



Report of the Board of Directors
Naqi Water Company
About activities and performance of
the company for the fiscal year 2022



King Salman bin Abdulaziz Al Saud The Custodian of the Two Holy Mosques



His Royal Highness

**Prince Mohammed bin Salman bin Abdulaziz Al Saud
Crown Prince and Prime Minister**

Board Members



Yousef Mohammed ALGafari
Member of the Board of Directors



Saleh Shabbab ALSolami
Vice Chairman of Board of Directors



Ameen Abdullah ALMallah
Chairman of Board of Directors



Moustafa Hassab Alla ELhofi
Member of the Board of Directors



Abdullah Abdulrahman ALRebdi
Member of the Board of Directors



Zaid Nihad Ratib Al-Nazir
Member of the Board of Directors



Chairman's speech

Mr. Ameen Abdullah Al-Mallah

Dear shareholders and contributions of the company

Naqi began the year 2022 with a vision to align its business model with the best international practices in the bottled drinking water production industry. The company's listing project and initial public offering were pivotal milestones in its history and affirmed its management's commitment to governance, transparency, and sustainability best practices. On 15th August 2022, the company completed its listing and offered public subscriptions. Naqi continued to embrace its slogan "The next is better" as it believes in providing safe and healthy products in accordance with the best practices of the industry. Throughout 2022, the company remained dedicated to fulfilling its promises to shareholders and society by focusing on the fundamental aspects of its business model, creating value for investors and providing products that meet the needs of the end consumer while striving to accomplish the company's social objectives.

During 2022, Naqi focused on sustainable growth by recognizing the interdependence of its business model inputs, particularly production inputs needed to address the rising costs. The company expanded its geographical scope by exporting to four neighboring countries and creating a flexible sales plan for both retail and wholesale sectors. Naqi is committed to enhancing the local content of its operations, with over 99% of its suppliers being local. As a responsible corporate citizen, the company maintained its role as a major employer in its headquarters area. Naqi achieved impressive sales during the year, optimizing its production and sales capacity while maintaining market share and profit margins. The company also provided a distinguished level of cash dividends, ensuring the continued achievement of the interests of its shareholders.

Naqi's future strategy is to enhance demand for its products by opening new retail sales branches, launching innovative products that meet the needs of society, increasing the company's sales capacity, and maintaining its focus on quality assurance operations. The company plans to continuously review its strategic plan using a flexible methodology that can adapt to market changes and fluctuations in the bottled drinking water production sector, as observed during 2022.

In conclusion, I would like to express my sincere gratitude and appreciation to our wise government for prioritizing the strengthening of various business sectors to achieve the ambitious goals of "Vision 2030". This is a historic transformation for our beloved country. I would also like to thank the shareholders of the company for their trust in the Board of Directors. My gratitude extends to my fellow members of the Board of Directors and sub-committees for their efforts and wise guidance. I would like to acknowledge the executive management and employees of the company for their commitment to achieving the company's goals under challenging circumstances. They have adhered to the company's values and principles, providing the highest levels of sincerity and dedication to their work.

Board Chairman

Mr. Ameen Abdullah Al-Mallah



CEO speech

MR. Abdul Aziz bin Yousef Al-Sayegh

Ladies and gentlemen, honorable shareholders and contributors

Naqi's business was launched in 2022, providing bottled drinking water products in compliance with best practices and local and international production standards, ensuring the provision of safe, healthy, and high-quality products. The company's listing and initial public offering played a significant role in enhancing governance practices, strategic planning, and commitment to transparency and disclosure practices.

The company's strategy was focused on implementing sustainable production practices by improving integration between support departments, implementing operational efficiency plans, and increasing the use of automated systems in its processes. The company also prioritized its sales plan, which resulted in impressive sales of over SAR 274 million.

