u>114,714,138</u>

\* The balance of the provision made during the year included an allowance for doubtful debts related to a customer of SR 34 million representing 100% of the customer's debt for which the Group has made as at 31 December 2020, which is currently being worked on to find a final settlement of the full debt through the Company's legal advisor.

**RIYADH CABLES GROUP COMPANY****(A Saudi closed joint stock company)**

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****17- CASH AND CASH EQUIVALENTS**

	<u>2020</u>	<u>2019</u>
Bank balances	63,745,656	53,121,000
Cash in hand	507,101	493,705
	<u>64,252,757</u>	<u>53,614,705</u>

**18- POST-EMPLOYMENT BENEFITS OBLIGATIONS**

The Group operates defined benefit plans in line with the labor law requirements in the countries where the Group's entities operate. The payments under this plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment.

The employment benefits plans are unfunded.

***Opening balance in the consolidated statement of financial position***

The amounts recognized in the consolidated statement of financial position and the movements in the net defined benefits obligations during the year are as follows:

	<u>2020</u>	<u>2019</u>
<b>1 January</b>	<b>96,146,476</b>	102,236,115
Current service cost	9,136,629	13,270,128
Interest cost	2,493,000	3,700,000
Paid during the year	(10,961,267)	(12,115,819)
Actuarial gains	(388,095)	(10,938,773)
Exchange translation differences	-	(5,175)
31 December	<u>96,426,743</u>	<u>96,146,476</u>

***Significant actuarial assumptions***

The significant actuarial assumptions used were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.90%	2.70%
Salary growth rate	2.00%	2.00%

**Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted key assumptions made is as follows:

	Change	<b>Impact on the balance of the defined benefit obligation in 2020</b>	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(83,264,000)	(96,935,000)
Salary growth rate	1%	(96,928,000)	(83,152,000)
		<b>Impact on the balance of the defined benefit obligation at 2019</b>	
		Increase in assumption	Increase in assumption
Discount rate	1%	(84,937,000)	(84,937,000)
Salary growth rate	1%	98,028,000	98,028,000

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Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****18- POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to happen, and changes in some assumptions may be related to others. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognized in the consolidated statement of financial position.

**19- ISLAMIC FINANCE FACILITIES**

The Group entered into credit facilities agreements with several local banks to support working capital during the year with a total amount of SR 2.6 billion (2019: SR 2,9 billion) at Islamic Murabaha interest rates agreed upon with the banks.

All credit facilities were granted according to promissory notes approved by some members of the Board of Directors according to the authorities granted to them and approved by the Board of the Company. Interest rates on short-term loan are linked to the SIBOR plus a variable rate during the year.

	<u>2020</u>	<u>2019</u>
<b>1 January</b>	<b>1,209,531,500</b>	853,550,000
Withdrawn during the year	<b>2,746,225,000</b>	2,924,411,500
Paid during the year	<b>(3,097,081,500)</b>	(2,568,430,000)
31 December	<b>858,675,000</b>	1,209,531,500

**20- PROVISIONS**

	<u>2020</u>	<u>2019</u>
Provision for onerous contracts (20.1)	<b>105,830,803</b>	55,438,185
Provision for lawsuits (20.2)	<b>4,473,937</b>	4,473,937
	<b>110,304,740</b>	59,912,122

20.1 A provision of SR 105,830,803 (2019: SR 55,438,185) has been created by the Group in relation to the contracts as the current commitment of some of these contracts entered into with the Group's customers (onerous contracts) that will require cash outflows to settle these contracts due to increased copper and aluminum prices (used in cable products) during the year.

20.2 This provision represents the management's best estimate against a lawsuit filed against the Group by one of its clients.

**21- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<u>2020</u>	<u>2019</u>
Advances from customers	<b>36,894,194</b>	37,082,465
Employees related accruals	<b>18,304,131</b>	12,182,507
Accrued project expenses	<b>3,271,415</b>	4,946,946
Accrued expenses	<b>28,613,635</b>	30,861,661
Accrued VAT	<b>20,799,066</b>	6,647,736
	<b>107,882,441</b>	91,721,315

**22- TRADE PAYABLES**

	<u>2020</u>	<u>2019</u>
Trade payables	<b>127,607,217</b>	90,017,183

- Accounts payable amounts include due to related parties of SR 26,544 (2019: SR 24,822).

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****23- REVENUE**

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Sale of goods	<b>4,076,598,020</b>	4,468,908,758
Contract revenue	<b>10,218,120</b>	96,767,396
	<b><u>4,086,816,140</u></b>	<b><u>4,565,676,154</u></b>

**24- SELLING AND DISTRIBUTION EXPENSES**

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Salaries and employees' related benefits	<b>41,070,972</b>	42,815,636
Cargo charges	<b>30,218,853</b>	32,611,197
Sales commission	<b>1,470,436</b>	4,338,656
Advertising and showrooms expenses	<b>1,612,821</b>	4,044,867
Rental expenses	<b>1,664,158</b>	1,736,783
Inspection and quality testing expenses	<b>732,261</b>	727,220
Insurance expense	<b>1,404,324</b>	891,922
Depreciation expense	<b>930,901</b>	688,569
Communication expenses	<b>374,726</b>	784,274
Other expenses	<b>7,530,165</b>	9,325,853
	<b><u>87,009,617</u></b>	<b><u>97,964,977</u></b>

**25- GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Salaries and employees' related benefits	<b>61,062,514</b>	58,290,446
Legal and Professional	<b>4,561,542</b>	11,801,325
Depreciation expense	<b>7,220,998</b>	4,514,111
Maintenance and repair expense	<b>2,087,223</b>	2,637,713
Travel and insurance expense	<b>530,906</b>	1,208,368
Communications and network expense	<b>854,327</b>	624,526
Offices supplies expenses	<b>368,955</b>	88,190
Other expenses	<b>7,810,682</b>	5,954,674
	<b><u>84,497,147</u></b>	<b><u>85,119,353</u></b>

**26- OTHER INCOME – NET**

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Gain / (loss) on disposal of fixed assets	<b>68,000</b>	(268,180)
Foreign exchange losses	<b>(6,679,439)</b>	(752,109)
Others	<b>15,211,568</b>	16,040,099
	<b><u>8,600,129</u></b>	<b><u>15,019,810</u></b>

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****27- FINANCE COSTS**

	For the year ended 31 December	
	2020	2019
Bank interest	24,557,668	40,179,926
Bank commissions	8,024,310	4,898,589
Interest on employees' defined benefits obligations	2,493,000	3,700,000
Interest on lease liabilities	275,566	840,508
	<b>35,350,544</b>	<b>49,619,023</b>

**28- ZAKAT AND INCOME TAX***Zakat and income tax status*

The Group received a final assessment up to 31 December 2015. The assessments for years 2016 through 2019 are still under review by the Zakat, Tax and Customs Authority ("ZATCA").

Zakat and income tax have been calculated on the separate financial statements of the Group companies. Zakat due to Saudi shareholders and tax due to foreign shareholders have been calculated according to the separate financial statements of each company in the Group.

The Company's shareholders structure has been changed as a result of foreign shareholders entering the shareholding structure as of 1 April 2017.

Accordingly, Zakat due from Saudi shareholders and tax due from foreign shareholders are calculated and charged in accordance with separate financial statements of the Group's companies.

The Group's entities received Zakat and income tax certificates stating that these entities filed their tax and Zakat returns to Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia up to the year ended 31 December 2020 and received the required receipts and certificates.

Furthermore, the Group received Zakat certificate for the year 2020 valid up to 30 April 2022.

- The Group has calculated the deferred tax and it has not been recorded, as its amount is not material to the consolidated financial statements.

*Provision for Zakat and income tax*

*The movement in zakat and income tax provision for the years ended 31 December 2020 and 2019 is as follows:*

	For the year ended 31 December	
	2020	2019
1 January	22,123,551	20,402,587
Provision for the year	32,136,967	31,875,390
Adjustments	-	(5,167,081)
Payments made during the year	(24,838,243)	(24,987,345)
31 December	<b>29,422,275</b>	<b>22,123,551</b>

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****29- RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the Company consist of the shareholders, key management personnel, directors, and companies which are directly or indirectly controlled or influenced by the shareholders, directors, key management personnel.

The Group transacts with different related parties in ordinary course of its business. Transactions are entered into with the related parties on the terms and conditions approved by the Group's management or its board of directors.

**Related party balances**

Amounts due from / (to) related parties resulting from transactions with related parties are as follows:

	<u>Nature of relationship</u>	<u>2020</u>	<u>2019</u>
Advances to purchase financial assets - due from a related party			
Al-Atheer Real Estate Development Company *	Joint management	-	21,000,000
Due from related parties - classified as trade receivables			
Serra Holding Group	One of the shareholders is a member of the Board of Directors of the company	26,544	24,822

\* During 2019, Riyadh Cables Group Company has paid an amount of SR 21 million to Al-Atheer Real Estate Development Company, as a down payment for a joint investment with Abdul Qadir Al-Muhaidib & Sons Company "a shareholder" and Al-Atheer International Limited "a related party". During 2020, the amount was recovered and the outstanding balance was settled as the proposed investments were not agreed upon.

**Due from related parties -  
classified as trade receivables**

	<u>Nature of relationship</u>	<u>2020</u>	<u>2019</u>
Thabat Contracting Company	Owned by one of the shareholders	1,516,052	1,468,608
Masdar Building Material Company	Owned by one of the shareholders	2,312,177	2,051,407
		<u>3,828,229</u>	<u>3,520,015</u>

**Transaction with related parties**

Transactions with a related party that have been performed during the year, in the ordinary course of business, are summarized below:

	<u>Nature of relationship with related parties</u>	<u>Nature of transaction</u>	<u>2020</u>	<u>2019</u>
Masdar Building Material	Owned by a shareholder	Purchases	1,150,737	1,427,914
Masdar Building Material	Owned by a shareholder	Sales	16,570,192	13,267,861
Serra Holding Group	One of the shareholders is a member of the Board of Directors of the company	Purchases	1,722	53,940
Thabat Contracting Company	Owned by a shareholder	Sales	6,357,583	9,845,002

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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****29. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****Key management personnel remuneration**

The remuneration of the board of directors and other key management personnel during the year are as follows:

	2020	2019
Salaries and short-term benefits	<u>16,363,226</u>	18,795,600
Post-employment benefits	<u>346,875</u>	398,125
	<u><b>16,710,101</b></u>	<u>19,193,725</u>

**30. SHARE CAPITAL**

At 31 December 2020 and 2019, the Company's share capital consists of 150 million shares at SR 10 each. The total issued capital is SR 1.5 billion. There were no movements in share capital during the year. The Company's shareholder structure includes Saudi and foreign shareholders.

	31 December 2020 and 2019		
	<b>No. of shares</b>	<b>Shareholding</b>	<b>value (SR)</b>
Abdulkadir Al Muhaidib & Sons	46,000,000	30.67%	460,000,000
Ajial Al Hekma Investments Company Ltd.	43,000,000	28.67%	430,000,000
Alma Limited Company	17,854,167	11.9%	178,541,670
Ahmad Samer Zaim	17,854,167	11.9%	178,541,670
Mohammed Hekmat Zaim	7,500,000	5.00%	75,000,000
Mohammed Abdulaziz Altwijri	1,500,000	1.00%	15,000,000
Khader Mohsin Al-Ibraheem	1,500,000	1.00%	15,000,000
Ihsan Zaim	4,437,500	2.96%	44,375,000
Rana Hamdi Zaim	5,177,083	3.45%	51,770,830
Leena Hamdi Zaim	5,177,083	3.45%	51,770,830
	<u>150,000,000</u>	<u>100%</u>	<u>1,500,000,000</u>

**31. STATUTORY RESERVE**

In accordance with the Regulations for Companies in Kingdom of Saudi Arabia, the Group has established a statutory reserve by the appropriation of 10% of net income for the year until such reserve equals 30% of the share capital.

**32. DIVIDENDS**

- During 2020, the Company has distributed an amount of SR 178,5 million, based on the minutes of the Ordinary General Assembly meeting held on 25 June 2020, an amount of (SR 165 million) and based on the minutes of the Board of Directors dated 21 September 2020, an amount of (SR 13,5 million).
- During the year 2019, the Company distributed SR 230 million, based on the minutes of the Ordinary General Assembly meeting held on 25 June 2019, an amount of (SR 200 million) and based on the minutes of the Board of Directors dated 14 October 2019, an amount of (SR 30 million).

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**33. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks, the most important of which are the risks listed below:

Credit risk

Liquidity risk

Market risk (currency risk, interest rate risk and commodity risk)

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital, in addition to the quantitative disclosures included in these consolidated financial statements.

**Risk management framework**

The Board of Directors is full responsible for the establishment and oversight of the Group's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee will report regularly to the board of directors on its activities.

The Group's current risk management policies are established to identify and analyze the risks faced by the Group, so as to set appropriate risk limits and controls, and to monitor risks and abide by limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and establishment of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee of the Group oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The internal audit provide assistance to the audit committee of the Group in its control role. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which will be reported to the audit committee.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and cash at banks.

**Trade receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management takes into account the demographics of the Group's customer base, including the default risks for the industry and the country in which customers operate, as these factors may have an impact on credit risk, especially in current economic conditions. Geographically, there is no concentration of credit risk.

The Group only transacts with known and creditworthy third parties. It is the Group's policy that all customers who wish to transact on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, the receivables balances are continuously monitored, resulting in the Group being exposed to bad debts is not material.



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**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****33. FINANCIAL RISK MANAGEMENT (CONTINUED)****Credit risk (continued)**

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using on internal and external rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are monitored regularly.

The Group establishes an allowance for trade receivables impairment that represents its estimate of lifetime expected credit losses on trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified individually, and other is collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The other categories of financial events do not result in significant credit risk.

The table below shows the credit quality details of the Group's receivables by credit risk rating scores:

	<u>For the year ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Less than 3 months	<b>818,623,722</b>	815,121,748
More than 3 months and less than 6 months	<b>11,178,135</b>	264,752,001
More than 6 months and less than one year	<b>10,700,096</b>	105,972,574
More than 1 year	<b>36,504,810</b>	13,118,333
31 December	<b><u>877,006,763</u></b>	<u>1,198,964,656</u>

The provision for impairment losses in receivables is as follows:

	<u>For the year ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Allowance for expected credit losses	<b><u>(58,021,456)</u></b>	<u>(114,714,138)</u>

For trade receivables, the Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the expected credit losses for all financial assets measured at amortized cost.

The key inputs into the measurement of ECL are the following variables:

- **Probability of default using a statistical model (i.e. normal distribution curve)**
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

For cash at banks, cash and cash equivalents are deposited with banks with a high credit rating. The Group regularly updates its cash flows. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using on internal and external rating criteria. Outstanding customer receivables are monitored regularly.

**RIYADH CABLES GROUP COMPANY****(A Saudi closed joint stock company)**

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****33. FINANCIAL RISK MANAGEMENT (CONTINUED)****Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Furthermore, the Group maintains various credit methods.

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

	Less than one year	After one year but not more than 5 years	More than 5 years	Carrying amount
<b>31 December 2020</b>				
Short-term Islamic finance facilities	858,675,000	-	-	858,675,000
Trade payables	127,607,217	-	-	127,607,217
Lease liabilities	12,485,990	-	-	12,485,990
Accruals and other payables	107,882,441	-	-	107,882,441
	<b>1,106,650,648</b>	<b>-</b>	<b>-</b>	<b>1,106,650,648</b>
<b>31 December 2019</b>				
Short-term Islamic finance facilities	1,209,531,500	-	-	1,209,531,500
Trade payables	90,017,183	-	-	90,017,183
Lease liabilities	14,688,043	-	-	14,688,043
Accruals and other payables	91,721,315	-	-	91,721,315
	<b>1,405,958,041</b>	<b>-</b>	<b>-</b>	<b>1,405,958,041</b>

**Market risk**

Market risk is the risk that changes in market prices such as currency rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable standards, while optimizing the return.

The Group purchases financial derivatives and uses its financial obligations to manage market risks. All these transactions are carried out within the guidelines set by the Board of Directors.

**Currency risk**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group, which is primarily Saudi Riyals.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances, in addition to buying derivative instruments.

**RIYADH CABLES GROUP COMPANY**

(A Saudi closed joint stock company)

Notes to the consolidated financial statements

For the year ended 31 December 2020

(All amounts are expressed in Saudi Riyals unless otherwise stated)

**33. FINANCIAL RISK MANAGEMENT (CONTINUED)****Currency risk (continued)**

The following table demonstrates the sensitivity of the Group to a reasonably possible change in the Saudi Riyals against USD - EUR, by 5% higher or lower with all other variables held constant, of the Group's monetary assets and liabilities:

	<b>Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2020 USD sensitivity in SAR thousands</b>	<b>Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2020 EUR sensitivity in SAR thousands</b>
<i>Increase by 5%</i>	<b>77,046</b>	<b>(113,487)</b>
<i>Decrease by 5%</i>	<b>(77,046)</b>	<b>113,487</b>
	<b>Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2019 USD sensitivity in SAR thousands</b>	<b>Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2019 EUR sensitivity in SAR thousands</b>
<i>Increase by 5%</i>	<b>1,550,033</b>	<b>(158,903)</b>
<i>Decrease by 5%</i>	<b>(1,550,033)</b>	<b>158,903</b>

The Group's exposure to foreign currency risk at the end of the reporting year, expressed in SR, was as follows:

	2020				2019			
	Trade receivables	Trade payables	Cash and cash equivalents	Credit facilities Short- term	Trade receivables	Trade payables	Cash and cash equivalents	Credit facilities Short- term
<i>USD</i>	71,426,180	69,885,254	22,719,245	21,500,000	74,249,888	43,250,010	14,856,232	-
<i>EUR</i>	97,543	2,367,279	315,057	-	-	3,176,934	231,076	-
<i>CHF</i>	-	636	47,160	-	-	52,411	173,565	-
<i>Pound sterling</i>	-	5,912	394,448	-	-	185,078	514,886	-
<i>BHD</i>	16,271,423	15,943	210,635	-	4,971,029	-	473,694	-
<i>KWD</i>	30,242,292	1,649,062	4,188,911	-	26,094,870	1,994,193	763,106	-
<i>OMR</i>	769,634	-	120,665	-	7,972,542	-	343,094	-
<i>QAR</i>	-	-	171,484	-	159,460	-	171,491	-
<i>AED</i>	120,829,822	534,219	3,950,269	-	163,598,340	823,662	980,787	-
<i>Iraqi Dinar</i>	15,025,881	-	-	-	98,846,802	-	-	-
<i>Egyptian Pound</i>	-	-	2,884,723	-	-	-	583,441	-

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate, because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is primarily related to the Group's long-term loans with floating interest rates obtained from the holding company.

To reduce volatility and increase predictability of interest expenses, the Group may use debt issuance or enter into simple financial derivatives such as interest rate swaps.

**RIYADH CABLES GROUP COMPANY****(A Saudi closed joint stock company)**

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****33. FINANCIAL RISK MANAGEMENT (CONTINUED)****Interest rate risk (continued)**

The Group's exposure to the risk of changes in the interest rate market mainly due to loans. Loans at variable rates expose the Group to a change in cash flows as a result of changes in interest rates.

The Group's exposure to risk of changes in interest rates is as follows:

	<u>For the year ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Variable interest rate loans	<u>858,675,000</u>	<u>1,209,531,500</u>

**Interest rate sensitivity**

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) gains or losses by the amounts shown below. The analysis assumes that all other variables, especially the foreign exchange rate, remain constant.

	<u>Statement of profit or loss</u>	
	<u>Increase by</u>	<u>Decrease by</u>
	<u>100 points</u>	<u>100 points</u>
<b>31 December 2020</b>		
Variable interest rate loans	<u>85,867,500</u>	<u>(85,867,500)</u>
Change in cash flows	<u>85,867,500</u>	<u>(85,867,500)</u>

	<u>Statement of profit or loss</u>	
	<u>Increase by</u>	<u>Decrease by</u>
	<u>100 points</u>	<u>100 points</u>
31 December 2019		
Variable interest rate loans	<u>12,095,315</u>	<u>(12,095,315)</u>
Change in cash flows	<u>12,095,315</u>	<u>(12,095,315)</u>

**Commodity risk**

The Group is exposed to the impact of market fluctuations on the prices of various inputs to production including aluminum and copper. The Group manages some key elements of commodity price risk through the use of fixed-price forward contracts.

**34- CAPITAL MANAGEMENT****Risk management**

Capital is equity attributable to the equity holders of the Group. The primary objective to the Group's capital management is to support its business and maximize shareholder value.

The policy of the Board of Directors is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the Company. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions.

The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by adjusted total equity.

**RIYADH CABLES GROUP COMPANY****(A Saudi closed joint stock company)**

Notes to the consolidated financial statements

**For the year ended 31 December 2020****(All amounts are expressed in Saudi Riyals unless otherwise stated)****35- CAPITAL MANAGEMENT (CONTINUED)****Risk management (continued)**

The Board of Directors also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's debt to adjusted capital ratio at the end of the reporting year was as follows:

	<u>2020</u>	<u>2019</u>
<i>Total liabilities</i>	<b>1,342,804,406</b>	1,584,016,830
<i>Less: cash and cash equivalents</i>	<b>(64,252,757)</b>	(53,614,705)
<i>Adjusted net debt</i>	<b><u>1,278,551,649</u></b>	<u>1,530,402,125</u>
<i>Total equity</i>	<b>1,959,325,547</b>	1,919,260,957
<i>Adjusted equity and net debt</i>	<b>3,237,877,196</b>	3,449,663,082
<i>Adjusted debt ratio from adjusted equity ratio</i>	<b><u>39%</u></b>	<u>44%</u>

**35. CONTINGENCIES AND COMMITMENTS***Capital commitments*

At 31 December 2020, the Group has commitments of SR 24 million (31 December 2019: SR 14.6 million) relating to capital expenditures.

*Legal claim contingency*

The Group faces, in its ordinary course of business, lawsuits, which are under litigation. While the ultimate results of these matters cannot be determined with certainty, the Group's management does not expect that they will have a material adverse effect on the consolidated financial statements of the Group.