In 2022, the company successfully produced over 1.2 billion bottles of high-quality water using seven production lines and three water desalination and sterilization plants located at two separate manufacturing sites within its headquarters. The company relied on groundwater extracted from its four wells. Additionally, the company completed the operation of its transport fleet, reducing transportation costs and avoiding supply chain problems that had persisted in previous years and continued to impact the company during the current year.

The continuous rise in the costs of raw materials used in production and supply chain expenses at the beginning of the year resulted in increased production and sales costs, impacting the company's profitability margins. To mitigate this, the company invested in technology, improving the ERP system and reviewing electronic sales channels and smartphone applications. Additionally, the company opened a new headquarters in the Riyadh branch to enhance retail sales and increase profit margins for its products.

The company expanded its export operations, allowing its products to reach new markets in the State of Kuwait, the Sultanate of Oman, the Kingdom of Bahrain, and the Hashemite Kingdom of Jordan.

In 2022, Naqi maintained excellent performance indicators despite a decrease in profitability margins. Equity growth reached 20%, and the company's assets grew by over 17%, reaching SAR 291 million by the end of the year. The company maintained exceptionally low debt levels, with a liabilities to equity ratio of 17%. The company invested its cash returns in the form of short-term Islamic deposits with local banks with a high credit rating. The high efficiency of sales operations led to an increase in cash flows from operating activities, exceeding SAR 71 million, enabling the company to cover its short-term liabilities from its current assets by over 5 times.

Naqi's plan is to expand the provision of innovative products, and the company is in the process of obtaining the necessary licenses to produce and present its new product, bottled drinking water fortified with vitamin D. This will make Naqi the first company in the Kingdom to offer such a product in both sectors. Currently, the company is working on establishing a new retail sales branch in the western region to enhance access to an important segment of target customers. The company has set strategic targets to expand sales in the retail sector in areas where it currently has branches. An integrated plan was developed to increase sales capacity and strengthen the company's branches with qualified staff and sales capabilities to meet targets. The project is expected to be completed by achieving a sales capacity equivalent to 130% of the retail sector's capacity in 2022.

I extend my deepest gratitude to the Board of Directors and sub-committees of Naqi Water Company for their unwavering support and trust. I also thank my colleagues and fellow employees in various departments for their dedication, efforts, and sincerity, which have contributed to the growth and development of the company and its achievements towards advancing the development wheel. Naqi Water Company is committed to continuing its focus on implementing strategies for growth and sustainability, with the aim of achieving its goals and fulfilling its mission.(next is better)

Managing Director and CEO

Mr. Abdul Aziz bin Yousef Al-Sayegh

About Naqi Water Company

Naqi commenced operations in 2016 at its current headquarters in Unaizah Governorate in Qassim region, capitalizing on its strategic location to extract groundwater from its own wells and re-treat it in accordance with the best international practices in the production and bottling of drinking water sector. The company relies on qualified expertise and employs the latest technologies available globally. Naqi continued to expand regularly over the years, becoming one of the most prominent Saudi producers of bottled drinking water. The company provides its customers with its products throughout various regions of the Kingdom of Saudi Arabia, as well as in four neighboring countries.

Throughout its journey, Naqi has relied on the slogan "The next is better", recognizing the importance of continuous improvement in all areas of operations. The company places great emphasis on research and development operations and strengthening institutional performance concepts, ensuring the provision of products that meet the needs of various categories of consumers with the best health and nutritional specifications. Naqi also believes in the importance of preserving and developing its business governance and promoting corporate work practices, sustainability, and transparency. In 2022, the company offered its shares for public subscription, becoming the first joint-stock production company of bottled drinking water listed on the main stock market.