*Contingent liabilities*

The contingent liabilities amounted to SR 457 million (31 December 2019: SR 622 million) against bank facilities in the form of letters of credit and letters of guarantee obtained by the Group from several local banks against a commission for granting facilities without any bank cover.

**36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been approved by the Board of Directors on 3 Dhul Qadah 1442H (corresponding to 13 June 2021).

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**Consolidated Financial Statements**  
For the year ended 31 December 2021  
together with the  
**Independent Auditor's Report**

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
Consolidated Financial Statements together with the Independent Auditor's Report  
For the year ended 31 December 2021

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- Consolidated statement of profit or loss and other comprehensive income	2
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### KPMG Professional Services

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Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

### كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤  
المركز الرئيسي في الرياض

## Independent Auditor's Report

To the Shareholders of Riyadh Cables Group Company  
(A Saudi Joint Stock Company)

### Opinion

We have audited the consolidated financial statements of **Riyadh Cables Group Company** (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al-Fuzan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية بمساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل. كسمعة سابقاً "شركة كي بي إم جي للقران وشركه مسجلون ومراجعون قكولون". وهي عضو مع شركه في الشبكه العالمية لشركه كي بي إم جي المسجلة والتفعة كي بي إم جي العالمية المسجدة، شركة التطويرية مسجدة بتسجل. جميع الحقوق محفوظة.





## Independent Auditor's Report (continued)

To the Shareholders of Riyadh Cables Group Company  
(A Saudi Joint Stock Company)

### Key audit matters (continued)

#### Revenue recognition

Note (27) to the consolidated financial statements.

Key audit matter	How the matter was address in our audit
<p>The Group applies IFRS 15 'Revenue from contracts with customers'.</p> <p>During the year ended the year ended December 31, 2021 The Group recognized revenues totalling SR 4.9 billion.</p> <p>Revenue from the sale of goods is recognized when control of the product is transferred to the customer, on delivery to the customer.</p> <p>Revenue from on-site installation contracts is recognised over time. It is measured based on input method by the percentage of actual cost incurred to-date to estimated total cost for each contract.</p> <p>Revenue is considered to be one of the significant indicators for measuring the performance of the Group, resulting in a possible inherent risk of recognizing revenue which is more than its actual value.</p> <p>The revenue recognition is considered as a key audit matter due to the materiality of the revenue amount and the inherent risk of overstating revenue, which may have a material impact on the Group's consolidated financial statements.</p>	<p>We have, among other things, carried out the following procedures:</p> <ul style="list-style-type: none"> <li>• Assessed the appropriateness of the Group's accounting policies related to revenue recognition, including those related to discounts and incentives, as well as Assessed compliance with the requirements of applicable accounting standards.</li> <li>• Assessed the design, implementation and operating effectiveness of management's internal controls system which govern the process around recognition of Revenue.</li> <li>• Inquired about existence of any actual and / or suspected fraud from the management. Furthermore, inquired about management's philosophy on fraud awareness.</li> <li>• Assessed the impact of judgments and assumptions on management's estimates covering the revenue and accrued revenue recognized during the year.</li> <li>• Analytical procedures that include analysing the profit margin for sales compared to the previous year and obtaining explanations for any significant changes.</li> <li>• Procedures for testing the reliability and integrity of customer and sales master data for data submitted to us.</li> <li>• Tested a sample of journal entries which included specific risks of material misstatements and inspected underlying supporting documents.</li> <li>• Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.</li> </ul>



## Independent Auditor's Report (continued)

To the Shareholders of Riyadh Cables Group Company  
(A Saudi Joint Stock Company)

Key audit matters (continued)	
Impairment in trade receivable balances	
Note (14) to the consolidated financial statements.	
Key audit matter	How the matter was address in our audit
<p>As of December 31, 2021, gross trade receivable amounted to SR 1.01 billion, against which a provision for impairment amounted to SR 48.6 million was recorded.</p> <p>In accordance with the requirements of IFRS 9 "Financial Instruments", the Group has applied the expected credit loss models to record an impairment against Trade receivables.</p> <p>The application of the expected credit loss models to record the impairment against trade receivable balances was considered as a key audit matter, because the impairment of trade receivables using the expected credit loss model involves material judgments and estimates that may have a significant impact on the Group's consolidated financial statements.</p>	<p>We have, among other things, carried out the following procedures:</p> <ul style="list-style-type: none"> <li>Assessed the design, implementation and the operating effectiveness of the management's internal control systems which govern the trade receivables, including the provision for impairment of trade receivables.</li> <li>Assessed the methodology, assumptions and estimates used by management in preparing Expected credit loss model, including the assessing projections for the future.</li> <li>Assessing the completeness and accuracy of the aging report of trade receivables.</li> <li>Involved our specialists to test the key assumptions used by management and assessed the reasonableness of the estimates used to record the provision for impairment of trade receivables.</li> <li>Inspected a sample of cash receipts subsequent to the yearend of the consolidated financial statements relating to the trade receivables including any communications with major customers on the expected dates of payment or any cases of defaults</li> <li>Evaluated the adequacy of the disclosures that the management has included in the consolidated financial statements.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



## Independent auditor's report (continued)

To the Shareholders of Riyadh Cables Group Company  
(A Saudi Joint Stock Company)

### Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, Board of Directors, are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



## Independent auditor's report (continued)

To the Shareholders of Riyadh Cables Group Company  
(A Saudi Joint Stock Company)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Riyadh Cables Group Company and its subsidiaries**.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### KPMG Professional Services

**Fahad Mubarak Al-Dossari**  
License No. 469

Riyadh on 8 Shawwal 1443H  
Corresponding to: 9 May 2022



**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
Consolidated Statement of Financial Position  
As at 31 December 2021

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,154,744,180	1,144,404,191
Intangible assets	10	67,238,717	72,082,561
Investments at FVOCI	11	49,924,524	4,304,149
Right-of-use assets	12	10,842,109	12,639,802
<b>Total non-current assets</b>		<b>1,282,749,530</b>	<b>1,233,430,703</b>
<b>Current assets</b>			
Inventories	13	1,585,548,586	1,145,045,903
Trade receivables	14	962,664,504	818,985,307
Contract assets	15	11,746,691	6,822,102
Advances and other current assets	16	59,601,358	33,593,181
Cash and cash equivalents	17	50,356,201	64,252,757
<b>Total current assets</b>		<b>2,669,917,340</b>	<b>2,068,699,250</b>
<b>Total assets</b>		<b>3,952,666,870</b>	<b>3,302,129,953</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	1,500,000,000	1,500,000,000
Statutory reserve	19	253,094,307	229,111,048
Retained earnings		261,078,163	207,953,866
Acquisition reserve of a subsidiary	1	22,725,173	22,725,173
Foreign operations – foreign currency translation differences		(1,264,063)	(428,649)
<b>Equity attributable to the shareholders of the company</b>		<b>2,035,633,580</b>	<b>1,959,361,438</b>
Non-controlling interests		433,204	(35,891)
<b>Total equity</b>		<b>2,036,066,784</b>	<b>1,959,325,547</b>
<b>Non-current liabilities</b>			
Employees' benefit obligations	21	107,410,714	96,426,743
Lease liabilities	12	9,052,975	10,431,847
<b>Total non-current liabilities</b>		<b>116,463,689</b>	<b>106,858,590</b>
<b>Current liabilities</b>			
Islamic Finance Facilities	22	1,324,175,000	858,675,000
Accrued expenses and other liabilities	23	140,816,581	107,882,441
Trade payables	24	221,031,943	127,607,217
Provisions	25	82,512,628	110,304,740
Provision for Zakat and income tax	26	29,690,240	29,422,275
Lease liabilities - current portion	12	1,910,005	2,054,143
<b>Total current liabilities</b>		<b>1,800,136,397</b>	<b>1,235,945,816</b>
<b>Total liabilities</b>		<b>1,916,600,086</b>	<b>1,342,804,406</b>
<b>Total equity and liabilities</b>		<b>3,952,666,870</b>	<b>3,302,129,953</b>

CFO

CEO

The attached notes from 1 to 40 are an integral part of these consolidated financial statements.

**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2021**  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Revenue	27	4,883,443,882	4,086,816,140
Cost of revenue	28	(4,420,360,895)	(3,650,438,801)
<b>Gross profit</b>		<b>463,082,987</b>	<b>436,377,339</b>
<b>Operating expenses</b>			
Selling and distribution expenses	29	(91,763,045)	(87,009,617)
General and administrative expenses	30	(79,477,135)	(84,497,147)
Reversal of allowance for expected credit losses	14	8,670,649	12,139,922
Other income, net	31	2,640,057	8,600,129
<b>Income from operations</b>		<b>303,153,513</b>	<b>285,610,626</b>
Finance costs	32	(31,780,551)	(35,350,544)
<b>Profit before zakat and income tax</b>		<b>271,372,962</b>	<b>250,260,082</b>
Zakat and income tax	26	(31,375,995)	(32,136,967)
<b>Net Profit for the year</b>		<b>239,996,967</b>	<b>218,123,115</b>
<b>Attributable to:</b>			
<b>Shareholders of the Company</b>		<b>239,832,593</b>	<b>218,428,959</b>
<b>Non-controlling interests</b>		<b>164,374</b>	<b>(305,844)</b>
<b>Net income for the year</b>		<b>239,996,967</b>	<b>218,123,115</b>
<b><i>Items that may be reclassified to profit or loss</i></b>			
Foreign operations – foreign currency translation differences		(835,414)	175,475
<b><i>Items that will not be reclassified to profit or loss</i></b>			
Investments at FVOCI- Net change in fair value	11	42,758,750	-
Re-measurements of employees' benefit obligations	21	(8,983,787)	388,095
<b>Other comprehensive income for the year</b>		<b>32,939,549</b>	<b>563,570</b>
<b>Total comprehensive income</b>		<b>272,936,516</b>	<b>218,686,685</b>
<b>Comprehensive income attributable to:</b>			
<b>Shareholders of the Company</b>		<b>272,772,142</b>	<b>218,992,529</b>
<b>Non-controlling interests</b>		<b>164,374</b>	<b>(305,844)</b>
		<b>272,936,516</b>	<b>218,686,685</b>
<b>Earnings per share</b>			
<b>Basic and diluted earnings per share</b>	34	<b>1.60</b>	<b>1.45</b>

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The attached notes from 1 to 40 are an integral part of these consolidated financial statements.



**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
Consolidated statement of changes in equity  
**For the year ended 31 December 2021**  
**(All amounts are expressed in Saudi Riyals unless otherwise stated)**

	Equity attributable to the shareholders of the company							
	Share capital	Statutory reserve	Retained earnings	Acquisition reserve of a subsidiary	Foreign operations – foreign currency translation differences	Total	Non-controlling interests	Total equity
<b>For the year ended 31 December 2020</b>								
Balance as at 1 January 2020	1,500,000,000	207,268,152	189,479,708	22,725,173	(604,124)	1,918,868,909	392,048	1,919,260,957
Net income for the year	-	-	218,428,959	-	-	218,428,959	(305,844)	218,123,115
Other comprehensive income for the year	-	-	388,095	-	175,475	563,570	-	563,570
<b>Total comprehensive income for the year</b>	-	-	<b>218,817,054</b>	-	<b>175,475</b>	<b>218,992,529</b>	<b>(305,844)</b>	<b>218,686,685</b>
Net income transferred to statutory reserve	-	21,842,896	(21,842,896)	-	-	-	-	-
Dividend distribution	-	-	(178,500,000)	-	-	(178,500,000)	(122,095)	(178,622,095)
<b>Balance as at 31 December 2020</b>	<b>1,500,000,000</b>	<b>229,111,048</b>	<b>207,953,866</b>	<b>22,725,173</b>	<b>(428,649)</b>	<b>1,959,361,438</b>	<b>(35,891)</b>	<b>1,959,325,547</b>
<b>For the year ended 31 December 2021</b>								
Balance as at 1 January 2021	1,500,000,000	229,111,048	207,953,866	22,725,173	(428,649)	1,959,361,438	(35,891)	1,959,325,547
Net income for the year	-	-	239,832,593	-	-	239,832,593	164,374	239,996,967
Other comprehensive income for the year	-	-	33,774,963	-	(835,414)	32,939,549	-	32,939,549
<b>Total comprehensive income for the year</b>	-	-	<b>273,607,556</b>	-	<b>(835,414)</b>	<b>272,772,142</b>	<b>164,374</b>	<b>272,936,516</b>
Net income transferred to statutory reserve	-	23,983,259	(23,983,259)	-	-	-	-	-
Dividend distribution	-	-	(196,500,000)	-	-	(196,500,000)	304,721	(196,195,279)
<b>Balance as at 31 December 2021</b>	<b>1,500,000,000</b>	<b>253,094,307</b>	<b>261,078,163</b>	<b>22,725,173</b>	<b>(1,264,063)</b>	<b>2,035,633,580</b>	<b>433,204</b>	<b>2,036,066,784</b>

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The attached notes from 1 to 40 are an integral part of these consolidated financial statements.

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Consolidated statement of cash flows

For the year ended 31 December 2021

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	2021	2020
<b>Operating activities</b>			
Profit for the year before zakat and income tax		271,372,962	250,260,082
<b>Adjustments for:</b>			
Depreciation	9&10	63,392,212	62,161,104
Disposal loss of property, plant and equipment charged on cost of sales	9	256,235	-
Depreciation of right-of-use of assets	12	1,797,693	1,789,527
Interest on lease liabilities	12	398,993	275,566
(Reversal ) / Provision against slow moving inventories	13	(1,322,839)	5,001,190
Reversal of allowance for expected credit losses	14	(8,670,649)	(12,139,922)
Provisions	25	(27,792,112)	50,392,618
Employees' benefit obligations	21	12,829,915	11,629,629
Gains from disposal of property, plant and equipment	31	-	(68,000)
Finance costs	32	26,896,230	24,557,668
<b>Working capital changes:</b>			
Inventories		(439,179,844)	(109,194,080)
Trade receivables		(135,008,548)	277,405,132
Contract assets		(4,924,589)	6,987,244
Advances and other current assets		(26,008,177)	10,913,137
Advances to purchase financial assets		-	21,000,000
Accruals and other liabilities		34,732,468	16,161,124
Trade and other payables		93,424,726	37,590,037
Net finance costs paid		(28,694,558)	(24,557,668)
Employees' benefit obligations paid	21	(10,829,731)	(10,961,267)
Zakat and income tax Paid	26	(31,108,030)	(24,838,243)
<b>Net cash flows (used in) / generated from operating activities</b>		<b>(208,437,643)</b>	<b>594,364,878</b>
<b>Investing activities</b>			
Payments to purchase of property, plant and equipment	9	(69,164,205)	(50,372,292)
Proceed from sale of property, plant and equipment	9	43,533	342,870
Payment for purchase of Intangible assets	10	(128,438)	-
Payment for Investments at FVOCI	11	(2,861,625)	(1,916,665)
<b>Net cash flows used in investing activities</b>		<b>(72,110,735)</b>	<b>(51,946,087)</b>
<b>Financing activities</b>			
Repayment of Islamic financing facilities during the year	22	(2,814,937,500)	(3,097,081,500)
Proceeds from Islamic financing facilities during the year	22	3,280,437,500	2,746,225,000
Repayment for Lease liabilities under right-of-use assets	12	(1,922,003)	(2,477,619)
Dividend paid	20	(196,195,279)	(178,622,095)
<b>Cash flows generated from / (used in) financing activities</b>		<b>267,382,718</b>	<b>(531,956,214)</b>
Net change in cash and cash equivalents during the year		(13,165,660)	10,462,577
Cash and cash equivalents at the beginning of the year	17	64,252,757	53,614,705
Effect of exchange rate changes on cash and cash equivalents		(730,896)	175,475
<b>Cash and cash equivalents at the end of the year</b>	17	<b>50,356,201</b>	<b>64,252,757</b>
<b>Non-Cash Transactions</b>			
Investments at FVOCI- Net change in fair value	11	42,758,750	-
Re-measurements of employees' benefit obligations	21	(8,983,787)	388,095
Statutory reserve		23,983,259	21,842,896

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The attached notes from 1 to 40 are an integral part of these consolidated financial statements.



**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements

**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****1- REPORTING ENTITY**

Riyadh Cables Group Company ("the Company") was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010052927 issued on 24 Jumada' II 1435H (corresponding to 24 April 2014). The Company operates under Industrial License No. 396/R dated 12 Jumada' II 1416H (corresponding to 25 November 1995) amended by Industrial License No. 36/R dated 5 Muharram 1418H (corresponding to 12 May 1997) amended by Industrial License No. 2572 dated 16 Rajab 1434H (corresponding to 26 May 2013). The Company's registered office is located at Second Industrial Area, P.O. Box 26862 Riyadh 11496, Kingdom of Saudi Arabia.

On 11 December 2021, the board of directors held and decided to offer the Company in the Saudi Stock Exchange (Tadawul) and authorized the executive committee to contract with the parties it deems appropriate in this regard, accordingly during the period, The management has contracted with an advisor for the offering and a Financial Consultant to carry out the financial due diligence examination, The procedures for submitting the offering documents to the Capital Market Authority are still in progress.

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below (collectively referred to as the "Group"). The principal activities of the Group include the production of cables made from copper aluminum isolated and non-isolated, for use with low, medium and high voltage transformers and other cables related products.

These consolidated financial statements have been prepared for Riyadh Cables Group Company and its subsidiaries listed below:

Subsidiaries	Legal status	Country of incorporation	Ownership interest held by the Group (directly or indirectly)	
			2021	2020
1- Saudi Modern Company for Metals, Cables and Plastic Industry and its subsidiaries listed below:	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
1.1 Qatar Cables Company LLC	Limited Liability Company	Qatar	50%	50%
1.2 Arabian Gulf Company for Electrical Cables LLC	Limited Liability Company	Kuwait	49%	49%
1.3 Gulf Company Electrical Works	Limited Liability Company	Oman	100%	100%
1.4 Egyptian Riyadh Cable for Electrical Works	Joint Stock Company (E.S.C)	Egypt	49%	49%
2- Saudi Modern Company for Specialized Wires and Cables Industry	A Closed Joint Stock Company	KSA	100%	100%
3- Saudi Modern Company for Telephone Cables Industry	A Closed Joint Stock Company	KSA	100%	100%
4- Riyadh Cables Company and its subsidiaries listed below:	A Closed Joint Stock Company	KSA	100%	100%
4.1 National Cables Industry Company	A single shareholder limited liability company	UAE	100%	100%
4.2 Alrowad Company for Production of Electrical Cables Limited *	A single shareholder limited liability company	Iraq	100%	100%
4.3 Iraqi National Company for Cables Industry	Limited Liability Company	Iraq	100%	100%
5- Saudi Modern Company for Cables Limited	Limited Liability Company	KSA	100%	100%

**RIYADH CABLES GROUP COMPANY**

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements

For the year ended 31 December 2021

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**1- REPORTING ENTITY (CONTINUED)****Information about subsidiaries:****Alrowad Company for Production of Electrical Cables Limited \***

On 31 August 2017, National Cables Industry Company (a subsidiary of Riyadh Cables Company) acquired 100% of interest in Alrowad Company for Production of Electrical Cables Limited in Iraq Owned by "Abdul Qader Al Muhaidib & Sons Company" (the company's shareholder), The net assets of the company in the acquisition date were greater than cash consideration as a result of the acquisition a gain of SR 22,725,173 was recognized in the consolidated statement of changes in equity

**2- BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and by-laws of the Group.

**- Impact of Coronavirus (Covid-19) Outbreak**

Since the beginning of 2020, the Coronavirus pandemic (Covid 19) has swept the world, causing disruptions in the economic and commercial sectors in general. The group's management proactively assessed the impact on its operations and took a series of preventive measures, to ensure the health and safety of its employees and workers. Despite these challenges, the Group's business and operations currently remain largely unaffected, the core customer demand for the Group's products has not been affected to a large extent, although there has been a drop in demand during certain periods during the year. Based on these factors, the Group's management believes that the COVID-19 pandemic did not have a material impact on the reported financial results for the year ended December 31, 2021. The Group continues to closely monitor the development of the pandemic, although the management at this time is not aware of any expected factors that may change the impact of the pandemic on the Company's operations during or after 2022. The Group's management has also conducted an assessment of its ability to continue as a going concern and is convinced that the Company has sufficient resources to continue its business in the near future.

**3- BASIS OF MEASUREMENT**

The consolidated financial statements have been prepared on the historical cost basis and the going concern concept, except for the following:

- Employees' defined benefits obligations that have been evaluated using actuarial technique and measured at their present value using the projected unit credit method.
- Financial assets carried at fair value through other comprehensive income

**4- PRESENTATION AND FUNCTIONAL CURRENCY**

These consolidated financial statements were presented in Saudi Riyals (SR) which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest SR, unless otherwise indicated.

**RIYADH CABLES GROUP COMPANY**  
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 For the year ended 31 December 2021  
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## 5- BASIS OF CONSOLIDATION

### Subsidiaries

Subsidiaries are all entities controlled by the Group. Control is achieved when the Group has rights to the returns, from its involvement in the investee has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

- Power over the investee (i.e., existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over the investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements. And
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

### Accounting for business combinations involving entities or businesses under common control

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable.

In making that judgement, the management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretation. Several such bodies have issued guidance, and some allow the pooling of interests' method in accounting for business combinations involving entities under common control.

The management has adopted the pooling of interest method to account for the business combinations of entities under common control. This method involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is goodwill arising from the difference between the consideration paid and the equity acquired it is reflected directly in the equity.
- The consolidated statement of profit or loss of the combining entities reflects the results of the full year irrespective of when the combination took place.

### Non – controlling interest

NCI are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

**RIYADH CABLES GROUP COMPANY**

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Notes to the consolidated financial statements

For the year ended 31 December 2021

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**5- BASIS OF CONSOLIDATION (CONTINUED)****Non – controlling interest (Continued)**

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit and loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost.