Date	Change
2014	❖ The company was established as an sole proprietorship under the name "Naqi Water Foundation".
2016	❖ Adding a production line of 24,000 units per hour.
2017	❖ Adding a production line of 40,000 units per hour.
2018	❖ Two production lines with a total production capacity of 80,000 units per hour under a joint investment agreement. ❖ Build a production line with a capacity of 40,000 units per hour under a joint investment agreement.
2019	❖ Running a new Naqi Water Company plant at the company's plant in Unaizah. ❖ Acquisition of two production lines established under the Joint Investment Agreement with a total production capacity of 80,000 units per hour. ❖ The acquisition of 45,173.5 square meters of land to further the company's expansion plans.
2020	❖ Adding and running a new 48,000WHr production line. ❖ Acquisition of the production line established under the Joint Investment Agreement with a production capacity of 40,000 units per hour. ❖ The acquisition of the Naqi Commercial Establishment's two branches in Riyadh and Al-Qasim corresponds to the growth in demand for the company's products from retail sector customers. ❖ Purchase 50 trucks to support company operations. ❖ The acquisition of 72,672.6 square meters of land to strengthen the company's expansion plans
2021	❖ Add and run a new 48,000WHr production line. ❖ The acquisition of 44,448.5 square meters of land to further the company's expansion plans.
2022	❖ Expanding export operations to neighboring countries and the Gulf Cooperation Council countries ❖ Listing 30% of the company's shares and offering them for public subscription in the main market.

For Naqi Water Company

Naqi is a Saudi listed company and one of the leading companies in the production and distribution of purified water. It is also the only company in its sector listed on the main stock market. Naqi enjoys continuous growth and an increasing presence, with its extraction, purification, desalination, distribution, and sales activities in various regions and cities of the Kingdom, as well as in a group of neighboring countries in the Gulf Cooperation Council and abroad.

Vision

Naqi Water Company is a pioneering company in water production and distribution throughout the Kingdom, the Gulf States, the Middle East, and North Africa. The company strives to develop its brand to become the best in its field, with a focus on quality and customer service. Naqi promotes and develops trade relations and relies on the best human resources by attracting, developing, and retaining them.

Mission

Naqi aims to develop a modern model in its fields of operation by offering various types of products in different sizes and weights, with the highest quality and value specifications, and at competitive prices. The company strives to serve all the needs of its partners and customers in a sustainable way by utilizing research and development to create added and sustainable value for its shareholders. Naqi encourages active and constructive participation to keep pace with the aspirations of shareholders and stakeholders.

Values



Responsibility

Innovation



Mastery

authenticity



Flexibility



Corporate Strategy

Naqi has established key strategic goals based on its strengths and market opportunities that align with its vision and mission. The company's strategic objectives include strengthening its position as a leader in the water bottling sector through the development of business strategies, expansion of its customer base, expansion into new markets in the Kingdom, the Gulf States, the Middle East, and North Africa, development of production and manufacturing processes and capacity, improvement of labor capital efficiency, development of staff competencies, and improvement of corporate governance. Naqi also implements complementary strategies, such as marketing, sales and distribution development, advertising, and market penetration pricing strategy, adapting business strategies to ensure the development of its customer base and the expansion of its operations.

Our Business Model

This year, Naqi Water Company focused on developing its business model to uphold its promise to customers and align with its motto "Next is better" by promoting continuous improvement and innovation practices and applications in its operations and products. The company defined the inputs and outputs of its business model to fulfill its obligations by directing its operations towards specific concepts and goals shared by all departments and sections. This ensures consistency of operations and interoperability between employees to carry out the tasks of business units and activity engines within an institutional framework and an organizational environment based on efficient and effective management factors.

Our Inputs and Processes

Production inputs

- ❑ Over 500 suppliers, 99% of whom are local suppliers.
- ❑ Total spending on raw materials exceeds SAR 136 million.

Efficient low-risk production

- ❑ Seven production lines are equipped and operated according to the best international standards.
- ❑ Two separate plants located within a production facility which contribute to reducing the risks associated with concentration.
- ❑ Four groundwater wells.
- ❑ Three desalination plants.
- ❑ Ten warehouses for production and sales.