**Transactions eliminated on consolidation**

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

**6- APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<i>Standards</i>	<i>Particulars</i>	<i>Mandatory effective date</i>
International Financial Reporting Standards (IFRS 17)	Insurance Contracts	1 January 2023
International Financial Reporting Standards (IFRS 1)	First-time Adoption of International Financial Reporting Standards: A Subsidiary as First-time Adopter of IFRS	1 January 2022
International Financial Reporting Standards (IFRS 9)	Financial Instruments: fees within the 10% test thresholds for the purpose of derecognition of financial liabilities	1 January 2022
International Accounting Standards (IAS 41)	Agriculture: tax in fair value measurements	1 January 2022
(Amendments to International Accounting Standards "IAS 1")	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to International Financial Reporting Standard (IFRS 3)	Business combinations: audit related to the conceptual framework	1 January 2022
(Amendments to the International Accounting Standards "IAS 16")	Property, plant, and equipment: proceeds before intended use	1 January 2022
(Amendments to the International Accounting Standard "IAS 37")	Onerous contracts: costs of contract fulfilment	1 January 2022
Amendments to the International Accounting Standard "IAS 8"	Definition of Accounting Estimates	1 January 2023
Amendments to International Accounting Standard (IAS 1) and International Accounting Standard (IAS 2) Practice Statement	Disclosure on accounting policies	1 January 2023

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period;
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period;
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

**Property, plant and equipment**

Property, plant and equipment (except for lands and projects in progress) are stated at cost, net of accumulated depreciation and any accumulated impairment losses, if any.

Lands and projects in progress are stated at cost less any accumulated impairment losses, if any.

Cost includes all amounts necessary for bringing the asset to the existing location to be ready for its intended use by management. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met, as well as costs incurred during the pre-operating period, less proceeds from sale of experimental production.

When parts of property, plant and equipment are significant in cost compared with total cost of asset, and when these parts/components have useful lives different from other parts and required to be replaced at intervals, the Group has to recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed (planned or unplanned), its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

This is recorded as a separated part with a useful life equal to the period up to the upcoming planned inspection. The carrying amount of the replaced part is derecognized.

In case the upcoming inspection is made before the planned date, any outstanding carrying value for previous inspection is recorded as an expense. Other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation is calculated from the date for which assets are available for their intended use. Self-constructed assets are from the date of completing such assets and be ready for their intended use. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives as follows:

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment (continued)**

Depreciation is calculated using the straight-line method over the useful lives of the assets as follows:

	Useful Lives
Buildings	25
Leased buildings	20
Plant and equipment	20 - 30
Strategic spare parts	10
Motor vehicles	4
Furniture & fixtures	4 - 10
Tools	5
Laboratory equipment	10
Computers	10

Lands and projects in progress are not depreciated. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at end of each year.

Any item of property, plant and equipment is derecognized upon disposal or when it is unlikely that any future economic benefits will arise from the continuing use of the assets. Profits and losses resulting from disposal of property, plant and equipment that are retired, sold or unrecognized are identified by comparing the proceeds with carrying amount of an asset and are recognized under "other income, net" in the consolidated statement of profit or loss.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**Intangible assets**

Intangible assets are initially recognized at cost less accumulated amortization and impairment losses, if any. Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Amortization is charged to statement of profit or loss by applying the straight-line basis whereby the carrying amount of an asset is amortized over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets (computer software) is 15 years.

The Company accounts for impairment, where indications exist, by reducing the asset's carrying amount to the recoverable amount.

**Impairment of non-financial assets**

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from assets or group of other assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period.



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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contract assets and liabilities**

Under IFRS 15, when a party to a contract implements its liabilities, the entity shall present in its statement of financial position, contract assets or liabilities, depending on the relationship between the entity's performance and customer payments. Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred or implemented to the customer.

Contract liabilities are an entity's obligation to transfer goods or perform services for the benefit of the customer for which the entity received consideration (or is entitled to a payment for) from the customer. If the consideration agreed in the contract includes a variable amount, the Company estimates the amount of consideration that the Company is entitled to in exchange for transferring the goods or services agreed upon with the customer.

**Foreign currencies**

**Transactions and balances**

Foreign currency transactions are initially recorded by the Group's entities denominated in the functional currency of each of them according to the exchange rate prevailing on the date when the transaction becomes qualified for recognition for the first time. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date.

The differences arising on the settlement or translation of monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income of the Group.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate prevailing at the date of the initial transaction.

**Translation of the financial statements of the Group's subsidiaries**

The results and financial position of foreign operations (dealing in currencies that are not economically inflated) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of assets and liabilities presented for each statement of financial position are translated at the closing rate at the date of statement of financial position.
- Income and expenses for each statement of profit or loss and other comprehensive income are transferred at the average exchange rates (unless the average rate does not nearly reasonably represent the effect of the accumulated exchange rates prevailing on the transaction dates, in which case the income and expenses are translated at the exchange rates on the transaction dates);
- All currency exchange differences are recognized in other comprehensive income.

**Inventories**

Inventories include raw materials, work in progress, finished goods, supplies and spare parts that are recorded at the low cost or net realizable value. Work in progress and finished goods inventories include direct materials, direct labors and an appropriate proportion of fixed and variable indirect expenses, the last is recorded on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is considered as the estimated selling price in ordinary course of business, less estimated costs to completion and the estimated costs necessary to complete the sale.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments**

***Recognition and initial measurement***

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component is initially measured at the transaction price.

***Financial assets***

***Classification of financial assets***

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVOCI if both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

<b>Financial assets</b>	<b>IFRS 9 classification</b>
Cash and bank balances	At amortized cost
Trade receivables	At amortized cost
Due from related parties	At amortized cost
Other non-current assets	At amortized cost



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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net profit and loss including interest revenue and dividends are recognized in the consolidated statement of profit or loss.
<b>Financial assets at amortized cost</b>	These assets are measured at amortized cost using the effective interest method. Amortized value is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in the statement of income. Any gain or loss on derecognition of an investment is recognized in the consolidated statement of profit or loss.
<b>Financial assets through other comprehensive income (debt investments)</b>	Subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net profits and losses are recognized in OCI. On derecognition, accumulated profits and losses in OCI are reclassified to the consolidated statement of profit or loss.
<b>Financial assets through other comprehensive income (investments in equity instruments)</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Any profit or loss on derecognition or recognition of investment is recognized in equity, and may not be reclassified to the consolidated statement of profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

- (a) The Group has transferred substantially all the risks and rewards of the asset, or
- (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment of financial assets

IFRS 9 impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

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**7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

***Impairment of financial assets (continued)***

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Presentation of impairment**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from customers are presented separately in the consolidated statement of profit or loss and other comprehensive income.

***Expected credit loss assessment for trade and other receivables***

The Group applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period.

The historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group has identified GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD). These are briefly described below:

**Loss given default (LGD):** This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

**Probability of default (PD):** the likelihood of a default over a particular time horizon.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

**Exposure at default (EAD):** This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Group uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

*Macroeconomic weighted average scenarios*

The Group includes macroeconomic factor of GDP to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

*Definition of default*

In the above context, the Group considers default when:

- The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The customer is more than 360 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of comprehensive income. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the consolidated statement of profit or loss.

*Specific provision*

Specific provision is recognized on customer-to-customer basis at every reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

*Financial Liabilities*

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly includes trade and Accrued expenses and other current liabilities, and Islamic Finance Facilities and Due to related parties.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

<b>Financial liabilities</b>	<b>IFRS 9 classification</b>
Trade payables	At amortized cost
Accrued expenses and other current liabilities	At amortized cost
Borrowings	At amortized cost
Due to related parties	At amortized cost

*Derecognition*

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

*Modifications of financial assets and financial liabilities*

*Financial assets*

If the terms of the financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

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**Financial instruments (continued)**

*Financial liabilities*

The Group derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

**Cash and cash equivalents**

For the purpose of presentation of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank balances, short-term deposits, call deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are not subject to significant risk of changes in value.

**Fair value measurement**

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

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

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair value measurement (continued)**

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

**Statutory reserve**

Statutory reserve is based on statutory requirements, and in accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group is required to set aside 10% of its annual net income to the statutory reserve until such reserve equals 30% of the Group's share capital. This statutory reserve is not available for distribution.

**Dividends to the shareholders of the Group**

Dividends to the shareholders of the Group are recognized as liability in the consolidated financial statements of the Group in the year in which the dividends are approved by the shareholders of the Group.

**Employees' benefits**

**Short-term employees' benefits**

Short-term employee's benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees benefits are payable to all employees employed under the terms and conditions of the labour laws applicable on the Group, on termination of their employment contracts.

**Defined contribution plan**

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognizes contribution payable to the GOSI as an expense when due.

**Employees' benefits**

**Defined benefit plans (employees' end-of-service benefits)**

The Group operates defined benefit plans, under the Saudi Labor Law applicable based on employees' accumulated periods of service at the date of statement of financial position.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Previously, employees' end of service benefits' liability was calculated at the current value of the vested benefits to which the employee was entitled, should his service be terminated at the reporting date.

Re-measurements, comprising of Change in actuarial assumptions and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the statement of profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- The date on which the Group recognizes related restructuring costs
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Defined contribution plan (continued)*

The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- net interest expense or income.

**Zakat and income tax**

*Zakat*

Zakat is calculated in accordance with regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia on the shares of Saudi shareholders on an accrual basis. The Zakat charge is recognized in the consolidated statement of profit or loss. The differences, if any, resulting from the final assessments are adjusted in the year when assessments are finalized.

*Income tax*

Income tax is calculated at the specified rates on the adjusted share of the income of non-Saudi shareholders specified in accordance with the Saudi regulations that are endorsed in the Kingdom of Saudi Arabia and is recognized in the consolidated statement of profit or loss and other comprehensive income.

For subsidiaries incorporated and operating outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with the tax regulations of their respective countries, when it is material.

**Deferred tax**

Deferred tax, if any, is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recorded when it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is recognized, or the liability is settled, based on tax rates (and tax rules) that have been enacted or substantively enacted up to the end of the financial period.

The Group considers that both the current and deferred income tax for the foreign subsidiaries is immaterial.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (continued)**

*i. Right-of-use assets*

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

*ii) Lease liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Group has presented separately the right-of-use assets and the lease liabilities in the statement of financial position.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term



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**7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of liabilities may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as interest expense.

**Revenue recognition**

The Group has adopted IFRS 15 'Revenue from Contracts with Customers.

Revenue is measured based on consideration specified in a contract with a customer, includes unbilled revenue (contract asset) and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The Group assess the services promised in a contract with a customer and identifies as a performance obligation either:

- a) service that is distinct.
- b) series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

**Step 1 - Identify the contract(s) with a customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

**Step 2 - Identify the performance obligations in the contract:** A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

**Step 3 - Determine the transaction price:** The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

**Step 4 - Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

**Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation.**

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition (continued)**

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- (a) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
- (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

As the performance obligations where one of the above conditions are met, revenue is recognized over time at which time the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to advances from customer (contract liability).

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The application of IFRS 15 has required management to make the following judgments:

***Satisfaction of performance obligations***

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

The Group has assessed that based on the agreement entered into with the customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date.

In these circumstances the Group recognizes revenue over time. Where this is not the case revenue is recognized at a point in time. For sale of goods revenue is generally recognized at point in time.

***Determination of transaction prices***

The Group is required to determine the transaction price in respect of each of its agreements with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

***Transfer of control in contracts with customers***

In case where the Group determines that performance obligations are satisfied at a point in time, revenue is recognized when control over the assets that is subject of contract is transferred to the customer.

In addition, the application of IFRS 15 has resulted in the following estimation process:

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition (continued)**

*Allocation of transaction price to performance obligation in contracts with customers*

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognized over time.

The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned.

In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include the time elapsed for service contracts.

*Other matters to consider*

*Variable consideration*

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised goods or services to a customer. The Group estimates the transaction price on contracts with variable consideration using the expected value or most likely amount method. The method is applied consistently throughout the contract and to similar types of contracts.

*Significant financing component*

The Group adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component.

*Revenue streams*

The Group earns revenue from following sources:

<i>Revenue streams</i>	<i>Revenue recognition</i>
Sale of goods	At point in time
Contract revenue	over the time

Revenue from sale of goods

Revenue is measured based on consideration specified in the contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when control of the product is transferred to the customer, which happens upon delivery to the customer.

If the consideration promised in a contract includes a variable amount, the Group estimates the fees to which it is entitled in exchange for transferring the promised goods or services to the customer.

Contract revenue

Revenue from contracts is recognized over time. Revenue is measured and recognized on the percentage of completion method, which is calculated by comparing the actual percentage cost incurred to date to the estimated total cost of each contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances changed. Any resulting increase or decrease in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that lead to the revision become known to the management.

Estimated costs and profits in excess of invoices on incomplete contracts are included in current assets as contract assets, and invoices in excess of costs incurred and estimated profits, if any, are included in current liabilities as contract liabilities.

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**7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition (continued)**

**Contract costs**

Additional costs are recognized to obtain the contract as an expense, unless the Group has reasonable expectation of recovering these costs from its customer, as these costs are explicitly charged to the customers. The Group consumes these costs on a regular basis in conformity with transferring goods or services to a customer.

**Cost of sales**

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labors, depreciation and other related general indirect costs. This also includes share of the related common overheads.

**Selling and distribution expenses**

This includes any costs incurred to execute or facilitate all sale transactions in the Group. These costs typically include salaries of the sales employees, costs of managing the exhibitions, marketing and distribution expenses, and logistics expenses as well as commissions, fees and the like. This includes share of the related general common costs.

**General and administrative expenses**

This pertain to operational expenses that are not directly related to the production of any goods or services. This includes share of the related general common costs.

Allocations of common expenses between direct cost, selling and distribution expenses, general and administrative expenses, when required, are made on a consistent basis.

**Finance cost**

The finance cost consists of the interest and other costs that an entity incurs in connection with borrowing of allocated funds through the Group, the interest on the employee's end-of-service benefits according to IAS 19 'Employee Benefits', and interest expenses on lease liabilities in accordance with IFRS 16 'Leases'.

All other borrowing costs are recognized in the consolidated statement of income in the year in which they are incurred.

**Segment Reporting**

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Group executive management and used to allocate resources to segments and assess their performance. The operating segments described below has been prepared in accordance with IFRS 8. Most of the Group's revenues, profits and assets relate to its operations in Saudi Arabia and arise from specific business segments. The executive management monitors the operational results of these operating segments continuously for making decisions about resource allocation and performance evaluation. The performance of the segment is evaluated on a profit or loss basis and other performance indicators.

**Earnings per share**

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period.

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**8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

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

These estimates and assumptions are based upon experience and other various factors that are believed to be reasonable under these circumstances and are used to estimate the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period, if the effect of revision is limited to that period only, or they are recognized in the revision period and future periods if the revision affects both current and future periods.

The key assumption concerning the future and key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year is discussed below:

*Impairment of non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. An impairment loss reversal is recognized immediately in the consolidated statement of profit or loss.

*Useful life of property, plant and equipment*

The management of the Group determines the useful life of property, plant and equipment for calculating depreciation. The estimate is carried out after considering the expected usage of the assets or obsolescence. Management performs periodic review for the estimated useful lives and depreciation method to ensure that depreciation duration and method are consistent with the expected pattern for the economic benefit of the assets.



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The Group uses the most observable market inputs when measuring the fair value of an asset or a liability. Fair values are classified in a fair value hierarchy based on the inputs used in the valuation which are shown as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*Expected credit loss allowance for trade receivables*

The Group uses a provision matrix to calculate ECLs of trade receivables. The provision rates are based on days past due for groupings of various customer segments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e. GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial sector, the historical default rates are adjusted.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

*Provision for slow moving and obsolete items*

Inventories are stated at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made for their net realizable value.

For individually significant amounts, this estimate is made on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of aging or obsolescence.

*Assumptions of employees' benefits obligations*

The Group operates an end-of-service benefits plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuations.

Certain actuarial assumptions have been applied as set out in Note 21 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

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**8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)**

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate for the consideration required to settle the present obligation at reporting date taking into account risk and doubts specific to liability. Where the provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When the Company expects some or all of economic benefits that are required to settle a provision of third party to be reimbursed, the accrued amount is recognized as an asset if the reimbursed amount is virtually certain and its value can be reliably estimated.

Onerous contracts

Current liabilities - arising from onerous contracts - are identified and recognized as provisions. The contract is considered as onerous contract if the Company enters into a contract in which the unavoidable costs of meeting the contractual obligations exceed the financial returns expected to be received under the contract.

Zakat and income tax

When calculating the Zakat and income tax expense for the current period, the Group has adjusted its net income and applied certain assumptions to the Zakat and income tax base used to calculate the Zakat and income tax expense.

However, the Zakat legislations issued by the Zakat, Tax and Customs Authority ("ZATCA") with respect to these amendments are subject to amendments and interpretations that are subject to change. The Group's management has provided its best estimates for those assumptions.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities.

The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

Going concern

The Group's management use estimates and assumptions to assess the group's ability to continue as a going concern, this includes an assessment of any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

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Cost	Land	Buildings (**)	Machine and equipment	Motor Vehicles	Furniture & fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (*)	Total
<b>1 January 2021</b>	222,937,082	369,976,081	1,881,182,877	15,605,978	26,852,142	49,410,035	110,613,397	14,989,611	9,707,092	76,546,417	2,777,820,712
Additions	-	517,952	1,066,921	530,102	1,131,909	1,394,997	553,709	3,468,323	99,948	60,400,344	69,164,205
Disposals	-	-	-	-	(26,978)	-	-	(424,678)	(23,248)	-	(474,904)
Transfers from asset under construction	-	5,654,806	66,163,853	-	514,872	-	-	-	-	(72,333,531)	-
Transfer between related parties	-	-	(4,905,119)	-	-	-	-	-	-	4,905,119	-
Effect of movements in exchange rates	(250,044)	149,719	-	(5,371)	(46)	1,224	-	-	-	-	(104,518)
<b>31 December 2021</b>	222,687,038	376,298,538	1,943,508,532	16,130,709	28,471,899	50,806,256	111,167,106	18,033,256	9,783,792	69,518,349	2,846,405,495
<b>Accumulated depreciation</b>											
<b>1 January 2021</b>	-	206,835,103	1,247,607,586	14,598,007	23,037,114	43,786,822	81,136,404	11,649,390	2,885,856	1,880,239	1,633,416,521
Charge for the year	-	12,813,554	30,871,788	485,528	2,665,742	2,823,813	7,093,714	1,140,567	525,224	-	58,419,930
Disposals	-	-	-	-	(4,175)	-	-	(168,443)	(2,518)	-	(175,136)
Transfers from asset under construction	-	-	1,880,239	-	-	-	-	-	-	(1,880,239)	-
<b>31 December 2021</b>	-	219,648,657	1,280,359,613	15,083,535	25,698,681	46,610,635	88,230,118	12,621,514	3,408,562	-	1,691,661,315
<b>Net carrying amount</b>											
<b>31 December 2021</b>	222,687,038	156,649,901	663,148,919	1,047,174	2,773,218	4,195,621	22,936,988	5,411,742	6,375,230	69,518,349	1,154,744,180
<b>31 December 2020</b>	222,937,082	163,140,978	633,575,291	1,007,971	3,815,028	5,623,213	29,476,993	3,340,221	6,821,236	74,666,178	1,144,404,191

\* Represent the value of the work in progress related to the construction of the Group's plant facilities.

\*\* This item includes buildings constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a period of 20 years till 1454 H. corresponding to 2033 AD.



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**(All amounts are expressed in Saudi Riyals unless otherwise stated)****9- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land	Buildings (**)	Machine and equipment	Motor Vehicles	Furniture & fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (*)	Total
<b>Cost</b>											
1 January 2020	222,937,082	369,770,884	1,868,222,055	15,663,418	26,385,824	48,749,842	108,105,362	14,623,331	9,707,092	118,579,567	2,802,744,457
Additions	-	205,197	849,037	130,560	466,318	737,193	2,508,035	366,280	-	45,109,672	50,372,292
Disposals	-	-	(188,000)	(188,000)	-	(77,000)	-	-	-	(274,870)	(727,870)
Transfers from asset under construction	-	-	12,299,785	-	-	-	-	-	-	(12,299,785)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	(74,568,167)	(74,568,167)
31 December 2020	222,937,082	369,976,081	1,881,182,877	15,605,978	26,852,142	49,410,035	110,613,397	14,989,611	9,707,092	76,546,417	2,777,820,712
<b>Accumulated depreciation</b>											
1 January 2020	-	192,718,371	1,217,036,269	14,124,863	21,018,726	40,601,228	73,882,977	11,023,994	1,907,356	1,880,239	1,574,194,023
Charge for the year	-	14,116,732	30,759,317	661,144	2,018,388	3,262,594	7,253,427	625,396	978,500	-	59,675,498
Disposals	-	-	(188,000)	(188,000)	-	(77,000)	-	-	-	-	(453,000)
31 December 2020	-	206,835,103	1,247,607,586	14,598,007	23,037,114	43,786,822	81,136,404	11,649,390	2,885,856	1,880,239	1,633,416,521
<b>Net carrying amount</b>											
31 December 2020	222,937,082	163,140,978	633,575,291	1,007,971	3,815,028	5,623,213	29,476,993	3,340,221	6,821,236	74,666,178	1,144,404,191
31 December 2019	222,937,082	177,052,513	651,185,786	1,538,555	5,367,098	8,148,614	34,222,385	3,599,337	7,799,736	116,699,328	1,228,550,434

\* Represent the value of the work in progress related to the construction of the Group's plant facilities.

\*\* This item includes buildings constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a period of 20 years till 1454 H corresponding to 2033 AD.