Innovation and Quality Control

- ❑ Specialized laboratory equipped with global best practices.
- ❑ Agreements with specialized agencies to ensure quality assurance from independent parties.
- ❑ Associate company values with quality control mechanisms and adopt ISO 22000, HACCP and GMP standards
- ❑ Continuous processes of delivering innovative products according to the needs of the final consumer

Excellent Staff

769 qualified staff able to make a difference and contribute to ongoing development.

12 nationalities.

Accredited training programs in partnership with specialized agencies.

Continuous job training programs that contribute to the qualification of employees, promote the retention of competencies, and support their professional careers.

Naqi is the senior employer at its headquarters.

Competitive compensations and benefits.

Implement safety programs to ensure the health and safety of employees and their ability to practice their work in a stimulating environment

Strong Financial Position

- Outstanding low debt levels.
- High levels of invested cash.
- High levels of free cash flows.
- Competitive ROA and ROE.

Our Approach to Add Value.

- We adopt flexible management and guidance for operations.
- We respond quickly to surrounding variables.
- We develop traditional organizational structure to focus on business units and activity engines.
- We promote interdepartmental concepts to focus on profitability and sales integration.
- We develop supporting management concepts and applications for the sustainability of production and sales activities.
- We rely on underlying fundamentals to create demand for the company's products as part of a flexible strategy to meet the needs of consumers.

Safety and quality are the focus of our operational processes.

- ❑ We enhance the control of product safety by developing mechanisms and devices for continuous periodic inspection to ensure the provision of safe and healthy products.
- ❑ We take great and continuous care of all production facilities, from water extraction and desalination stations to production lines, transportation means, and storage facilities.
- ❑ We maintain a high turnover rate for finished product inventory according to ideal health standards and requirements.
- ❑ We develop and improve the qualifications and competencies of our employees responsible for the production and control of our products, in accordance with local and international quality standards. .

Outstanding logistics level

- ❑ We provide excellent logistics services with the latest fully-owned transportation and distribution fleet in the region.
- ❑ We transport and distribute over 1.2 billion (1200 million) water packages during the year 2022.
- ❑ We achieve excellent performance levels in the timing of transportation and delivery to various regions of the Kingdom and neighboring countries to which we export our products.

Connect with our customers

- Enable 24/7 communication with different customer segments.
- Specialized customer interest department that promotes quality, customer satisfaction and retention.
- Build mechanisms to raise customer and consumer confidence.

Our Outputs

Value-added shareholders

- The company has been able to maintain distinguished returns on the Saudi market during previous years and the current year.
- The company has committed to boosting the value of return on investment to shareholders.
- Maintaining a dividend distribution of at least 15% of the nominal value of shares, in addition to their long-term returns from growing net asset value.

Meeting the needs of consumers and customers

- We have sales points spread throughout all regions of the Kingdom.
- We continuously reach out to different customer segments.
- We offer a variety of products to serve different expected needs.
- We provide safe and healthy products according to the best practices in the bottled drinking water production sector.
- We build customer relationship management to enhance concepts of communication, partnership, and customer service.

Community

- We activate environmental sustainability practices.
- We form partnerships and agreements with non-profit organizations to enhance the company's social impact.
- We have a continuous presence and participation in various community events and activities that contribute to enhancing the concepts of partnership and social impact.
- We activate cooperative training programs for students in educational and university institutions.

Future strategy

The company conducted a flexible review of its strategic plan in response to the changes that the industry has witnessed in general. The flexible review of the strategic plan focused on the concept of value-added for shareholders and stakeholders, while taking into consideration the rapid developments that the bottled drinking water production sector in the Kingdom has witnessed during the year 2022. Some of the effects of the review were reflected in the company's response and achievements towards the current strategic plan.

The review was based on five main axes:

- Creating sustainable value-added for the company's shareholders.
- Sustaining the company's operations.
- Moving towards sustainable growth.
- Managing the company's risks.
- Sustainability and community partnerships, focusing on environmental and social practices and governance applications (ESG).