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	<u>2021</u>	<u>2020</u>
	<u>Computer software</u>	<u>Computer software</u>
<b>Cost:</b>		
As of 1 January	74,568,167	-
Additions during the year	128,438	74,568,167
As of 31 December	<u>74,696,605</u>	<u>74,568,167</u>
<b>Amortization:</b>		
As of 1 January	2,485,606	-
Charge for the year	4,972,282	2,485,606
As of 31 December	<u>7,457,888</u>	<u>2,485,606</u>
<b>Net book value as at 31 December</b>	<u>67,238,717</u>	<u>72,082,561</u>

The above intangible assets represent cost of SAP system which was used beginning of the year 2020.

**11- INVESTMENTS AT FVOCI**

	<u>Shareholding</u>	<u>2021</u>	<u>2020</u>
Natural Gas Distribution Company	7.67%	46,153,233	3,833,325
International Company for Insulation Materials *	19.70%	470,824	470,824
Alnayfat Company	0.011%	352,986	-
Saudi Tadawul Group	0.010%	1,494,630	-
Stc Solution Investment	0.050%	1,162,700	-
Almunajem Investment	0.008%	290,151	-
		<u>49,924,524</u>	<u>4,304,149</u>

\* The aforementioned investment is investment unquoted. The management estimated that there is no material difference between their fair value and their book value.

The movement on investments at FVOCI as follow:

	<u>Opening Balance</u>	<u>Additions</u>	<u>Net change in fair value</u>	<u>Ending Balance</u>
Natural Gas Distribution Company	3,833,325	-	42,319,908	46,153,233
International Company for Insulation Materials	470,824	-	-	470,824
Alnayfat Company	-	381,602	(28,616)	352,986
Saudi Tadawul Group	-	1,247,505	247,125	1,494,630
Stc Solution Investment	-	932,878	229,822	1,162,700
Almunajem Investment	-	299,640	(9,489)	290,151
	<u>4,304,149</u>	<u>2,861,625</u>	<u>42,758,750</u>	<u>49,924,524</u>

**12- RIGHT-OF-USE ASSETS**

	<u>2021</u>	<u>2020</u>
<b>Right-of-use assets</b>		
As at 1 January	12,639,802	14,429,329
Depreciation charged during the year	(1,797,693)	(1,789,527)
Right-of-use assets at 31 December	<u>10,842,109</u>	<u>12,639,802</u>

**Depreciation charge for the period ended has been allocated as follows:**

Cost of sales	<u>1,797,693</u>	<u>1,789,527</u>
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**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****12- RIGHT-OF-USE ASSETS (CONTINUED)**

<b>Lease liabilities</b>		
<b>Maturity analysis – contractual undiscounted cash flows</b>	<b>2021</b>	<b>2020</b>
<b>Discounted lease liabilities included in the consolidated statement of financial position</b>		
Current	<b>1,910,005</b>	2,054,143
Non-current	<b>9,052,975</b>	10,431,847
	<b>10,962,980</b>	12,485,990
	<b>For the year ended</b>	<b>For the year ended</b>
	<b>31 December</b>	<b>31 December</b>
<b>Amounts recognized in the consolidated statement of profit or loss</b>	<b>2021</b>	<b>2020</b>
Depreciation of right-of-use assets	<b>1,797,693</b>	1,789,527
Interest on lease liabilities	<b>398,993</b>	275,566

**13- INVENTORIES**

	<b>2021</b>	<b>2020</b>
Finished goods	<b>868,135,090</b>	741,444,333
Work in progress	<b>339,652,655</b>	145,384,122
Raw materials	<b>291,775,177</b>	199,545,977
Spare parts	<b>71,054,915</b>	68,242,851
Packaging material	<b>35,018,161</b>	24,478,801
Goods-in-transit	<b>24,518,808</b>	15,774,723
Others	<b>5,054,170</b>	1,158,325
<b>Total</b>	<b>1,635,208,976</b>	1,196,029,132
Less: allowance for slow moving inventory	<b>(49,660,390)</b>	(50,983,229)
<b>Net inventories</b>	<b>1,585,548,586</b>	1,145,045,903

\* The Group has entered into a variety of future contracts to meet the price fluctuations risk of copper and aluminum, in order to meet the Group's requirements expected from use in manufacturing processes. The effect of closing these contracts - contracts to buy or sell non-financial instruments / or contracts for self-use which are not classified as hedging instruments is recorded in the cost of production included in the consolidated statement of profit or loss and other comprehensive income. The book value of the unexecuted future contracts for copper and aluminum on 31 December 2021, amounted to 46 million US dollars, equivalent to 172 million Saudi riyals.

Movement in allowance for slow moving inventory is as follows:

	<b>2021</b>	<b>2020</b>
As at 1 January	<b>50,983,229</b>	45,982,039
Provision during the year	<b>1,441,699</b>	7,753,410
Reversal of provision during the year	<b>(2,764,538)</b>	(2,752,220)
<b>As at 31 December</b>	<b>49,660,390</b>	50,983,229

**14- TRADE RECEIVABLES**

	<b>2021</b>	<b>2020</b>
Trade receivables	<b>1,011,313,814</b>	877,006,763
Less: Allowance for expected credit losses	<b>(48,649,310)</b>	(58,021,456)
<b>Net trade receivables</b>	<b>962,664,504</b>	818,985,307

Accounts receivable amounts include due from related parties of SR 2,864,366 (2020: SR 3,828,229) Note 35.

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	Total	Age bracket				More than 365 days
		0 to 90 Days	91-180 days	181-270 days	271-365 days	
2021	1,011,313,814	956,142,465	7,303,991	6,392,604	1,587,065	39,887,689
2020	877,006,763	818,623,722	11,178,135	6,745,703	3,954,393	36,504,810

**Expected credit loss assessment for trade and other receivables:**

The Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the lifetime expected credit losses for all financial assets measured at amortized cost. The key inputs into the measurement of ECL are the following variables:

- Probability of default using a statistical model (i.e. normal distribution curve)
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

The movement in allowance for expected credit losses for trade receivables is as follows:

	2021	2020
As at 1 January	58,021,456	114,714,138
Reversal of allowance for expected credit losses	(8,670,649)	(12,139,922)
Utilization of provisions during the year	(701,497)	(44,552,760)
<b>As at 31 December *</b>	<b>48,649,310</b>	<b>58,021,456</b>

\* The balance of the provision includes an allowance for doubtful debts related to a customer of SR 34 million representing 100% of the customer's debt for which the Group has made as of 31 December 2020, which is currently being worked on to find a final settlement of the full the aforementioned debt, using the usual legal methods in this case.

**15- CONTRACT ASSETS**

	2021	2020
Total costs incurred up to reporting date	281,702,818	304,265,771
Total income recognized up to reporting date	36,608,970	30,454,170
Less: Progress billings	(306,565,097)	(327,897,839)
	<b>11,746,691</b>	<b>6,822,102</b>

**16- ADVANCES AND OTHER CURRENT ASSETS**

	2021	2020
Advances to suppliers	28,481,220	16,481,891
Suppliers – debit balances (*)	11,749,771	-
Prepaid expenses	6,169,731	5,492,044
Employees' receivables	3,554,956	1,243,689
Refundable deposits - customs	2,118,054	2,212,603
Value added tax	-	999,588
Other	7,527,626	7,163,366
	<b>59,601,358</b>	<b>33,593,181</b>

(\*) This balance represents the value of discounts due for the year from the suppliers of the company.

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	2021	2020
Bank balances	49,967,628	63,745,656
Cash in hand	388,573	507,101
	<u>50,356,201</u>	<u>64,252,757</u>

**18- SHARE CAPITAL**

At 31 December 2021 and 2020, the Company's share capital consists of 150 million shares at SR 10 each. The total issued capital is SR 1.5 billion. There were no movements in share capital during the year. The Company's shareholder structure includes Saudi and foreign shareholders.

	31 December 2021			31 December 2020		
	No. of shares	Share holding	Value (SR)	No. of shares	Share holding	Value (SR)
Abdulkadir Al Muhaidib & Sons	46,000,000	30.67%	460,000,000	46,000,000	30.67%	460,000,000
Ajjal Al Hekma Investments Company Ltd.	43,000,000	28.67%	430,000,000	43,000,000	28.67%	430,000,000
Alma Limited Company	17,854,167	11.90%	178,541,670	17,854,167	11.90%	178,541,670
Ahmad Samer Al Zaim	17,854,167	11.90%	178,541,670	17,854,167	11.90%	178,541,670
Mohammed Hekmat Al Zaim	7,500,000	5.00%	75,000,000	7,500,000	5.00%	75,000,000
Mohammed Abdulaziz Altwijri	-	-	-	1,500,000	1.00%	15,000,000
Mohammed Suliman alsaleem	1,500,000	1.00%	15,000,000	-	-	-
Khader Mohsin Al-Ibraheem	1,500,000	1.00%	15,000,000	1,500,000	1.00%	15,000,000
Ihsan Al Zaim	4,437,500	2.96%	44,375,000	4,437,500	2.96%	44,375,000
Rana Hamdi Al Zaim	5,177,083	3.45%	51,770,830	5,177,083	3.45%	51,770,830
Leena Hamdi Al Zaim	5,177,083	3.45%	51,770,830	5,177,083	3.45%	51,770,830
	<u>150,000,000</u>	<u>100%</u>	<u>1,500,000,000</u>	<u>150,000,000</u>	<u>100%</u>	<u>1,500,000,000</u>

**19- STATUTORY RESERVE**

In accordance with the Regulations for Companies in Kingdom of Saudi Arabia, the Group establishes a statutory reserve by the appropriation of 10% of net income for the year until such reserve equals 30% of the share capital.

**20- DIVIDENDS**

- During 2021, the Company has distributed an amount of SR 196.5 million, based on the minutes of the Ordinary General Assembly meeting held on 29 June 2021.
- During 2020, the Company has distributed an amount of SR 178.5 million to the shareholders, based on the minutes of the Ordinary General Assembly meeting held on 19 May 2020 (SR 165 million) and based on the resolution of the Board of Directors dated 21 September 2020 (SR 13.5 million).

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**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****21- EMPLOYEES' BENEFIT OBLIGATIONS**

The Group operates defined benefit plans in line with the labor law requirements in the countries where the Group's entities operate. The payments under this plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment.

The employment benefits plans are unfunded.

***Opening balance in the consolidated statement of financial position***

The amounts recognized in the consolidated statement of financial position and the movements in the net defined benefits obligations during the year are as follows:

	<u>2021</u>	<u>2020</u>
As at 1 January	96,426,743	96,146,476
Current service cost	10,142,915	9,136,629
Interest cost	2,687,000	2,493,000
Paid during the year	(10,829,731)	(10,961,267)
Change in actuarial assumptions	8,983,787	(388,095)
<b>As at 31 December</b>	<b>107,410,714</b>	<b>96,426,743</b>

***Significant actuarial assumptions***

The significant actuarial assumptions used were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	2.80%	2.90%
Salary growth rate	2.00%	2.00%

***Sensitivity analysis***

The sensitivity of the defined benefit obligation to changes in the weighted key assumptions made is as follows:

	Change	<b>Impact on the balance of the defined benefit obligation in 2021</b>	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(92,184,556)	107,687,556
Salary growth rate	1%	107,670,556	(92,065,556)

	Change	<b>Impact on the balance of the defined benefit obligation in 2020</b>	
		Increase in assumption	Increase in assumption
Discount rate	1%	(83,264,000)	96,935,000
Salary growth rate	1%	96,928,000	(83,152,000)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to happen, and changes in some assumptions may be related to others. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognized in the consolidated statement of financial position.



**RIYADH CABLES GROUP COMPANY****(A Saudi closed joint stock company)**

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**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****22- ISLAMIC FINANCE FACILITIES**

The Group entered into credit facilities agreements with several local banks to support working capital during the year with a total amount of SR 3.2 billion (2020: SR 2.7 billion) at Islamic Murabaha interest rates agreed upon with the banks.

All credit facilities were granted according to promissory notes approved by some members of the Board of Directors according to the authorities granted to them and approved by the Board of the Company. Interest rates on short-term loan is based on the Saudi Interbank Offered Rate (SIBOR) plus a variable rate during the year.

	<u>2021</u>	<u>2020</u>
1 January	858,675,000	1,209,531,500
Withdrawn during the year	3,280,437,500	2,746,225,000
Paid during the year	<u>(2,814,937,500)</u>	<u>(3,097,081,500)</u>
31 December	<u>1,324,175,000</u>	<u>858,675,000</u>

**23- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<u>2021</u>	<u>2020</u>
Advances from customers	50,343,976	36,894,194
Accrued value added tax	45,252,538	20,799,066
Employees related accruals	21,396,635	18,304,131
Accrued project expenses	1,883,780	3,271,415
Accrued expenses	<u>21,939,652</u>	<u>28,613,635</u>
	<u>140,816,581</u>	<u>107,882,441</u>

**24- TRADE PAYABLES**

	<u>2021</u>	<u>2020</u>
Trade payables	<u>221,031,943</u>	<u>127,607,217</u>

- Accounts payable amounts include due to related parties of SR 28,594 (2020: SR 26,544) Note 35.

**25- PROVISIONS**

	<u>2021</u>	<u>2020</u>
Provision for onerous contracts (25.1)	78,038,691	105,830,803
Provision for lawsuits (25.2)	<u>4,473,937</u>	<u>4,473,937</u>
	<u>82,512,628</u>	<u>110,304,740</u>

25.1 A provision of SR 78,038,691 (2020: SR 105,830,803) has been created by the Group in relation to the contracts as the current commitment of some of these contracts entered into with the Group's customers (onerous contracts) that will require cash outflows to settle these contracts due to increased copper and aluminum prices (used in cable products) during the year.

25.2 This provision represents the management's best estimate against a lawsuit filed against the Group by one of its clients.

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**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****26- ZAKAT AND INCOME TAX***Zakat and income tax status*

The Group received a final assessment up to 31 December 2015. The assessments for years 2016 through 2020 are still under review by the Zakat, Tax and Customs Authority ("ZATCA").

Zakat and income tax have been calculated on the separate financial statements of the Group companies. Zakat related to Saudi shareholders and tax related to non-Saudi shareholders have been calculated according to the separate financial statements of each company in the Group.

The Company's shareholders structure has been changed as a result of foreign shareholders entering the shareholding structure as of 1 April 2017.

The Group's entities received Zakat and income tax certificates stating that these entities filed their tax and Zakat returns to Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia up to the year ended 31 December 2021 and received the required receipts and certificates.

Subsidiaries outside the Kingdom of Saudi Arabia are subject to the tax provisions of the countries of the Gulf Cooperation Council, Egypt and Iraq, and there are no tax disputes or claims from any tax authority for these companies mentioned to date.

Furthermore, the Group received Zakat certificate for the year 2021 valid up to 30 April 2022.

- The Group has calculated the deferred tax and it has not been recorded, as its amount is not material to the consolidated financial statements.

*Provision for Zakat and income tax*

*The movement in zakat and income tax provision for the years ended 31 December 2021 and 2020 is as follows:*

	<u>2021</u>	<u>2020</u>
As at 1 January	29,422,275	22,123,551
Provision for the year	31,375,995	32,136,967
Payments made during the year	<u>(31,108,030)</u>	<u>(24,838,243)</u>
As at 31 December	<u>29,690,240</u>	<u>29,422,275</u>

**27- REVENUE****For the year ended 31 December**

	<u>2021</u>	<u>2020</u>
<b>A- Revenue recognition timing</b>		
Goods transferred at a point in time	4,803,910,264	4,076,598,020
Contract revenues over time during the contract period	79,533,618	10,218,120
	<u>4,883,443,882</u>	<u>4,086,816,140</u>

**For the year ended 31 December**

	<u>2021</u>	<u>2020</u>
<b>B- Geographical Markets</b>		
Local Sales	3,287,853,780	2,871,557,136
External Sales	1,595,590,102	1,215,259,004
	<u>4,883,443,882</u>	<u>4,086,816,140</u>



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**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****27- REVENUE**

C- Below is a summary of the information about the Group's performance obligations:

<b>Product type</b>	<b>The nature and timing of fulfillment of performance obligations</b>	<b>Revenue recognition in accordance with IFRS 15</b>
Revenue from Sales of Goods	The performance obligation is fulfilled at a point in time.	Revenue is recognized when control of the goods is transferred to the customer.
Contract revenues	The performance obligation is satisfied over time during the term of the contract. Payment is obtained based on the credit terms agreed with the customer.	Revenue is recognized on the percentage of completion method. The completion percentage is calculated using the input method.

**28- COST OF REVENUE**

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Raw Material	<b>4,124,352,023</b>	3,358,095,238
Salaries and employees' related benefits	<b>164,610,929</b>	153,223,769
Depreciation	<b>55,450,831</b>	52,806,638
Repairs and Maintenance	<b>31,081,799</b>	35,341,608
Electricity and other Utilities	<b>38,596,022</b>	39,000,165
Other	<b>6,269,291</b>	11,971,383
	<b>4,420,360,895</b>	3,650,438,801

**29- SELLING AND DISTRIBUTION EXPENSES**

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Salaries and employees' related benefits	<b>42,148,858</b>	41,070,972
Cargo charges	<b>29,595,112</b>	30,218,853
Sales commission	<b>3,700,294</b>	1,470,436
Inspection and quality testing expenses	<b>3,174,718</b>	732,261
Rental expenses	<b>1,894,769</b>	1,664,158
Insurance expense	<b>1,543,683</b>	1,404,324
Advertising and showrooms expenses	<b>1,536,797</b>	1,612,821
Depreciation expense	<b>475,054</b>	930,901
Communication expenses	<b>347,420</b>	374,726
Other expenses	<b>7,346,340</b>	7,530,165
	<b>91,763,045</b>	87,009,617

**30- GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Salaries and employees' related benefits	<b>55,725,368</b>	61,062,514
Depreciation expense	<b>9,161,405</b>	7,220,998
Legal and Professional	<b>4,633,594</b>	4,561,542
Maintenance and repair expense	<b>2,158,847</b>	2,087,223
Travel and insurance expense	<b>957,413</b>	530,906
Communications and network expense	<b>368,365</b>	854,327
Offices supplies expenses	<b>196,804</b>	368,955
Other expenses	<b>6,275,339</b>	7,810,682
	<b>79,477,135</b>	84,497,147

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**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****31- OTHER INCOME – NET**

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Gain on disposal of PPE	-	68,000
Foreign exchange losses	<b>(561,571)</b>	(6,679,439)
Others	<b>3,201,628</b>	15,211,568
	<b>2,640,057</b>	<b>8,600,129</b>

**32- FINANCE COSTS**

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Bank interest	<b>22,382,797</b>	24,557,668
Bank commissions	<b>6,311,761</b>	8,024,310
Interest on employees' defined benefits obligations	<b>2,687,000</b>	2,493,000
Interest on lease liabilities	<b>398,993</b>	275,566
	<b>31,780,551</b>	<b>35,350,544</b>

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**33-**

**SEGMENT REPORTS**

The Group's activities include a number of Segments as follows:

Cables & Wires Segment: This includes Electrical Cables

HV Project Segment: This includes Turnkey Projects.

Other Segments: This includes Telephone Cables and Services.

As at and for the year ending 31 December 2021

	<u>Cables &amp; Wires</u>	<u>HV Project</u>	<u>Other</u>	<u>Total</u>
Revenue	4,763,098,769	79,533,618	40,811,495	4,883,443,882
Cost of revenue	(4,316,228,030)	(71,375,233)	(32,757,632)	(4,420,360,895)
Operating expenses	(169,247,886)	(1,094,420)	(897,874)	(171,240,180)
Allowance / (reversal of) allowance for expected credit losses	8,889,798	250,821	(469,970)	8,670,649
Other income, net	2,173,711	259,573	206,773	2,640,057
Finance costs	(30,432,183)	(773,299)	(575,069)	(31,780,551)
Profit before zakat and income tax	258,254,179	6,801,060	6,317,723	271,372,962
Total assets	3,626,352,191	200,785,131	125,529,548	3,952,666,870
Total liabilities	1,806,688,413	69,004,749	40,906,924	1,916,600,086

As at and for the year ending 31 December 2020

	<u>Cables &amp; Wires</u>	<u>HV Project</u>	<u>Other</u>	<u>Total</u>
Revenue	4,009,906,267	20,387,536	56,522,337	4,086,816,140
Cost of revenue	(3,582,290,265)	(19,131,587)	(49,016,949)	(3,650,438,801)
Operating expenses	(169,410,961)	(556,012)	(1,539,791)	(171,506,764)
Allowance / (reversal of) allowance for expected credit losses	12,172,559	52,519	(85,156)	12,139,922
Other income, net	5,372,969	3,185,474	41,686	8,600,129
Finance costs	(34,326,377)	(46,650)	(977,517)	(35,350,544)
Profit before zakat and income tax	241,424,192	3,891,280	4,944,610	250,260,082
Total assets	2,432,262,405	693,809,974	176,057,574	3,302,129,953
Total liabilities	732,520,421	529,483,693	80,800,292	1,342,804,406

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**(All amounts are expressed in Saudi Riyals unless otherwise stated)****34- EARNINGS PER SHARE – BASIC AND DILUTED**

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to Shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	<u>2021</u>	<u>2020</u>
Net profit for the year	<u>239,832,593</u>	<u>218,428,959</u>
Weighted average number of outstanding ordinary shares (share)	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted earnings per share	<u>1.60</u>	<u>1.45</u>

The diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2021 and 31 December 2020 as there are no instruments with reduced earnings per share effect.

**35- RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the group consist of the shareholders, key management personnel, directors, and companies which are directly or indirectly controlled or influenced by the shareholders, directors, key management personnel.

The Group transacts with different related parties in ordinary course of its business. Transactions are entered into with the related parties on the terms and conditions approved by the Group's management or its board of directors.

**Related party balances**

Balances due from / (to) related parties resulting from transactions with related parties are as follows:

Due from related parties - classified as trade receivables	Nature of relationship with <u>related parties</u>	<u>2021</u>	<u>2020</u>
Thabat Contracting Company	Owned by one of the shareholders	<u>878,693</u>	<u>1,516,052</u>
Masdar Building Material Company	Owned by one of the shareholders	<u>1,985,673</u>	<u>2,312,177</u>
		<u>2,864,366</u>	<u>3,828,229</u>
Due to related parties - classified as trade Payable	Nature of relationship with <u>related parties</u>	<u>2021</u>	<u>2020</u>
Serra Holding Group	One of the shareholders is a member of the Board of Directors of the company	<u>26,544</u>	<u>26,544</u>
Masdar Technical Supplies	One of the shareholders is a member of the Board of Directors of the company	<u>2,050</u>	<u>-</u>
		<u>28,594</u>	<u>26,544</u>

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**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****35- RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****Transaction with related parties**

Transactions with a related party that have been performed during the year, in the ordinary course of business, are summarized below:

	Nature of relationship with related parties	Nature of transaction	2021	2020
Masdar Building Material	Owned by a shareholder	Purchases	1,947,419	1,150,737
Masdar Building Material	Owned by a shareholder	Sales	33,250,012	16,570,192
Serra Holding Group	One of the shareholders is a member of the Board of Directors of the company	Purchases	-	1,722
Thabat Contracting Company	Owned by a shareholder	Sales	3,391,280	6,357,583

**Key management personnel remuneration**

The remuneration of the board of directors and other key management personnel during the year are as follows:

	2021	2020
Salaries and short-term benefits	18,426,462	16,363,226
Employees' benefit obligations	516,875	346,875
	<u>18,943,337</u>	<u>16,710,101</u>

**36- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks, the most important of which are the risks listed below:

Credit risk

Liquidity risk

Market risk (currency risk, interest rate risk and commodity risk)

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital, in addition to the quantitative disclosures included in these consolidated financial statements.

**Risk management framework**

The Board of Directors is full responsible for the establishment and oversight of the Group's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee will report regularly to the board of directors on its activities.

The Group's current risk management policies are established to identify and analyze the risks faced by the Group, so as to set appropriate risk limits and controls, and to monitor risks and abide by limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and establishment of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****36- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)****Risk management framework (continued)**

The audit committee of the Group oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The internal audit provide assistance to the audit committee of the Group in its control role. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which will be reported to the audit committee.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables and cash at banks.

**Trade receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management takes into account the demographics of the Group's customer base, including the default risks for the industry and the country in which customers operate, as these factors may have an impact on credit risk, especially in current economic conditions. Geographically, there is no concentration of credit risk.

The Group only transacts with known and creditworthy third parties. It is the Group's policy that all customers who wish to transact on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, the receivables balances are continuously monitored, resulting in the Group being exposed to bad debts is not material.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using on internal and external rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are monitored regularly.

The Group establishes an allowance for trade receivables impairment that represents its estimate of lifetime expected credit losses on trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified individually, and other is collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The other categories of financial events do not result in significant credit risk.

The carrying amount of the financial assets represents the maximum exposure to credit risk

	31 December 2021		31 December 2020	
	Balance	Impairment	Balance	Impairment
Less than 3 months	956,142,466	4,956,281	818,623,722	12,994,265
More than 3 months and less than 6 months	7,303,991	857,517	11,178,135	1,420,419
More than 6 months and less than one year	7,979,669	2,947,825	10,700,096	7,101,962
More than 1 year	39,887,688	39,887,687	36,504,810	36,504,810
	<b>1,011,313,814</b>	<b>48,649,310</b>	<b>877,006,763</b>	<b>58,021,456</b>

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**36- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)****Credit risk (continued)**

For trade receivables, the Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the expected credit losses for all financial assets measured at amortized cost.

The key inputs into the measurement of ECL are the following variables:

- **Probability of default using a statistical model (i.e. normal distribution curve)**
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

For cash at banks, cash and cash equivalents are deposited with banks with a high credit rating. The Group regularly updates its cash flows. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using on internal and external rating criteria. Outstanding customer receivables are monitored regularly.

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Furthermore, the Group maintains various credit Alternatives.

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

	Less than one year	After one year but not more than 5 years	More than 5 years	Carrying amount
<b>31 December 2021</b>				
Short-term Islamic finance facilities	1,324,175,000	-	-	1,324,175,000
Trade payables	221,031,943	-	-	221,031,943
Lease liabilities	1,910,005	9,052,975	-	10,962,980
Accruals and other payables	140,816,581	-	-	140,816,581
	<b>1,687,933,529</b>	<b>9,052,975</b>	-	<b>1,696,986,504</b>

	Less than one year	After one year but not more than 5 years	More than 5 years	Carrying amount
<b>31 December 2020</b>				
Short-term Islamic finance facilities	858,675,000	-	-	858,675,000
Trade payables	127,607,217	-	-	127,607,217
Lease liabilities	10,431,847	2,054,143	-	12,485,990
Accruals and other payables	107,882,441	-	-	107,882,441
	<b>1,104,596,505</b>	<b>2,054,143</b>	-	<b>1,106,650,648</b>



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**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****36- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)****Market risk**

Market risk is the risk that changes in market prices such as currency rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable standards, while optimizing the return.

The Group purchases financial derivatives and uses its financial obligations to manage market risks. All these transactions are carried out within the guidelines set by the Board of Directors.

**Currency risk**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group, which is primarily Saudi Riyals.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances, in addition to buying derivative instruments.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in the Saudi Riyals against USD - EUR, by 5% higher or lower with all other variables held constant, of the Group's monetary assets and liabilities:

	<b>Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2021 USD sensitivity in SR thousands</b>	<b>Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2021 EUR sensitivity in SR thousands</b>
<b>Increase by 5%</b>	<b>(13,645,717)</b>	<b>(126,090)</b>
<b>Decrease by 5%</b>	<b>13,645,717</b>	<b>126,090</b>
	<b>Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2020 USD sensitivity in SR thousands</b>	<b>Income /(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2020 EUR sensitivity in SR thousands</b>
<b>Increase by 5%</b>	<b>138,009</b>	<b>(97,734)</b>
<b>Decrease by 5%</b>	<b>(138,009)</b>	<b>97,734</b>



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**(All amounts are expressed in Saudi Riyals unless otherwise stated)****36- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)****Currency risk (continued)**

The Group's exposure to foreign currency risk at the end of the reporting year, expressed in SR, was as follows:

	2021				2020			
	Trade receivables	Trade payables	Cash and cash equivalents	Credit facilities Short-term	Trade receivables	Trade payables	Cash and cash equivalents	Credit facilities Short-term
USD	81,451,659	160,716,057	11,475,056.00	205,125,000	71,426,180	69,885,254	22,719,245	21,500,000
EUR	-	3,701,855	1,180,048	-	97,543	2,367,279	315,057	-
CHF	-	62,887	136,516	-	-	636	47,160	-
Pound	-	11,269	245,438	-	-	5,912	394,448	-
BHD	17,117,576	-	319,562	-	16,271,423	15,943	210,635	-
KWD	36,553,112	818,343	3,645,297	-	30,242,292	1,649,062	4,188,911	-
OMR	-	-	287,777	-	769,634	-	120,665	-
QAR	-	-	129,127	-	-	-	171,484	-
AED	337,084,026	3,568,092	8,847,137	-	120,829,822	534,219	3,950,269	-
Iraqi Dinar	736,129	-	-	-	15,025,881	-	-	-
Egyptian Pound	4,547,337	1,630,544	3,955,839	-	-	-	2,884,723	-

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate, because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is primarily related to the Group's loans with floating interest rates.

To reduce volatility and increase predictability of interest expenses, the Group may use debt issuance or enter into simple financial derivatives such as interest rate swaps.

The Group's exposure to the risk of changes in the interest rate market mainly due to loans. Loans at variable rates expose the Group to a change in cash flows as a result of changes in interest rates.

The Group's exposure to risk of changes in interest rates is as follows:

	For the year ended 31 December	
	2021	2020
Variable interest rate loans	<b>1,324,175,000</b>	<b>858,675,000</b>

**Interest rate sensitivity**

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, especially the foreign exchange rate, remain constant.

	Statement of profit or loss	
	Increase by 100 points	Decrease by 100 points
31 December 2021		
Variable interest rate loans	<b>132,417,500</b>	<b>(132,417,500)</b>
Change in cash flows	<b>132,417,500</b>	<b>(132,417,500)</b>

	Statement of profit or loss	
	Increase by 100 points	Decrease by 100 points
31 December 2020		
Variable interest rate loans	<b>85,867,500</b>	<b>(85,867,500)</b>
Change in cash flows	<b>85,867,500</b>	<b>(85,867,500)</b>

**RIYADH CABLES GROUP COMPANY****(A Saudi closed joint stock company)**

Notes to the consolidated financial statements

**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****36- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)****Commodity risk**

The Group is exposed to the impact of market fluctuations on the prices of various inputs to production including aluminum and copper. The Group manages some key elements of commodity price risk through the use of fixed-price forward contracts.

**Fair value measurement**

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

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

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

**Fair value of financial instruments**

The Group is exposed to risks as a result of using financial instruments. The following explains the Group's objectives, policies and operations to manage these risks and methods used to measure them in addition to quantitative information related to these risks in the accompanying financial statements.

There were no significant changes that may expose the Group to financial instrument risks through its objectives, policies and operations to manage these risks and methods used that are different from what have been used in prior years unless otherwise indicated.

- The Group's management considers the fair value for Trade receivables, Islamic finance facilities, balances of related parties, Trade Payables, accruals and other payable approximate to their carrying value because of the short terms of financial instruments.
- The Group's management estimated the fair value for Islamic financing facilities, which are classified in level 3, to be approximate to their carrying value.

**RIYADH CABLES GROUP COMPANY****(A Saudi closed joint stock company)**

Notes to the consolidated financial statements

**For the year ended 31 December 2021****(All amounts are expressed in Saudi Riyals unless otherwise stated)****36- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)****Fair value measurement (continued)****-Transfer out of Level 3**

The Group holds an investment in equity shares of Natural Gas Distribution Company with a fair value of SR 46,153,233 at 31 December 2021 (2020: 3,833,325). The fair value of this investment was categorized as Level 3 at 31 December 2020 (the carrying amount was a reasonable approximate of fair value). This was because the shares were not listed on an exchange and there were no recent observable trading transactions on the shares in the stock exchange.

During 2021, Natural Gas Distribution Company listed its equity shares on an exchange, and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at 31 December 2021.

Financial instruments are exposed to change in value risk as a result of changes in commission rates of the financial assets and liabilities with variable commission. Actual commission rate and period of repricing or maturity of financial assets and liabilities were mentioned in the related notes.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value.

	Carrying amount designated at fair value	Fair value		
		Level 1	Level 2	Level 3
<b>2021</b>				
Investments at FVOCI	49,924,524	49,453,700	-	470,824
<b>2020</b>				
Investments at FVOCI	4,304,149	-	-	4,304,149

**37- CAPITAL MANAGEMENT****Risk management**

Capital is equity attributable to the equity holders of the Group. The primary objective to the Group's capital management is to support its business and maximize shareholder value.

The policy of the Board of Directors is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the Company. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions.

The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by adjusted total equity.

The Board of Directors also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

**RIYADH CABLES GROUP COMPANY**  
**(A Saudi closed joint stock company)**  
 Notes to the consolidated financial statements  
 For the year ended 31 December 2021  
 (All amounts are expressed in Saudi Riyals unless otherwise stated)

**37- CAPITAL MANAGEMENT (CONTINUED)**

**Risk management (continued)**

The Group's debt to adjusted capital ratio at the end of the reporting year was as follows:

	<u>2021</u>	<u>2020</u>
Total liabilities	1,916,600,086	1,342,804,406
Less: cash and cash equivalents	(50,356,201)	(64,252,757)
Adjusted net debt	<u>1,866,243,885</u>	<u>1,278,551,649</u>
Total equity	2,036,066,784	1,959,325,547
Adjusted equity and net debt	<u>3,902,310,669</u>	<u>3,237,877,196</u>
Adjusted debt ratio to adjusted equity ratio	<u>48%</u>	<u>39%</u>

**38- CONTINGENCIES AND COMMITMENTS**

*Capital commitments*

At 31 December 2021, the Group has commitments of SR 30 million (31 December 2020: SR 24 million) relating to capital expenditures for the expansion works of the group's factories.

*Legal claim contingency*

The Group faces, in its ordinary course of business, lawsuits, which are under litigation. While the ultimate results of these matters cannot be determined with certainty, the Group's management does not expect that they will have a material negative impact on the consolidated financial statements of the Group.

*Contingent liabilities*

The contingent liabilities amounted to SR 512.4 million (31 December 2020: SR 457 million) against bank facilities in the form of letters of credit and letters of guarantee obtained by the Group from several local banks against a commission for granting facilities without any bank cover.

**39- SUBSEQUENT EVENTS**

Subsequent to December 31, 2021, on April 28, 2022, the general assembly of shareholders decided to distribute profits amounting to 216 million Saudi riyals from the distributable retained earnings for the year ended December 31, 2021 at the rate of (1.44 riyals per share). These Dividends to be paid during the year ending December 31, 2022, otherwise no other matters have occurred to date that may materially affect the financial statements and disclosures related to them for the year ended December 31, 2021.

**40- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been approved by the Board of Directors on 13 Ramadan 1443 H (corresponding to 14 April 2022).

Riyadh Cables Group Company  
(A Saudi Closed Joint Stock Company)  
**Condensed Consolidated Financial Statements (Unaudited)**  
**For the six-month period ended 30 June 2022**  
**Together with the Independent Auditor's Limited Review Report**

Riyadh Cables Group Company  
(A Saudi Closed Joint Stock Company)  
Condensed consolidated financial statements and independent auditor's review report  
For the six-month period ended 30 June 2022

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### KPMG Professional Services

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Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

### كي بي إم جي للاستشارات المهنية

وأجبة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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

To the Shareholders of Riyadh Cables Group Company (A Saudi Closed Joint Stock Company)

### Introduction

We have reviewed the accompanying 30 June 2022 condensed consolidated interim financial statements of Riyadh Cables Group Company ("the Company") and its subsidiaries (together referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2022,
- the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2022;
- the condensed consolidated statement of other comprehensive income for the six-month period ended 30 June 2022;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2022;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2022; and
- The notes to the condensed consolidated interim financial statements.

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

### Scope of review

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

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة منفصلة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي منقوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والتابعة لكي بي إم جي العالمية المحدودة، شركة لطيفية محدودة بضمان. جميع الحقوق محفوظة.



## Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements (continued)

To the Shareholders of Riyadh Cables Group Company (A Saudi Closed Joint Stock Company)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2022 of Riyadh Cables Group Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

### KPMG Professional Services



**Fahad Mubark Aldossari**  
License No. 469

Riyadh, 9 Safar 1444H  
Corresponding to: 5 September 2022





Riyadh Cables Group Company  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Financial Position (Unaudited)**  
As at 30 June 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

		30 June 2022	31 December 2021
	Note	(Unaudited)	(Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	7	1,134,275,602	1,154,744,180
Intangible assets, net		64,746,690	67,238,717
Investments at fair value through other comprehensive income		30,595,568	49,924,524
Right of use assets		10,099,295	10,842,109
Investment properties	8	20,403,136	-
<b>Total non-current assets</b>		<b>1,260,120,291</b>	<b>1,282,749,530</b>
<b>Current assets</b>			
Inventory	9	1,895,914,645	1,585,548,586
Trade receivables	10	1,383,019,002	962,664,504
Contract assets		-	11,746,691
Advances and other current assets	11	78,260,313	59,601,358
Cash and cash equivalents		97,096,374	50,356,201
<b>Total current assets</b>		<b>3,454,290,334</b>	<b>2,669,917,340</b>
<b>Total assets</b>		<b>4,714,410,625</b>	<b>3,952,666,870</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		1,500,000,000	1,500,000,000
Statutory reserve		253,094,307	253,094,307
Retained earnings		174,714,213	261,078,163
Acquisition reserve of a subsidiary		22,725,173	22,725,173
Hedging contracts reserve	13.2	(31,901,047)	-
Foreign operations translation reserve		(1,264,063)	(1,264,063)
<b>Equity attributable to the shareholders of the company</b>		<b>1,917,368,583</b>	<b>2,035,633,580</b>
Non-controlling interests		451,729	433,204
<b>Total equity</b>		<b>1,917,820,312</b>	<b>2,036,066,784</b>
<b>Non-current Liabilities</b>			
End-of-service benefits obligations		113,309,282	107,410,714
Lease liabilities		8,089,802	9,052,975
<b>Total non-current liabilities</b>		<b>121,399,084</b>	<b>116,463,689</b>
<b>Current liabilities</b>			
Islamic finance facilities	12	1,607,070,000	1,324,175,000
Accrued expenses and other liabilities	13	420,095,339	140,816,581
Trade payables		506,504,614	221,031,943
Provisions	14	95,954,763	82,512,628
Contract claims		24,519,207	-
Provision for Zakat and income tax		19,327,919	29,690,240
Lease liabilities - current portion		1,719,387	1,910,005
<b>Total current liabilities</b>		<b>2,675,191,229</b>	<b>1,800,136,397</b>
<b>Total liabilities</b>		<b>2,796,590,313</b>	<b>1,916,600,086</b>
<b>Total equity and liabilities</b>		<b>4,714,410,625</b>	<b>3,952,666,870</b>

CFO

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The accompanying notes from 1 to 24 form an integral part of these condensed consolidated financial statements.

Riyadh Cables Group Company  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Profit or Loss (unaudited)**  
For the six-month period ended 30 June 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Revenue		<b>3,252,286,857</b>	2,235,426,371
Cost of revenue	15	<b>(2,958,697,231)</b>	(2,005,336,342)
Gross profit		<b>293,589,626</b>	230,090,029
Operating expenses			
Selling and distribution expenses	16	<b>(48,403,885)</b>	(44,604,910)
General and administrative expenses	17	<b>(49,325,696)</b>	(41,248,025)
Allowance for expected credit losses		-	3,577,655
Other (expenses) income, net	18	<b>(1,891,008)</b>	1,576,622
Operating profit		<b>193,969,038</b>	149,391,371
Finance costs	19	<b>(25,504,517)</b>	(14,670,581)
Income before Zakat and income tax		<b>168,464,521</b>	134,720,790
Zakat and income tax		<b>(15,115,018)</b>	(15,869,067)
Net profit for the period		<b>153,349,503</b>	118,851,723
Attributable to:			
Shareholders of the Company		<b>153,268,644</b>	118,784,583
Non-controlling interests		<b>80,859</b>	67,140
Net profit for the period		<b>153,349,503</b>	118,851,723
<b>Earnings per share:</b>			
<b>Basic and diluted earnings per share</b>	21	<b>1.02</b>	0.79

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The accompanying notes from 1 to 24 form an integral part of these condensed consolidated financial statements.

Riyadh Cables Group Company  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Other Comprehensive Income (unaudited)**  
For the six-month period ended 30 June 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
<b>Net profit for the period</b>		<b>153,349,503</b>	118,851,723
<b>Other comprehensive income</b>			
<b><u>Items that may be reclassified to profit or loss</u></b>			
Effective portion of hedging contracts- change in fair value	13.2	(31,901,047)	-
Foreign operations translation reserve		-	(86,068)
<b><u>Items that will not be reclassified to profit or loss</u></b>			
Investments at fair value through other comprehensive income – net change in fair value		(19,029,313)	-
Re-measurement of end-of-service benefits obligations		(4,603,281)	(4,491,895)
<b>Other comprehensive loss for the Period</b>		<b>(55,533,641)</b>	<b>(4,577,963)</b>
<b>Total comprehensive income</b>		<b>97,815,862</b>	114,273,760
<b>Comprehensive income attributable to:</b>			
Shareholders of the Company		97,735,003	114,206,620
Non-controlling interests		80,859	67,140
		<b>97,815,862</b>	114,273,760

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The accompanying notes from 1 to 24 form an integral part of these condensed consolidated financial statements.

Riyadh Cables Group Company  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Changes in Equity (unaudited)**  
For the six-month period ended 30 June 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

Note	Equity attributable to the shareholders of the company							Total equity	
	Share capital	Statutory reserve	Retained earnings	Acquisition reserve of a subsidiary	Cash flow hedge reserve	Foreign operations translation reserve	Total		Non-controlling interests
<b>Balance at 1 January 2021 (audited)</b>	1,500,000,000	229,111,048	207,953,866	22,725,173	-	(428,649)	1,959,361,438	(35,891)	1,959,325,547
Net profit for the period	-	-	118,784,583	-	-	-	118,784,583	67,140	118,851,723
Other comprehensive loss for the Period	-	-	(4,491,895)	-	-	(86,068)	(4,577,963)	-	(4,577,963)
<b>Total comprehensive income for the period</b>	-	-	114,292,688	-	-	(86,068)	114,206,620	67,140	114,273,760
Dividends	-	-	(196,500,000)	-	-	-	(196,500,000)	(61,699)	(196,561,699)
Balance at 30 June 2021 (Unaudited)	1,500,000,000	229,111,048	125,746,554	22,725,173	-	(514,717)	1,877,068,058	(30,450)	1,877,037,608
<b>Balance at 1 January 2022 (audited)</b>	1,500,000,000	253,094,307	261,078,163	22,725,173	-	(1,264,063)	2,035,633,580	433,204	2,036,066,784
Net profit for the period	-	-	153,268,644	-	-	-	153,268,644	80,859	153,349,503
Other comprehensive loss for the Period	-	-	(23,632,594)	-	(31,901,047)	-	(55,533,641)	-	(55,533,641)
<b>Total comprehensive income for the period</b>	-	-	129,636,050	-	(31,901,047)	-	97,735,003	80,859	97,815,862
Dividends	-	-	(216,000,000)	-	-	-	(216,000,000)	(62,334)	(216,062,334)
Balance at 30 June 2022 (Unaudited)	1,500,000,000	253,094,307	174,714,213	22,725,173	(31,901,047)	(1,264,063)	1,917,368,583	451,729	1,917,820,312

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The accompanying notes from 1 to 24 form an integral part of these condensed consolidated financial statements.

Riyadh Cables Group Company  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Cash Flows**  
For the six-month period ended 30 June 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<b>For six months ended at</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
<b>Note</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Operating activities:</b>		
Profit before zakat for the period	168,464,521	134,720,790
<b>Adjustments for:</b>		
Depreciation	30,677,431	33,681,456
Depreciation of right-of-use of assets	742,814	896,576
Depreciation on investment properties	345,424	-
Interest on lease liabilities	191,139	202,902
Reversal of provision for slow moving inventory	-	(1,490,017)
Reversal of provision for expected credit losses	-	(3,577,655)
Provisions	13,442,135	(41,092,420)
Post-employment benefits	8,158,032	6,200,111
Finance cost	24,031,426	11,698,530
<b>Changes in working capital:</b>		
Inventory	(310,366,059)	(219,038,536)
Trade receivables	(420,417,539)	(281,470,569)
Contract assets	11,746,691	(5,814,615)
Advances and other current assets	(18,658,955)	(58,617,388)
Trade payables	285,472,671	52,707,274
Contract liabilities	24,519,207	-
Accruals and other liabilities	31,377,711	61,302,595
Net finance costs paid	(24,031,426)	(13,124,179)
Post-employment benefits paid	(6,862,745)	(5,772,920)
Zakat and income tax charged	(25,414,298)	(30,335,139)
<b>Net cash flows used in operating activities</b>	<b>(206,581,820)</b>	<b>(358,923,204)</b>
<b>Investing activities</b>		
Payments for the purchase of property, plant and equipment	(28,465,386)	(17,938,678)
Proceeds from sale of investments at FVOCI	299,643	-
<b>Net cash flows used in investing activities</b>	<b>(28,165,743)</b>	<b>(17,938,678)</b>
<b>Financing activities</b>		
Proceeds from Islamic financing facilities during the period	2,118,807,500	1,535,036,000
Repayment of Islamic financing facilities during the period	(1,835,912,500)	(1,151,250,000)
Lease liabilities under right-of-use assets	(1,344,930)	(1,210,372)
Dividends paid	(62,334)	(61,699)
<b>Cash flows generated from financing activities</b>	<b>281,487,736</b>	<b>382,513,929</b>
Net change in cash and cash equivalents during the period	46,740,173	5,652,047
Cash and cash equivalent at the beginning of the period	50,356,201	64,252,757
Effect of exchange rate changes on cash and cash equivalents	-	(86,068)
<b>Cash and cash equivalents at end of the period</b>	<b>97,096,374</b>	<b>69,818,736</b>
<b>Non-cash transactions</b>		
Non-cash dividends	(216,000,000)	(196,500,000)
Re-measurements of post-employment benefit obligations	4,603,281	4,491,895
Change in the fair value of investments at fair value through other comprehensive income	19,029,313	-
Changes in the value of the hedging instruments recognized in OCI	31,901,047	-
Transferred from property, plant and equipment to investment properties	(20,403,136)	-

CFO

CEO

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated financial statements.

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**1- REPORTING ENTITY :**

Riyadh Cables Group Company (“the Company”) was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010052927 issued on 24 Jumada’ II 1435H (corresponding to 24 April 2014). The Company operates under Industrial License No. 396/R dated 12 Jumada’ II 1416H (corresponding to 25 November 1995) amended by Industrial License No. 36/R dated 5 Muharram 1418H (corresponding to 12 May 1997) amended by Industrial License No. 2572 dated 16 Rajab 1434H (corresponding to 26 May 2013). The Company’s registered office is located at Second Industrial Area, P.O. Box 26862 Riyadh 11496, Kingdom of Saudi Arabia.

On 11 December 2021, the Board of Directors convened and decided to start the procedures for offering the company on the Saudi Stock Exchange Company (Tadawul) and to authorize the Executive Committee to contract with the parties it deems appropriate in this regard. Accordingly, during the period following the year 2021, a consultant has been contracted for the offering and a financial advisor to conduct the due diligence financial examination, and the procedures for submitting the offering documents to the Capital Market Authority are still in progress.

The accompanying condensed consolidated financial statements includes the Company and its subsidiaries’ financial statements listed below (collectively referred to as the “Group”); the Group is engaged in the production of cables made from copper aluminum, isolated and non-isolated, for use with low, medium, and high voltage transformers, and other cable related products.

These condensed consolidated financial statements have been prepared for Riyadh Cables Group Company and its subsidiaries listed below (collectively referred to as (“the Group”):

Subsidiaries	Legal Entity	Country of incorporation	Ownership interest held by the Group (directly or indirectly)	
			2022	2021
<b>1-Saudi Modern Company for Metals, Cables and Plastic Industry and its subsidiaries listed below:</b>	A Closed Joint Stock Company Limited Liability Company	Kingdom of Saudi Arabia	100%	100%
1.1 Qatar Cables Company LLC	Company	Qatar	50%	50%
1.2 Arabian Gulf Company for Electrical Cables LLC	Limited Liability Company	Kuwait	49%	49%
1.3 Gulf Company Electrical Works	Company	Oman	100%	100%
1.4 Riyadh Egyptian cable for electrical works company	Joint Stock Company (E.S.C)	Egypt	49%	49%
<b>2-Saudi Modern Company For Specialized Wires And Cables Industry</b>	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
<b>3-Riyadh Telephone Cables</b>	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
<b>4-Riyadh Cables Company and its subsidiaries listed below:</b>	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
4.1 National Cables Industry Company	A single shareholder limited liability company	UAE	100%	100%
2-4 Alrowad Company for Production of Electrical Cables Limited (*)	A single shareholder limited liability company	Iraq	100%	100%
4.3 Iraqi National Company for Cables Industry	LLC Limited Liability Company	Iraq Kingdom of Saudi Arabia	100%	100%
<b>5-Saudi Modern Company for Cables Limited</b>	Company	Kingdom of Saudi Arabia	100%	100%

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**1- REPORTING ENTITY (CONTINUED)**

**Information about subsidiaries:**

**Alrowad Company for Production of Electrical Cables Limited (\*)**

On 31 August 2017, National Cables Industry Company (a subsidiary of Riyadh Cables Company) acquired 100% of interest in Al Rwoad Company for Production of Electrical Cables Limited in Iraq owned by "Abdul Qadir Al Muhaidib & Sons Company" (a Shareholder of the Company). The net assets of the Company at the acquisition date was higher than the cash consideration, and a gain resulted from the acquisition process is recognized for an amount of SR 22,725,173 in the consolidated statement of changes in equity.

**2- BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

These condensed financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Company's financial statements for the year ended 31 December 2021.

("Financial Statements for the prior year") These financial statements do not include all the required information to prepare a full set of financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia; however, certain accounting policies and selected explanatory notes are included to explain events and transactions that are significant during the period to an understanding of the changes in the Company's financial position and performance since the previous year financial statements.

The results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the year ended 31 December 2022.

**3- USE OF ESTIMATES AND JUDGEMENTS**

The preparation of Group's condensed consolidated financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by SOCPA require management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

The significant estimates made by the management when applying the Group's accounting policies and the significant sources of uncertainties of the estimates were similar to those shown in the Group's annual consolidated financial statements as at 31 December 2021.

**4- BASIS OF MEASUREMENT**

The condensed consolidated financial statements have been prepared on the historical cost basis and the going concern concept, except for the following:

- Employees' defined benefit obligations that have been actuarially evaluated and measured at their present value using the projected unit credit method.
- Investments at FVOCI
- Derivative financial instruments measured at fair value.

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#### **5- PRESENTATIONAL AND FUNCTIONAL CURRENCY**

These Group's condensed consolidated financial statements are prepared in Saudi Riyals, which is the functional and presentation currency of the Group.

#### **6- SIGNIFICANT ACCOUNTING POLICES**

The accounting policies used when preparing these financial statements are in line with what is stated in the notes to the financial statements of the Company for the year ended 31 December 2021.

The principal accounting policies have been consistently applied to all periods presented in these condensed consolidated financial statements.

##### **New standards, amendment to standards and interpretations**

There are no new standards issued. However, there are a number of amendments to standards that are effective from 1 January 2022 which are described in the Company's annual financial statements that have no material impact on the condensed consolidated financial statements of the Company.

The Group applies hedging to all contracts. Starting from 2022, the Group has applied the accounting for the cash hedging policy for the product of ultra-voltage cables after obtaining approvals to manufacture those cables, and the Group has concluded a number of contracts to hedge the risks of changing the prices of raw materials for the manufacture of these cables, which may be long term. However, this has no significant impact on the financial statements, and the adopted policy is as follows.

##### **6-1 Financial instruments**

###### **Derivatives**

The Group maintains financial instruments to hedge its exposure related to commodity price. Upon initial determination of the hedge, the Group documents the relationship between the hedging instrument(s) and the hedged item(s), including the objectives and strategy of risk management in the implementation of the hedge. In addition to the methods that will be used to evaluate the effectiveness of the hedging relationship.

At the inception of the hedge relationship and on an ongoing basis, the Group makes an assessment to identify whether the hedging instrument is expected to be "highly effective" in offsetting the changes in fair value or cash flows of the hedged items during the period for which the hedge is determined. The transaction should be highly probable, whether the actual results of each hedge are within the scope of the risk management policy and for the cash flow hedge of the expected transaction.

Derivatives are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as shown below.

###### **Cash flow hedge**

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the defined and qualified derivative is recognized as cashflows hedges in other comprehensive income accumulated in equity. The profit or Loss related to ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (e.g. when the expected sale of the hedged item occurs). The profit or loss related to the effective portion of the value of the commodity is recognized in the statement of profit or loss under "Cost of revenue".



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**6- SIGNIFICANT ACCOUNTING POLICES (CONTINUED)**

**6.1 Financial instruments (Continued)**

However, when the expected transaction that has been hedged results in recognition of a non-financial asset (for example, inventory), the amounts accumulated are transferred from equity and included in the initial cost measurement. Ultimately, the amounts accumulated are recognized in the cost of inventories.

Upon expiration, termination, sale, or transacting the hedge instrument, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount accumulated remains within equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the profit or loss accumulated that was recognized in equity is transferred to the consolidated statement of profit or loss under "Revenue or Cost of Revenue."

**Other Derivatives**

When a financial instrument is not classified as a qualifying hedging relationship, all changes in its fair value are recognized immediately in the consolidated statement of income under "Finance income" "Finance cost".

**6-2 Reportable segments**

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Group executive management and used to allocate resources to segments and assess their performance. These initial operating segments shown below have been prepared in accordance with IFRS 8.

Most of the Group's revenues, profits and assets relate to its operations in Saudi Arabia and arise from specific business segments. The executive management monitors the operational results of these operating segments continuously for making decisions about resource allocation and performance evaluation. Segment performance is evaluated based on profit or loss and other performance measurement indicators.

**6-3 Earnings per share**

The Company presents basic earnings per share for its ordinary shares. Basic earnings are calculated by dividing the profit or loss attributable to the ordinary shareholders of the company by the weighted average number of the ordinary shares outstanding during the period.

**7- PROPERTY, PLANT AND EQUIPMENT**

The total cost of property, plant and equipment amounted to SR 2,87 billion as at 30 June 2022 (31 December 2021: SR 2,8 billion). Total accumulated depreciation amounted to SR 1,71 billion (31 December 2021: SR 1,68 billion). During the six-month period ended 30 June 2022, the Group has added projects in progress of SR 23,4 million (30 June 2021: SR 6,4 million) which mainly represented in plant under construction to the Group's companies.

**8- INVESTMENT PROPERTIES**

Investment properties represent the plots of lands and buildings recognized at cost. As at 7 March 2022, the fair value amounted to SR 40 million, and the management does not expect a significant difference in the indicated fair value compared to what was estimated on 7 March 2022.

The fair value of the investment properties was determined by an external real estate valuer and independent from the Company (the valuer: Kashwani Real Estate company).

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**9- INVENTORY**

	<b>30 June 2022</b>	31 December 2021
	<b>(Unaudited)</b>	<b>(Audited)</b>
Finished Goods	<b>822,315,332</b>	868,135,090
Work in progress	<b>621,126,349</b>	339,652,655
Raw materials	<b>364,465,857</b>	291,775,177
Spare parts	<b>70,531,877</b>	71,054,915
Packaging material	<b>45,287,535</b>	35,018,161
Goods-in-transit	<b>18,454,715</b>	24,518,808
other	<b>3,393,370</b>	5,054,170
<b>Total</b>	<b>1,945,575,035</b>	1,635,208,976
Less: provision for slow moving inventories	<b>(49,660,390)</b>	(49,660,390)
<b>Net inventories</b>	<b>1,895,914,645</b>	1,585,548,586

The Group has a variety of future contracts to meet the price fluctuations risk of copper and aluminum and lead, in order to meet the Group's requirements expected from use in its manufacturing processes. Except for the ultra-voltage cable input contracts, the effect resulting from closing these contracts - contracts to buy or sell non-financial instruments / or contracts for own-use that are not classified as hedging instruments - is recorded in the cost of production in the consolidated statement of profit or loss. The book value of the unexecuted future contracts for copper, aluminum and lead on 30 June 2022, an amount of USD 169 million, equivalent to SR 634 million. The Group also accounts for hedging contracts for fluctuations in the prices of copper and lead, which are used in the product of ultra-voltage cables, in accordance with the policy referred to in note (13.2) of the notes to the accompanying consolidated financial statements.

**10- TRADE RECEIVABLES**

	<b>30 June 2022</b>	31 December 2021
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	<b>1,431,668,312</b>	1,011,313,814
Allowance for expected credit losses ("ECL")	<b>(48,649,310)</b>	(48,649,310)
<b>Net Trade receivables</b>	<b>1,383,019,002</b>	962,664,504

Movement in provision for expected credit losses for trade receivables is as follows:

	<b>30 June 2022</b>	31 December 2021
	<b>(Unaudited)</b>	<b>(Audited)</b>
1 January	<b>48,649,310</b>	58,021,456
(Reversal of provision)/ provision for expected credit losses	-	(8,670,649)
Utilization of provisions during the year	-	(701,497)
<b>31 December *</b>	<b>48,649,310</b>	48,649,310

\* The balance of the provision included an allowance for doubtful debts related to a customer of SR 34 million representing 100% of the customer's debt for which the Group has made as at 31 December 2021, which is currently being worked on to find a final settlement of the mentioned full debt using the legal methods recognized in this case.

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#### 11- ADVANCES AND OTHER CURRENT ASSETS

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Advances to suppliers	<b>51,344,590</b>	28,481,220
Suppliers - receivables (*)	-	11,749,771
Prepaid expenses	<b>10,278,268</b>	6,169,731
Employees' receivables	<b>4,114,963</b>	3,554,956
Refundable deposits - customs	<b>1,004,609</b>	2,118,054
others	<b>11,517,882</b>	7,527,626
	<b>78,260,313</b>	59,601,358

(\*) This balance represents the value of discounts due for the year from the suppliers of the Group.

#### 12- ISLAMIC FINANCE FACILITIES

The Group entered into credit Islamic Murabaha facilities agreements with several local banks to support working capital during the period with a total amount of SR 2.2 billion (2021: SR 3.2 billion) at Islamic Murabaha rates agreed upon with the banks. All credit facilities were granted according to promissory notes approved by the authorized members of the Board of Directors according to the authorities granted to them and approved by the Board of Directors of the Company. Interest rates on short-term loans are based on Saudi Inter Bank Offer Rate (SIBOR) plus a variable rate.

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Balance at start of the period / year	<b>1,324,175,000</b>	858,675,000
Withdrawn during the period / year	<b>2,118,807,500</b>	3,280,437,500
Payment during the period / year	<b>(1,835,912,500)</b>	(2,814,937,500)
Balance at end of the period / year	<b>1,607,070,000</b>	1,324,175,000

#### 13- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Advances from customers	<b>75,621,820</b>	50,343,976
Accrued VAT	<b>45,778,061</b>	45,252,538
Dividends payable	<b>13.1 216,000,000</b>	-
Accrued expenses	<b>37,611,859</b>	21,939,652
Employee Accruals	<b>19,661,711</b>	21,396,635
Accrued projects expenses	-	1,883,780
Derivatives	<b>13.2 21,217,096</b>	-
Other	<b>4,204,792</b>	-
	<b>420,095,339</b>	140,816,581

##### 13.1 Dividends payable

During the period, the Group has agreed on dividends of SR 216 million to shareholders based on the minutes of the Ordinary General Assembly held on 28 April 2022 (2021: SR 196.5 million)

##### 13.2 Derivatives

	<b>30 June 2022</b>	<b>31 December</b>
	<b>(Unaudited)</b>	<b>2021 (Audited)</b>
Future commodity contracts	<b>21,217,096</b>	-

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**13- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES (CONTINUED)**

**13.2 Derivatives (continued)**

**\* Forwards and future contracts**

Forwards and future contracts are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts to meet specific needs.

The Group has adopted a comprehensive system for measuring and managing risks. Part of the risk management process is related to managing the Group's exposure to fluctuations in inventory prices to reduce its exposure to inventory risks to acceptable levels as determined by the Board of Directors.

The Group uses commodity forwards contracts to hedge against inventory price risk on copper, aluminum, and lead. In all cases, the hedging relationship and objective are documented, including details of the hedged items and the hedging instrument, and the transactions are accounted for as a fair value hedge.

			<b>30 June 2022</b>				31 December
			<b>(Unaudited)</b>				2021 (Audited)
Commodity future contracts in USD			<b>34,534,088</b>				--
			<u>Notional amounts by term to maturity</u>				
	<u>Positive</u>	<u>Negative</u>		<u>Within 3</u>	<u>Within 6</u>	<u>Within 12</u>	
	<u>fair</u>	<u>fair value</u>	<u>Par value</u>	<u>months</u>	<u>months</u>	<u>months</u>	
<b>30 June 2022</b>	<u>value</u>						
<u>Held as cash flow hedge</u>							
Commodity future contracts in USD		- (5,657,409)	<b>34,534,088</b>	<b>20,183,075</b>	<b>9,248,213</b>	<b>5,102,800</b>	

The Group purchases copper and lead on an ongoing basis as its operating activities require a continuous supply of these materials. The increased fluctuations in the prices of these materials led the management to decide to enter into forward contracts for materials related to Extra High- voltage cables starting from 2022.

The effect of the cash flow hedge for these items on the statement of financial position is as follows:

	31 December 2021	Fair value change for future hedging contracts	Fair value change for deferred future hedging contracts	20 June 2022
Copper	-	<b>20,417,050</b>	<b>10,342,070</b>	<b>30,759,120</b>
Lead	-	<b>800,047</b>	<b>341,881</b>	<b>1,141,928</b>
	-	<b>21,217,096</b>	<b>10,683,951</b>	<b>31,901,047</b>

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**14- PROVISIONS**

	<b>30 June 2022</b>	31 December
	<b>(Unaudited)</b>	2021 (Audited)
Provision for onerous contracts (14.1)	<b>91,480,827</b>	78,038,691
Provision for lawsuits (14.2)	<b>4,473,936</b>	4,473,937
	<b>95,954,763</b>	82,512,628

(14.1) The balance of Provision for onerous contracts amounted to SR 91,480,827 (2021: SR 78,038,691) as the current commitment of these contracts entered into with the Group's customers (onerous contracts) will require cash outflows to settle these contracts due to increased copper and aluminum prices (used in cable products) during the year.

(14.2) This provision represents the management's best estimate against a lawsuit filed against the Group by one of its clients.

**15- COST OF REVENUE**

	<b>For six months ended at</b>	
	<b>30 June 2022</b>	30 June 2021
	<b>(Unaudited)</b>	(Unaudited)
Materials	<b>2,802,883,477</b>	1,858,944,860
Salaries and employees' related benefits	<b>88,830,936</b>	78,974,593
Depreciation expense	<b>26,174,627</b>	28,213,644
Repairs and maintenance	<b>14,680,771</b>	15,486,693
Electricity and other benefits	<b>22,251,617</b>	20,385,196
other	<b>3,875,803</b>	3,331,356
	<b>2,958,697,231</b>	2,005,336,342

**16- SELLING AND DISTRIBUTION EXPENSES**

	<b>For six months ended at</b>	
	<b>30 June 2022</b>	30 June 2021
	<b>(Unaudited)</b>	(Unaudited)
Salaries and employees' related benefits	<b>20,973,701</b>	20,241,832
Cargo charges	<b>16,467,641</b>	16,650,841
Sales commission	<b>1,523,775</b>	1,695,234
Inspection and quality testing expenses	<b>1,951,579</b>	773,917
Insurance expense	<b>881,497</b>	650,079
Advertising and showrooms expenses	<b>2,128,255</b>	457,717
Depreciation expense	<b>204,720</b>	240,640
Communication expenses	<b>254,440</b>	153,436
Other expenses	<b>4,018,277</b>	3,741,214
	<b>48,403,885</b>	44,604,910

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**17- GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For six months ended at</b>	
	<b>at 30 June 2022</b>	30 June 2021
	<b>(unaudited)</b>	(Unaudited)
Salaries and employees' related benefits	<b>35,840,846</b>	28,092,578
Depreciation expense	<b>4,643,508</b>	5,227,172
Legal and professional	<b>2,470,045</b>	2,070,938
Maintenance and repair expenses	<b>2,833,881</b>	1,849,913
Travel and insurance expenses	<b>199,932</b>	141,528
Communications and network expenses	<b>674,814</b>	115,279
Offices supplies expenses	<b>569,978</b>	98,992
Other expenses	<b>2,092,692</b>	3,651,625
	<b>49,325,696</b>	41,248,025

**18- OTHER (EXPENSES) INCOME, NET**

	<b>For six months ended at</b>	
	<b>at 30 June</b>	30 June 2021
	<b>2022</b>	(Unaudited)
	<b>(unaudited)</b>	(Unaudited)
Foreign exchange losses	<b>(5,547,770)</b>	571,176
Dividend from financial investments at FVTOCI.	<b>2,327,747</b>	191,667
other	<b>1,329,015</b>	813,779
	<b>(1,891,008)</b>	1,576,622

**19- FINANCE COSTS**

	<b>For six months ended at</b>	
	<b>30 June 2022</b>	30 June 2021
	<b>(unaudited)</b>	(Unaudited)
Bank interest	<b>18,579,634</b>	10,076,857
Bank commissions	<b>5,451,792</b>	3,047,322
Interest on employees' defined benefits obligations	<b>1,283,238</b>	1,343,500
Interest on lease liability	<b>189,853</b>	202,902
	<b>25,504,517</b>	14,670,581

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## 20- SEGMENT REPORTS

The Group's activities include a number of segments as follows:

Cables and wires segment includes electrical cables

High voltage cables segment includes ready-made projects

Other segments: includes telephone cables and services

<b><u>As at and for the period ended 30 June 2022</u></b>	<b><u>Cables and wires</u></b>	<b><u>High voltage cables</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
Revenue	3,216,405,950	25,790,094	10,090,813	3,252,286,857
Cost of revenue	(2,929,895,412)	(21,360,700)	(7,441,119)	(2,958,697,231)
Expenses	(96,777,029)	(671,163)	(281,389)	(97,729,581)
Other income, net	(4,009,548)	2,351,686	(233,146)	(1,891,008)
Finance costs	(24,334,076)	(307,400)	(253,541)	(25,504,517)
Income before Zakat and income tax	<u>160,780,384</u>	<u>5,802,518</u>	<u>1,881,619</u>	<u>168,464,521</u>
<b>Total assets</b>	<b><u>3,815,986,083</u></b>	<b><u>833,535,796</u></b>	<b><u>64,888,746</u></b>	<b><u>4,714,410,625</u></b>
<b>Total liabilities</b>	<b><u>2,772,407,522</u></b>	<b><u>1,869,341</u></b>	<b><u>22,313,450</u></b>	<b><u>2,796,590,313</u></b>

<b><u>As at and for the period ended 30 June 2021</u></b>	<b><u>Cables and wires</u></b>	<b><u>High voltage cables</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
Revenue	2,185,727,752	40,788,300	8,910,319	2,235,426,371
Cost of revenue	(1,962,887,073)	(36,863,052)	(5,586,217)	(2,005,336,342)
Expenses	(84,874,430)	(440,256)	(538,249)	(85,852,935)
Provision for expected credit losses	3,577,655	-	-	3,577,655
Other income, net	1,150,338	433,175	(6,891)	1,576,622
Finance costs	(14,059,342)	(340,950)	(270,289)	(14,670,581)
Income before Zakat and income tax	<u>128,634,900</u>	<u>3,577,217</u>	<u>2,508,673</u>	<u>134,720,790</u>
<b>Total assets</b>	<b><u>3,485,822,205</u></b>	<b><u>310,070,094</u></b>	<b><u>65,173,058</u></b>	<b><u>3,861,065,357</u></b>
<b>Total liabilities</b>	<b><u>1,872,565,703</u></b>	<b><u>90,941,135</u></b>	<b><u>20,520,911</u></b>	<b><u>1,984,027,749</u></b>

## 21- EARNINGS PER SHARE – BASIC AND DILUTED

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

	<b>30 June 2022 (unaudited)</b>	30 June 2021 (Unaudited)
Net income for the period	<u>153,268,644</u>	118,784,583
Weighted average number of outstanding ordinary shares (share)	<u>150,000,000</u>	150,000,000
Basic and diluted earnings per share *	<u>1.02</u>	0.79

\* The diluted earnings per share are the same as the basic earnings per share as the company has no diluted instruments.

Riyadh Cables Group Company  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**  
For the six-month period ended 30 June 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

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## **22- COMMITMENTS AND CONTINGENCIES**

### Capital commitments

As at 30 June 2022, the Group has commitments of SR 24,8 million (31 December 2021: SR 30 million) relating to capital expenditures for expansion works in the Group's factories.

### Legal claim contingency

The Group faces, in its ordinary course of business, lawsuits, which are under litigation. While the ultimate results of these matters cannot be determined with certainty, the Group's management does not expect that they will have a material significant effect on the condensed consolidated financial statements of the Group.

### Contingent liabilities

The contingent liabilities amounted to SR 556 million (31 December 2021: SR 525 million) against bank facilities in the form of letters of credit and letters of guarantee obtained by the Group from several local banks against a commission for granting facilities without any bank cover.

## **23- SUBSEQUENT EVENTS**

There have been no significant subsequent events since the year-end that require disclosure or adjustment in these condensed Consolidated Financial Statements.

## **24- APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The condensed consolidated financial statements have been approved by the Board of Directors on 26 Muharram 1444H (corresponding to 24 August 2022).



**RIYADH CABLES GROUP COMPANY**  
(A Saudi Closed Joint Stock Company)  
**Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the nine-month period ended 30 September 2022**  
**Together with the Independent Auditor's Review Report**

**Riyadh Cable Group Company**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed consolidated interim financial statements and independent auditor's review report**  
**For the nine-month period ended 30 September 2022**

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	<u>Pages</u>
- Independent auditor's review report	-
- Condensed Consolidated Statement of Financial Position	1
- Condensed Consolidated Statement of Profit or Loss	2
- Condensed Consolidated Statement of Other Comprehensive Income	3
- Condensed Consolidated Statement of Changes in Equity	4
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### KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

### كي بي إم جي للاستشارات المهنية

وإدارة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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

To the Shareholders of Riyadh Cables Group Company (A Saudi Closed Joint Stock Company)

### Introduction

We have reviewed the accompanying 30 September 2022 condensed consolidated interim financial statements of Riyadh Cables Group Company ("the Company") and its subsidiaries (together referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2022,
- the condensed consolidated statement of profit or loss for the nine-month period ended 30 September 2022,
- the condensed consolidated statement of other comprehensive income for the nine-month period ended 30 September 2022,
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2022,
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2022; and
- The notes to the condensed consolidated interim financial statements.

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

### Scope of review

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

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة مسجلة في المملكة العربية السعودية، رأس مالها (٢٥.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل. المسماة سابقاً شركة كي بي إم جي للفوزان وشركاه - المحاسبين المعتمدين. جميع الحقوق محفوظة. كيم بي إم جي هي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والمتعلقة كي بي إم جي التجارية المسجلة، شركة المنظمة مسجلة ضمنها. جميع الحقوق محفوظة.



## Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements (continued)

To the Shareholders of Riyadh Cables Group Company (A Saudi Closed Joint Stock Company)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 September 2022 of Riyadh Cables Group Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

### Other matter

We have not audited or reviewed the interim condensed financial statements of financial position, profit or loss, other comprehensive income, changes in equity, cash flows for the nine months ended September 30, 2021, or related notes, and accordingly, they are for comparison purposes only.

### KPMG Professional Services

**Fahad Mubark Aldossari**  
License No. 469

Riyadh, 2 Rabi' al-Thani 1444H  
Corresponding to: 27 October 2022



**Riyadh Cables Group Company**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Financial Position (Unaudited)**  
As at 30 September 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	7	1,129,527,349	1,154,744,180
Intangible assets, net		63,500,676	67,238,717
Investments at fair value through other comprehensive income	8	25,004,071	49,924,524
Investment in joint venture	9	30,602,500	-
Right of use assets		9,493,839	10,842,109
Investment properties	10	35,652,250	-
<b>Total non-current assets</b>		<b>1,293,780,685</b>	<b>1,282,749,530</b>
<b>Current assets</b>			
Inventory	11	1,706,070,911	1,585,548,586
Trade receivables	12	1,468,602,429	962,664,504
Contract assets	17-1	-	11,746,691
Advances and other current assets	13	136,277,861	59,601,358
Cash and cash equivalents		116,691,154	50,356,201
<b>Total current assets</b>		<b>3,427,642,355</b>	<b>2,669,917,340</b>
<b>Total assets</b>		<b>4,721,423,040</b>	<b>3,952,666,870</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		1,500,000,000	1,500,000,000
Statutory reserve		253,094,307	253,094,307
Retained earnings		242,278,184	261,078,163
Acquisition reserve of a subsidiary		22,725,173	22,725,173
Hedging contracts reserve	15-2	(41,314,786)	-
Foreign operations translation reserve		(1,264,063)	(1,264,063)
<b>Equity attributable to the shareholders of the company</b>		<b>1,975,518,815</b>	<b>2,035,633,580</b>
Non-controlling interests		340,203	433,204
<b>Total equity</b>		<b>1,975,859,018</b>	<b>2,036,066,784</b>
<b>Non-current liabilities</b>			
End-of-service benefits obligations		123,488,122	107,410,714
Lease liabilities		8,970,488	9,052,975
<b>Total non-current liabilities</b>		<b>132,458,610</b>	<b>116,463,689</b>
<b>Current liabilities</b>			
Islamic finance facilities	14	1,951,302,500	1,324,175,000
Accrued expenses and other liabilities	15	305,128,221	140,816,581
Trade payables		231,066,123	221,031,943
Provisions	16	65,475,625	82,512,628
Contract liabilities	17-2	31,585,637	-
Provision for Zakat and income tax	18	26,827,919	29,690,240
Lease liabilities - current portion		1,719,387	1,910,005
<b>Total current liabilities</b>		<b>2,613,105,412</b>	<b>1,800,136,397</b>
<b>Total liabilities</b>		<b>2,745,564,022</b>	<b>1,916,600,086</b>
<b>Total equity and liabilities</b>		<b>4,721,423,040</b>	<b>3,952,666,870</b>

The accompanying notes (1) to (28) form an integral part of these condensed consolidated financial statement.

**Riyadh Cables Group Company**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Profit or Loss (unaudited)**  
 For the nine-month period ended 30 September 2022  
 (All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Revenue		5,021,589,163	3,487,293,438
Cost of revenue	19	(4,558,897,001)	(3,153,769,422)
<b>Total income</b>		<b>462,692,162</b>	<b>333,524,016</b>
<b>Operating expenses</b>			
Selling and distribution expenses	20	(74,848,409)	(69,873,468)
General and administrative expenses	21	(72,885,444)	(62,408,596)
Expected credit losses	12	(4,654,039)	-
Allowance for slow moving inventory	11	(5,185,390)	-
Gain form disposal of investment in FVOCI	8	1,385,109	-
Other income, net	22	6,811,414	949,540
<b>Profit from operations</b>		<b>313,315,403</b>	<b>202,191,492</b>
Finance costs	23	(44,711,560)	(23,243,402)
<b>Income before Zakat and income tax</b>		<b>268,603,843</b>	<b>178,948,090</b>
Zakat and income tax		(22,637,770)	(24,094,187)
<b>Net profit for the period</b>		<b>245,966,073</b>	<b>154,853,903</b>
<b>Attributable to:</b>			
Shareholders of the Company		245,996,740	154,946,707
Non-controlling interests		(30,667)	(92,804)
<b>Net profit for the period</b>		<b>245,966,073</b>	<b>154,853,903</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	25	1.64	1.03

The accompanying notes (1) to (28) form an integral part of these condensed consolidated financial statement.

**Riyadh Cables Group Company**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Other Comprehensive Income (unaudited)**  
For the nine-month period ended 30 September 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Net profit for the period		245,966,073	154,853,903
Other comprehensive income			
<b>Items that may be reclassified to profit or loss</b>			
Effective portion of hedging contracts- change in fair value	15-2	(41,314,786)	-
<b>Items that will not be reclassified to profit or loss</b>			
Investments at fair value through other comprehensive income – net change in fair value	8	(22,058,879)	11,039,995
Re-measurement of end-of-service benefits obligations		(6,737,840)	(6,737,840)
<b>Other comprehensive (loss) / income for the period</b>		<b>(70,111,505)</b>	<b>4,302,155</b>
<b>Total comprehensive income</b>		<b>175,854,568</b>	<b>159,156,058</b>
<b>Comprehensive income attributable to:</b>			
Shareholders of the Company		175,885,235	159,248,862
Non-controlling interests		(30,667)	(92,804)
		<b>175,854,568</b>	<b>159,156,058</b>

The accompanying notes (1) to (28) form an integral part of these condensed consolidated financial statement.

**Riyadh Cables Group Company**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Changes in Equity (unaudited)**  
For the nine-month period ended 30 September 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

Note	Equity attributable to the shareholders of the company						
	Share capital	Statutory reserve	Retained earnings	Acquisition reserve of a subsidiary	Cash flow hedge reserve	Foreign operations translation reserve	Non-controlling interests
	1,500,000,000	229,111,048	207,953,866	22,725,173	-	(428,649)	1,959,325,547
Balance at 1 January 2021 (audited)	-	-	154,946,707	-	-	-	(92,804)
Net profit for the period - (unaudited)	-	-	4,302,155	-	-	-	-
Other comprehensive income for the period - (unaudited)	-	-	-	-	-	-	-
Total comprehensive income for the period - (unaudited)	-	-	159,248,862	-	-	-	(92,804)
Balance at 30 September 2021 (unaudited)	1,500,000,000	229,111,048	367,202,728	22,725,173	-	(428,649)	2,118,610,300
	1,500,000,000	253,094,307	261,078,163	22,725,173	-	(1,264,063)	2,035,633,580
Balance at 1 January 2022 (audited)	-	-	245,996,740	-	-	-	(30,667)
Net profit for the period - (unaudited)	-	-	(28,796,719)	-	(41,314,786)	-	-
Other comprehensive income for the period - (unaudited)	-	-	-	-	-	-	-
Total comprehensive income for the period - (unaudited)	-	-	217,200,021	-	(41,314,786)	-	(30,667)
Dividend distribution	-	-	(236,000,000)	-	-	-	(62,334)
Balance at 30 September 2022 (unaudited)	1,500,000,000	253,094,307	242,278,184	22,725,173	(41,314,786)	(1,264,063)	1,975,518,815
							340,203
							1,975,859,018

(15-1)

The accompanying notes (1) to (28) form an integral part of these condensed consolidated financial statement.



**Riyadh Cables Group Company**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed Consolidated Statement of Cash Flows (unaudited)**  
For the nine-month period ended 30 September 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<b>For the nine-month period ended</b>	
	<b>30 September 2022</b>	<b>30 September 2021</b>
<b>Note</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Operating activities:</b>		
Profit before zakat for the period	268,603,843	178,948,090
<b>Adjustments for:</b>		
Depreciation	39,175,018	40,043,356
Depreciation of right-of-use of assets	1,348,270	-
Depreciation on investment properties	518,132	1,348,270
Interest on lease liabilities	299,246	299,245
Allowance for slow moving inventories	6,537,553	-
Reversal of provision for slow moving inventory	(1,352,163)	-
Provision for ECL	4,654,039	-
Provisions	(17,037,003)	(41,084,015)
Post-employment benefits	16,898,991	15,581,915
Finance costs	42,397,064	23,243,402
	<b>362,042,990</b>	<b>218,380,263</b>
<b>Changes in working capital:</b>		
Inventory	(125,707,715)	(423,011,973)
Trade receivables	(546,330,007)	(225,388,782)
Contract assets	11,746,691	(5,178,182)
Advances and other current assets	(76,676,503)	(65,382,201)
Trade payables	10,034,180	78,163,756
Contract liabilities	31,585,637	-
Accruals and other liabilities	108,420,105	84,002,231
Net finance costs paid	(42,397,064)	(23,243,402)
Post-employment benefits paid	(7,559,424)	-
Zakat and income tax charged	(25,414,298)	(31,060,260)
<b>Net cash flows used in operating activities</b>	<b>(300,255,408)</b>	<b>(392,718,550)</b>
<b>Investing activities</b>		
Payments for the purchase of property, plant and equipment	(31,248,527)	(17,690,905)
Proceeds from sale of property, plant and equipment	279,823	-
Proceeds from sale of investment properties	20,230,425	-
Payments for investments in a joint venture	(30,602,500)	-
Payments for investments at FVOCI	-	(1,036,464)
Proceeds from sale of investments at FVOCI	2,861,575	-
<b>Net cash flows(used in investing activities)</b>	<b>(38,479,204)</b>	<b>(18,727,369)</b>
<b>Financing activities</b>		
Proceeds from Islamic financing facilities during the period	3,464,370,000	2,460,328,125
Repayment of Islamic financing facilities during the period	(2,837,242,500)	(1,979,040,625)
Lease liabilities under right-of-use assets	(572,351)	(549,634)
Dividends distribution paid	(221,485,584)	-
<b>Cash flows generated from financing activities</b>	<b>405,069,565</b>	<b>480,737,866</b>
Net change in cash and cash equivalents during the period	66,334,953	69,291,947
Cash and cash equivalent at the beginning of the period	50,356,201	64,252,757
<b>Cash and cash equivalents at end of the period</b>	<b>116,691,154</b>	<b>133,544,704</b>
<b>Non-cash transactions</b>		
Non-cash dividends	(14,576,750)	-
Re-measurements of post-employment benefit obligations	(6,737,840)	(6,737,840)
Change in the fair value of investments at FVTOCI	22,058,879	(11,039,995)
Changes in the value of the hedging instruments recognized in OCI	(41,314,786)	-
Transferred from property, plant and equipment to investment properties	(20,748,557)	-
Investments properties against settling the balance of a customer	(35,652,250)	-

The accompanying notes (1) to (27) form an integral part of these condensed consolidated financial statement.

**Riyadh Cables Group Company**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
For the nine-month period ended 30 September 2022  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

**1- REPORTING ENTITY**

Riyadh Cables Group Company ("the Company") was formed as a Saudi Closed Joint Stock Company according to the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010052927 issued on 24 Jumada' II 1435H (corresponding to 24 April 2014). The Company operates under Industrial License No. 396/R dated 12 Jumada' II 1416H (corresponding to 25 November 1995) amended by Industrial License No. 36/R dated 5 Muharram 1418H (corresponding to 12 May 1997) amended by Industrial License No. 2572 dated 16 Rajab 1434H (corresponding to 26 May 2013). The Company's registered office is located at Second Industrial Area, P.O. Box 26862 Riyadh 11496, Kingdom of Saudi Arabia.

On 11 December 2021, the Board of Directors convened and decided to start the procedures of the Company's initial public offering at the Saudi Stock Exchange Company (Tadawul) and to authorize the Executive Committee to contract with the parties it deems appropriate in this regard. Accordingly, during the period following the year 2021, a consultant has been contracted for the offering and a financial advisor to conduct the due diligence financial examination, and the procedures for submitting the offering documents to the Capital Market Authority are still in progress.

The accompanying condensed consolidated financial statements include the Company and its subsidiaries' financial statements listed below (collectively referred to as the "Group"); the Group is engaged in the production of cables made from copper aluminum, isolated and non-isolated, for use with low, medium and high voltage transformers, and other cable related products.

The figures presented for the period compared to the condensed consolidated statements of profit or loss and other comprehensive income and changes in equity and cash flows and the notes attached to the interim condensed consolidated financial statements for the nine months ended September 30, 2021 are for comparison purposes only and are unaudited.

These condensed consolidated financial statements have been prepared for Riyadh Cables Group Company and its subsidiaries listed below (collectively referred to as ("the Group")):

Subsidiary	Legal Entity	Country of incorporation	Ownership interest held by the Group (directly or indirectly)	
			2022	2021
<b>1-Saudi Modern Company for Metals, Cables and Plastic Industry and its subsidiaries listed below:</b>	A Closed Joint Stock Company	Kingdom of Saudi Arabia	<b>100%</b>	100%
1.1 Qatar Cables Company LLC	Limited Liability Company	Qatar	<b>50%</b>	50%
1.2 Arabian Gulf Company for Electrical Cables LLC	Limited Liability Company	Kuwait	<b>49%</b>	49%
1.3 Gulf Company Electrical Works	Limited Liability Company	Oman	<b>100%</b>	100%
1.4 Riyadh Egyptian cable for electrical works company	Joint Stock Company (E.S.C)	Egypt	<b>49%</b>	49%
<b>2-Saudi Modern Company For Specialized Wires And Cables Industry</b>	A Closed Joint Stock Company	Kingdom of Saudi Arabia	<b>100%</b>	100%
<b>3-Saudi Modern Company for Telephone Cables Industry</b>	A Closed Joint Stock Company	Kingdom of Saudi Arabia	<b>100%</b>	100%
<b>4-Riyadh Cables Company and its subsidiaries listed below:</b>	A Closed Joint Stock Company	Kingdom of Saudi Arabia	<b>100%</b>	100%
4.1 National Cables Industry Company	A single shareholder limited liability company	UAE	<b>100%</b>	100%
4.2 Alrowad Company for Production of Electrical Cables Limited (*)	A single shareholder limited liability company	Iraq	<b>100%</b>	100%
4.3 Iraqi National Company for Cables Industry	LLC	Iraq	<b>100%</b>	100%
<b>5-Saudi Modern Company for Cables Limited</b>	Limited Liability Company	Kingdom of Saudi Arabia	<b>100%</b>	100%

**Riyadh Cables Group Company**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
 For the nine-month period ended 30 September 2022  
 (All amounts are expressed in Saudi Riyals unless otherwise stated)

**2- BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

These condensed consolidated interim financial statements for the nine-month period ended 30 September 2022 have been prepared in accordance with IAS 34 “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Company’s financial statements for the year ended 31 December 2021 (“the financial statements of the previous year”). These financial statements do not include all the required information to prepare a full set of financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia; however, certain accounting policies and selected explanatory notes are included to explain events and transactions that are significant during the period to an understanding of the changes in the Company’s financial position and performance since the previous year financial statements.

The results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the year ended 31 December 2022.

**3- USE OF ESTIMATES AND JUDGEMENTS**

The preparation of Group’s condensed consolidated interim financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by SOCPA require management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

The significant estimates made by the management when applying the Group’s accounting policies and the significant sources of uncertainties of the estimates were similar to those shown in the Group’s annual consolidated financial statements as at 31 December 2021.

**4- BASIS OF MEASUREMENT**

The condensed consolidated interim financial statements have been prepared on the historical cost basis and the going concern concept, except for the following:

- Employees’ defined benefits obligations that have been actuarially evaluated and measured at their present value using the projected unit credit method.
- Investments at FVOCI
- Derivative financial instruments measured at fair value.

**5- PRESENTATIONAL AND FUNCTIONAL CURRENCY**

The Group’s condensed consolidated interim financial statements are prepared in Saudi Riyals, which is the functional and presentation currency of the Group.

**6- SIGNIFICANT ACCOUNTING POLICES**

The accounting policies used when preparing these financial statements are in line with what is stated in the notes to the financial statements of the Company for the year ended 31 December 2021.

The principal accounting policies have been consistently applied to all periods presented in these condensed consolidated interim financial statements.

**New standards, amendment to standards and interpretations**

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2021 except for the adoption of any of the amendments to the standards and interpretations that have been issued. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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**6- SIGNIFICANT ACCOUNTING POLICES (CONTINUED)**

**New standards, amendment to standards and interpretations (continued)**

Several amendments and interpretations apply for the first time in 2022, but these do not have an impact on the condensed consolidated financial statements of the Group.

The Group has many future contracts. As of the beginning of 2022, the Group has applied the accounting for the cash hedging policy for the product of Extra high voltage cables after obtaining approvals to manufacture those cables, and the Group has concluded a number of contracts to hedge the risks of changing the prices of raw materials for the manufacture of these cables, which may be long term. However, this has no significant impact on the financial statements, and the adopted policy is as follows (6.2).

**6-1 Investment in joint venture**

A joint venture is an arrangement where two or more parties have joint control. The joint ventures are divided into projects or joint operations based on related rights and obligations. Joint control is the contractually agreed sharing of control of a venture, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Based on the Group's assessment of control, interests in joint ventures are recognized using the equity method, and are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which joint control ceases.

**6-2 Financial instruments**

**Derivatives**

The Group maintains financial instruments to hedge its exposure related to commodity price. Upon initial determination of the hedge, the Group documents the relationship between the hedging instrument(s) and the hedged item(s), including the objectives and strategy of risk management in the implementation of the hedge, in addition to the methods that will be used to evaluate the effectiveness of the hedging relationship.

At the inception of the hedge relationship and on an ongoing basis, the Group makes an assessment to identify whether the hedging instrument is expected to be "highly effective" in offsetting the changes in fair value or cash flows of the hedged items during the period for which the hedge is determined. The transaction should be highly probable, whether the actual results of each hedge are within the scope of the risk management policy and for the cash flow hedge of the expected transaction.

Derivatives are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes there in are accounted for as shown below.

**Cash flow hedge**

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the defined and qualified derivative is recognized as cashflows hedges in other comprehensive income accumulated in equity. The profit or Loss related to ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (e.g. when the expected sale of the hedged item occurs). The profit or loss related to the effective portion of the value of the commodity is recognized in the statement of profit or loss under "Cost of revenue".



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**6- SIGNIFICANT ACCOUNTING POLICES (CONTINUED)**

**6.2 Financial instruments (continued)**

However, when the expected transaction that has been hedged results in recognition of a non-financial asset (for example, inventory), the amounts accumulated are transferred from equity and included in the initial cost measurement. Ultimately, the amounts accumulated are recognized in the cost of inventories.

Upon expiration, termination, sale, or transacting the hedge instrument, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount accumulated remains within equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the profit or loss accumulated that was recognized in equity is transferred to the consolidated statement of profit or loss under "Revenue or Cost of Revenue."

**Other Derivatives**

When a financial instrument is not classified as a qualifying hedging relationship, all changes in its fair value are recognized immediately in the consolidated statement of income under "Finance income" "Finance cost".

**6-3 Reporting Segments**

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Group executive management and used to allocate resources to segments and assess their performance. These initial operating segments shown below have been prepared in accordance with IFRS 8.

Most of the Group's revenues, profits and assets relate to its operations in the Kingdom of Saudi Arabia and arise from specific business segments. The executive management monitors the operational results of these operating segments continuously for making decisions about resource allocation and performance evaluation. Segment performance is evaluated based on profit or loss and other performance measurement indicators.

**6-4 Earnings per share**

The Company presents basic earnings per share for its ordinary shares. Basic earnings are calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of the ordinary shares outstanding during the period.

**6-5 Investment properties**

Investment properties are non-current assets held either to earn rental income or for investment appreciation or for both, but not for sale in the normal course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any.

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for increase in its value.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Expenses incurred for replacing component of investment properties items, which are accounting for separately are capitalized, and carrying value of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the statement of profit or loss and other comprehensive income when incurred.

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**7- PROPERTY, PLANT AND EQUIPMENT**

The total cost of property, plant and equipment amounted to SR 2.85 billion as at 30 September 2022 (31 December 2021: SR 2.8 billion). Total accumulated depreciation amounted to SR 1.72 billion (31 December 2021: SR 1.68 billion). During the nine-month period ended 30 September 2022, the Group has added projects in progress of SR 25.1 million (31 December 2021: SR 60.4 million) which mainly represented in new plant under construction to the Group's companies.

**8- INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

The aforementioned investments include the Company's investments in the Natural Gas Distribution Company (a listed company). The fair value of the Company's investment in the mentioned Company amounted to SR 24,5 million at 30 September 2022, realizing revaluation losses of SR 22 million.

During the period, the Group disposed its investments in Nayifat Finance Company, Saudi Tadawul Group Company, Arabian Internet and Communication Services Company and its subsidiaries, and Almunajem Food Company with a total amount of SR 3.3 million.

**9- INVESTMENT IN JOINT VENTURE**

During the period, the Group entered into a joint venture with Gulf Cable and Electrical Industries Corporation. (Kuwaiti Shareholding Company) through the establishment of the "Gulf and Riyadh Electric Wires Cables CO. (a limited liability company) based in the state of Kuwait with a share capital of KWD 5 million equivalent to SR 61,205,000. The Group has 50% of the Company's shares and based on the Group's assessment, the control is shared between it and Gulf Cable and Electrical Industries Corporation. The investment cost of the Group, as at 30 September 2022 amounted to SR 30,602,500, which represents the Group's share in the capital, as the "Gulf and Riyadh Electric Wires Cables CO." has not yet started its commercial operations.

**10- INVESTMENT PROPERTIES**

Investment properties are represented in the ownership of lands in the Arab Republic of Egypt, the cost of which as at 30 September 2022 amounted to SR 35,652,250. The fair value of the land according to the latest valuation of the land amounted to SR 35,652,250. The fair value of the investment properties has been determined by "International Engineering Consulting", an independent external real estate valuer and registered with the Central Bank of Egypt under No. (37).

The management believes that the fair values of investment properties as at 30 September 2022 do not materially differ from the fair values determined according to the last valuation of the land as at 21 September 2022.

The lands referred to above were obtained through a documented and approved contract with one of the Group's clients, where the aforementioned client sold, relinquished, and assigned the aforementioned plot of land, with all the actual and legal guarantees. An Egyptian court ruling was also issued to certify the validity of the mentioned client's signature to the contract, as part of a debt settlement for this client, and work is underway to finalize the property registration procedures.

During the first quarter of the year, certain property and equipment were transferred to investment properties by an amount of SR 20.7 million. During the third quarter, those investment properties were sold with a selling value of SR 38.7 million, achieving a disposal gains of SR 17.7 million.

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**11- INVENTORY**

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Finished goods	859,000,592	868,135,090
Production in progress	429,212,068	339,652,655
Raw materials	346,924,738	291,775,177
Spare parts	70,127,825	71,054,915
Packaging material	40,013,507	35,018,161
Goods-in-transit	12,285,069	24,518,808
Other	3,352,892	5,054,170
<b>Total</b>	<b>1,760,916,691</b>	<b>1,635,208,976</b>
Less: provision for slow moving inventory*	<b>(54,845,780)</b>	<b>(49,660,390)</b>
<b>Net inventory</b>	<b>1,706,070,911</b>	<b>1,585,548,586</b>

\*Movement in provision for slow moving inventory is as follows:

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
1 January	49,660,390	50,983,229
Provision during the period / year	6,537,553	1,441,699
Reversal of provision during the period / year	<b>(1,352,163)</b>	<b>(2,764,538)</b>
31 December	<b>54,845,780</b>	<b>49,660,390</b>

The Group has a variety of future contracts to meet the price fluctuations risk of copper and aluminum and lead, in order to meet the Group's requirements expected from use in its manufacturing processes. Except for the ultra-voltage cable input contracts, the effect resulting from closing these contracts - contracts to buy or sell non-financial instruments / or contracts for own-use that are not classified as hedging instruments - is recorded in the cost of production in the consolidated statement of profit or loss. The book value of the unexecuted future contracts for copper, aluminum and lead on 30 September 2022, an amount of USD 267 million, equivalent to SR 1,001.3 million. The Group also accounts for hedging contracts for fluctuations in the prices of copper and lead, which are used in the product of ultra-voltage cables, in accordance with the policy referred to in note (15.2) of the notes to the accompanying consolidated financial statements.

**12- TRADE RECEIVABLES**

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	1,521,905,778	1,011,313,814
Allowance for expected credit losses ("ECL")	<b>(53,303,349)</b>	<b>(48,649,310)</b>
<b>Net trade receivables</b>	<b>1,468,602,429</b>	<b>962,664,504</b>

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**12- TRADE RECEIVABLES (CONTINUED)**

The movement in provision for expected credit losses for trade receivables is as follows:

	<b>30 September</b>	31 December
	<b>2022</b>	2021
	<b>(Unaudited)</b>	<b>(Audited)</b>
1 January	48,649,310	58,021,456
Reversal of provision for expected credit losses during the period / year*	<b>(33,473,284)</b>	(8,670,649)
Utilization of provisions during the period / year	--	(701,497)
Provisions made during the period / year	<b>38,127,323</b>	--
31 December	<b>53,303,349</b>	48,649,310

\*The amount includes the reversal of the expected losses provision which was formed during the previous years against the balance of one of the group's clients, which was settled during the period against the ownership of lands in the Arab Republic of Egypt, the cost amounted to SR 35,652,250 as at 30 September 2022 Note (10)

**13- ADVANCES AND OTHER CURRENT ASSETS**

	<b>30 September</b>	31 December
	<b>2022</b>	2021
	<b>(Unaudited)</b>	<b>(audited)</b>
Suppliers - advances	104,478,967	28,481,220
Suppliers receivables - discounts*	6,080,943	11,749,771
Prepaid expense	6,369,396	6,169,731
Employees' receivables	4,290,494	3,554,956
Refundable deposits - customs	5,134,424	2,118,054
Other	9,923,637	7,527,626
	<b>136,277,861</b>	59,601,358

(\*) This balance represents the value of discounts due for the period from the Group's suppliers, by which the cost of sales lowered.

**14- ISLAMIC FINANCE FACILITIES**

The Company entered into credit Islamic Murabaha facilities agreements with several local banks to support working capital during the period with a total amount of SR 3.5 billion (2021: SR 3.2 billion) at Islamic Murabaha rates agreed upon with the banks. All credit facilities were granted according to promissory notes approved by the authorized members of the Board of Directors according to the authorities granted to them and approved by the Board of Directors of the Company. Interest rates on short-term loans are based on Saudi Inter Bank Offer Rate (SIBOR) plus a variable rate.

	<b>30 September</b>	31 December
	<b>2022</b>	2021
	<b>(Unaudited)</b>	<b>(Audited)</b>
Balance at start of the period / year	1,324,175,000	858,675,000
Withdrawn during the period / year	3,464,370,000	3,280,437,500
Paid during the period/year	<b>(2,837,242,500)</b>	(2,814,937,500)
Balance at end of the period / year	<b>1,951,302,500</b>	1,324,175,000



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**15- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

		<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Advances from costumers		139,597,089	50,343,976
Accrued VAT		71,130,448	45,252,538
Accrued expenses		23,563,716	21,939,652
Dividends payable	15-1	14,576,750	-
Staff accruals		21,826,525	21,396,635
Accrued projects expenses		-	1,883,780
Derivatives	15-2	30,021,468	-
Other		4,412,225	-
		<b>305,128,221</b>	<b>140,816,581</b>

**15-1 Dividends payable**

On 28 April, the Ordinary General Assembly decided to distribute dividends amounting to SR 216 million, and on 6 September 2022, the Ordinary General Assembly decided to distribute dividends amounting to SR 20 million (2021: SR 196.5 million). The paid dividends during the period is amounted by SR 221,4 million .

The Company's shareholders collectively approved on settling any expenses related to the Company's initial public offering at Saudi Capital Market as a deduction from the dividends payable. Therefore, an amount of SR 5 million was deducted from the mentioned balance to settle the offering expenses due to date.

**15-2 Derivatives**

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Commodity future contracts	30,021,468	-

**\* Forwards and futures**

Forwards and futures are contractual agreements to either buy or sell a specified commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts to meet specific needs.

The Group has adopted a comprehensive system for measuring and managing risks. Part of the risk management process is related to managing the Group's exposure to fluctuations in certain inventory raw materials prices to reduce its exposure to variability risks in inventory prices to acceptable levels as determined by the Board of Directors.

The Group uses commodity futures to hedge against certain inventory raw material rate risk on copper, aluminum and lead related to producing Extra high voltage cables. In all, the hedging relationship and objective are documented, including details of the hedged items and the hedging instrument, and the transactions are accounted for as a fair value hedge.

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**15- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES (CONTINUED)**

			<b>30 September 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>		
Commodity future contracts in USD			<b>41,999,338</b>	-		
<b>30 September 2022</b>	<u>Notional amounts by term to maturity</u>					
	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Par Value</u>	<u>Within 3 months</u>	<u>Within 6 months</u>	<u>Within 12 months</u>
<u>Held as cash flow hedge</u>						
Commodity future contracts in USD	14,077	(8,019,802)	41,999,338	15,628,219	<b>22,420,325</b>	<b>3,950,794</b>

The Group purchases copper and lead on an ongoing basis as its operating activities require a continuous supply of these materials. The increased fluctuations in the prices of these materials led the management to decide to enter into forward contracts for materials related to Extra high voltage cables starting from 2022.

The effect of the cash flow hedge for these items on the statement of financial position is as follows:

	<u>31 December 2021</u>	<u>Fair value change for future hedging contracts</u>	<u>Fair value change for deferred future hedging contracts</u>	<u>30 September 2022</u>
Copper	-	29,744,368	10,917,844	40,662,212
Lead	-	277,100	375,474	652,574
	-	<b>30,021,468</b>	<b>11,293,318</b>	<b>41,314,786</b>

**16- PROVISIONS**

	<b>30 September 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
Provision for onerous contracts *	<b>60,373,462</b>	78,038,691
Provision for lawsuits	-	4,473,937
Other provisions	<b>5,102,163</b>	-
	<b>65,475,625</b>	82,512,628

\* The balance of provision for onerous contracts amounted to SR 60,373,462 (2021: SR 78,038,691) with relation to certain contracts with current commitments to the group to supply cables which may result in changes in the prices of raw materials after the contracting date. This is for all the Company's products, except for the Extra-voltage cables, in which the price of the raw material is hedged

**17- CONTRACT ASSETS AND LIABILITIES**

**17.1 Contract assets**

	<b>30 September 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
Total costs incurred up to reporting date	--	281,702,818
Total income recognized up to reporting date	--	36,608,970
Less: Progress billing	--	(306,565,097)
	--	<b>11,746,691</b>

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**17- CONTRACT ASSETS AND LIABILITIES (CONTINUED)**

**17.2 Contract liabilities**

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Total costs incurred up to reporting date	(297,731,285)	--
Total income recognized up to reporting date	(40,610,271)	--
Less: Progress billing	369,927,193	--
	<u>31,585,637</u>	<u>--</u>

**18- ZAKAT AND INCOME TAX**

The Group finalized the Zakat assessments up to the year 2015. On 27 April 2022, the Company received letters of returns amendment from Zakat, Tax and Customs Authority (The Authority) for the 2016 return, which resulted in differences amounting of SR 36.86 million. The Company filed an appeal for the differences resulting from the amendment of the return for that fiscal year during the permitted statutory period.

The company's management confirms, according to what was stated in the objection memorandum above, that the Authority has no right to claim any zakat dues related to the mentioned differences which resulted from a difference in the treatment of dividend distributions, as well as provisions balances from the Authority's point of view. Accordingly, based on the similar cases and consultation issued in this regard, the company's management and its zakat advisor believes that the company's position is strong with regard to the mentioned appeal, and the management didn't expect that will be zakat or tax claims in this regard.

**19- COST OF REVENUE**

	For the nine-month period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Raw Materials	4,311,527,262	2,922,214,191
Salaries and employees' related benefits	139,737,969	129,087,044
Depreciation expense	38,942,168	42,195,991
Repairs and maintenance	25,529,034	23,223,730
Electricity and other benefits	34,865,580	30,995,841
Other	8,294,988	6,052,625
	<u>4,558,897,001</u>	<u>3,153,769,422</u>

**20- SELLING AND DISTRIBUTION EXPENSES**

	For the nine-month period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Salaries and employees' related benefits	32,826,585	33,070,794
Cargo charges	26,384,048	22,990,455
Sales commission	2,583,303	3,570,293
Inspection and quality testing expenses	2,193,656	1,548,857
Insurance expense	1,197,579	1,075,269
Advertising and showrooms expenses	2,964,027	1,361,276
Depreciation expense	289,169	354,643
Communication expenses	414,342	283,901
Other expenses	5,995,700	5,617,980
	<u>74,848,409</u>	<u>69,873,468</u>

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**21- GENERAL AND ADMINISTRATIVE EXPENSES**

	For the nine-month period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Salaries and employees' related benefits	52,537,274	46,288,120
Depreciation expense	6,847,478	6,405,454
Legal and professional	2,910,516	2,837,066
Maintenance and repair expense	4,674,364	2,659,793
Travel and insurance expense	357,637	219,566
Communications and network expense	917,433	565,651
Offices supplies expenses	753,871	403,251
Other expenses	3,886,871	3,029,695
	<b>72,885,444</b>	<b>62,408,596</b>

**22- OTHER (EXPENSES) INCOME, NET**

	For the nine-month period ended	
	30 September 2022 (unaudited)	30 September 2021 (Unaudited)
Foreign exchange losses	(14,982,908)	(737)
Dividend from financial investments at FVTOCI	2,327,747	191,667
Gains on sale of investment properties	17,751,499	--
Revenue from rentals	1,343,527	--
Other	371,549	758,610
	<b>6,811,414</b>	<b>949,540</b>

**23- FINANCE COSTS**

	For the nine- month period ended	
	30 September 2022 (unaudited)	30 September 2021 (Unaudited)
Bank interest	34,700,395	16,208,035
Bank commissions	7,696,669	4,720,872
Interest on employees' defined benefits obligations	2,015,250	2,015,250
Interest on lease liability	299,246	299,245
	<b>44,711,560</b>	<b>23,243,402</b>

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#### 24- REPORTING SEGMENTS

The Group's activities include a number of sectors as follows: -

Cable and wire segment: includes electrical cables  
High voltage cable segment: includes ready-made projects  
Other segments: includes telephone cables and services

As at and for the period ended 30 September 2022	Cables and wires	High voltage cables	Other	Total
Revenue *	4,988,979,771	25,790,094	6,819,298	5,021,589,163
Cost of revenue	(4,535,486,461)	(21,360,700)	(2,049,840)	(4,558,897,001)
Expenses	(146,653,867)	(671,162)	(408,824)	(147,733,853)
expected credit loss	(2,999,655)	(1,183,893)	(470,491)	(4,654,039)
Allowance for slow moving inventory	(4,969,588)	--	(215,802)	(5,185,390)
Other income, net	6,051,336	966,577	(206,499)	6,811,414
Gain from disposal of investment at FVOCI	--	1,385,109	--	1,385,109
Finance costs	(43,895,344)	(307,400)	(508,816)	(44,711,560)
Income before Zakat and income tax	261,026,192	4,618,625	2,959,026	268,603,843
Total assets	4,599,141,261	63,354,349	58,927,430	4,721,423,040
Total liabilities	2,016,997,628	704,078,934	24,487,460	2,745,564,022

As at and for the period ended 30 September 2021	Cables and wires	High voltage cables	Other	Total
Revenue *	3,390,388,084	62,872,237	34,033,117	3,487,293,438
Cost of revenue	(3,069,812,589)	(56,668,974)	(27,287,859)	(3,153,769,422)
Expenses	(130,772,023)	(760,625)	(749,416)	(132,282,064)
Other income, net	490,305	465,355	(6,120)	949,540
Finance costs	(22,698,513)	(489,509)	(55,380)	(23,243,402)
Income before Zakat and income tax	167,595,264	5,418,484	5,934,342	178,948,090
Total assets	3,413,108,693	375,509,706	164,048,471	3,952,666,870
Total liabilities	1,691,712,305	149,646,411	75,241,370	1,916,600,086

\* The value of cables and wires revenues include realized revenues outside the Kingdom of Saudi Arabia, amounting to SR 890,7 million during the period (2021: SR 680.6 million).

**Riyadh Cables Group Company**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
 For the nine-month period ended 30 September 2022  
 (All amounts are expressed in Saudi Riyals unless otherwise stated)

## 25- EARNINGS PER SHARE - BASIC AND DILUTED

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Net profit for the period	245,996,740	154,946,707
Weighted average number of outstanding ordinary shares (share)	150,000,000	150,000,000
Basic and diluted earnings per share *	1.64	1.03

The diluted earnings per share is equal to the basic earnings per share for the periods ended 30 September 2022 and 30 September 2021, as there are no instruments with lower impact on earnings per share.

## 26- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

### Capital Commitments

At 30 September 2022, the Group has capital commitments of SR 26 million (31 December 2021: SR 30 million) relating to capital expenditures for expansion works in the Group's factories.

### Contingent liabilities

- The contingent liabilities amounted to SR 465.3 million (31 December 2021: SR 525 million) against bank facilities in the form of letters of credit and letters of guarantee obtained by the Group from several local banks against a commission for granting facilities without any bank cover.
- Hedging contracts against changes in raw materials prices amounted to SR 157,5 million as at 30 September 2022.

## 27- SUBSEQUENT EVENTS

On 17 October 2022, the Capital Market Authority announced the issuance of its board's resolution to approve the request of the Riyadh Cables Group Company to register its shares and offer 33 million shares for public subscription in the main market. The shares to be offered represent 22% of the Company's total shares amounting to 150 million shares.

## 28- APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been approved by the Board of Directors on 29 Rabi' al-Awwal 1444H corresponding to 25 October 2022.





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