Future Strategy

During the year 2022, the company worked on adapting its operations according to the outputs of the flexible review of its strategic plan, focusing on the main axes of the strategic review. This review led to a renewed focus on a project to provide innovative products that meet market and social needs. During the year, the company worked on the completion of an innovative product project to provide bottled drinking water enhanced with vitamin D, in response to the community's needs. The company is currently working on completing the final stages of producing its new product and launching it in the markets. The financial impact of the new product is expected to appear at the end of the second quarter and during the third quarter of 2023.

In its flexible review of its strategy, the company adopted the goal of reaching the largest segment of customers by expanding the range of sales points. The company plans to open a new branch to sell and distribute its products in the retail sector in the western region. This project aims to increase the percentage of retail sales from the company's total sales and improve the efficiency of reaching customers and end consumers within a broader geographical scope. The financial impact of this project is expected to appear at the end of the third quarter of 2023.

The company has set strategic targets to expand the scope of sales in the retail sector in the regions where the company currently has branches. A comprehensive plan has been built to increase the sales capacity and enhance the company's branches with qualified staff and sales capabilities that align with the targets. It is expected that the project will be accomplished by reaching a sales capacity equivalent to 130% of the sales capacity in the retail sector for the year 2022.

Sales Channels:

Distribution Agents: Naqi's products reach 39 distribution agents in various regions of the Kingdom.

Retail: Naqi's branches in Riyadh and Qassim contribute to reaching a wide range of retail customers.

Naqi App and Website: Naqi enables its customers to access its products directly through its website and smartphone application, committed to a maximum delivery time of no more than 48 hours.

Unified Number Service: Naqi has a specialized team to respond to customer inquiries, complaints, and requests. Our team executes customer orders and delivers them directly to their locations.

Export: The company has opened its doors to export to four neighboring countries, contributing to enhancing the competitiveness of local products and achieving competitive profit margins.

Governance

First: Composition and Classification of the Board of Directors:

The company is managed by a board of directors consisting of six (6) members, as the Ordinary General Assembly appointed them on 07/27/1442 AH (corresponding to 03/10/2021 AD):

The term of membership of the members of the Board of Directors, including the Chairman of the Board, is five (5) years as a maximum For each session, the following table shows the members of the Board of Directors, their positions, and the classification of their memberships:

Name	Position	Nationality	Membership status
Amin Abdullah Ali Al-Mallah	Chairman of Board of Directors	Saudi	non-executive
Saleh Shabab Al-Salami	Vice Chairman of Board of Directors	Saudi	non-executive
Yousef Muhammad Nasser Al-Qafari	Member of the Board of Directors	Saudi	independent
Abdullah Abdul Rahman Muhammad Al Ridi	Member of the Board of Directors	Saudi	independent
Mustafa Hasab Allah Hassan Al-Jawfi	Member of the Board of Directors	Egypt	non-executive
Zaid Nihad Ratib Al-Nazir	Member of the Board of Directors	Jordanian	non-executive
Abdul Aziz Khaled Saleh Al-Muhaimid	secret keeper	Saudi	-

➤ **Second: The names of the members of the Board of Directors, committee members, and executive management, their current and previous positions, and their qualifications and experience**

A- Board of Directors:

	Name	Current Positions	Previous Positions	Qualifications and experience
1	Amin Abdullah Ali Al-Mallah Chairman of Board of Directors	<ul style="list-style-type: none"> Company Chairman of the Board of Directors, since 2021 Vice Chairman, Chamber of Commerce and Industry in Unaizah, since 2019 Chairman of Al-Arabi Club, a Saudi sport club in Unaizah, since 2019 	<ul style="list-style-type: none"> Chairman of the Board of Directors, Naqi Installment Company, from 2010 to 2018 Architectural draftsman of the Ministry of Municipal, Rural Affairs and Housing, from 1998 to 2010 . 	High School Diploma, Institute of Technical Observers, Unaizah, Kingdom of Saudi Arabia.
2	Saleh Shabab Al-Salami Vice Chairman of Board of Directors	<ul style="list-style-type: none"> Vice Chairman of the Board of Directors of the company since 2021 Secretary General, Saudi Export Development Authority, since 2017 Member of the Board of Directors, Al-Rajhi International Investment Company, since 2021 Member of the Board of Directors, Food Security Company, a limited liability company, since 2021 	<ul style="list-style-type: none"> Deputy, Ministry of Industry and Mineral Resources, from 2016 AD to 2018 Deputy, Ministry of Commerce, from 2015 to 2016 General Manager, Obeikan Investment Group, from 2010 to 2015. Product Development Manager, Packaging Materials Manufacturing Company (VIP) General Manager, Al-Mudayfer Investment Group, from 2010G until 2010G. General Manager, National Company for Industry from 1999 to 2005. 	<ul style="list-style-type: none"> Diploma in Industrial Management, Chamber of Commerce and Industry in Riyadh, Kingdom of Saudi Arabia, 2002 Bachelor of Chemical Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1998G.

3	<p style="text-align: center;">Abdullah Abdul Rahman Muhammad Al Ribdi</p> <p style="text-align: center;">Member of the Board of Directors</p>	<ul style="list-style-type: none"> • Member of the Board of Directors of the company since 2021 • Member of the Board of Directors, Sulaiman bin Saleh Al-Muhailib and Sons Holding Company, since 2021 • Chairman of the Audit Committee, Sulaiman bin Saleh Al-Muhailib and Sons Holding Company, since 2021 • Managing Director and CEO, Rasana Financial Company, since 2022 until now. • Member of the Board of Directors, Returns of Assets Company, since 2021 until now. • Member of the Investment Committee, Maharah Company, since 2022 until now. 	<ul style="list-style-type: none"> • Chief Executive Officer, Al-Othaim Holding Company, a public joint-stock company, working in the field of investment, from 2018 to 2019. • Vice President of Financial Consulting, Saudi Scope Consulting, a limited liability company, working in the field of financial and economic consulting, from 2015 until 2017. • General Manager, Saudi Paper Industry Company, a public joint stock company, working in the field of basic materials and industrial investment, from 2015 to 2017 . • Head of investment funds, Middle East Financial Investment Company (MEFIC Capital), a closed joint stock company from 2010 until 2012. • Analyst and manager of stock funds, Al Arabi Investment Company, a closed joint stock company, working in the field of financial services and investment, from 2006 until 2010. • Member of the Board of Directors, Allied Cooperative Insurance Group (ACIG), from 2021 to 2022 . • Chief Executive Officer, CARE International, from 2017 until November 2022 . 	<ul style="list-style-type: none"> • Masters in International Management, University of Salford, in 2020. • Diploma in Business Administration, University of Cumbria, Carlisle, United Kingdom, in 2017. • CME-1 Certificate of Dealing in Securities, Capital Market Authority, in 2009. • Diploma in Electronics Engineering, Technical College, 1996.
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4	Yousef Muhammad Algefari Board Member	<ul style="list-style-type: none"> • Member of the Board of Directors of the company since 2021. • Chairman of the Remuneration and Nominations Committee since 2021. • Member of the Board of Directors, Abdullah Saad Abu Moati Company for Libraries, from 2013 until now • Chairman of the Board of Directors, International Company for Human Resources, from 2020 until now • Chairman of the Board of Directors, Inovent Real Estate Development Company, from 2020 until now. • Chairman of the Board of Directors of Muqdar Investment Company from 2020 until now. • Chairman of the Board of Directors of the Blue Sky Aviation Education Company from March 2022 until now. • Chairman of the Board of Directors of Sammam Corporation from 2022 until now. • Chairman of the Board of Directors of Atlas Elevators General Trading Company from 2020 until now. 	<ul style="list-style-type: none"> • Member of the Board of Directors, Mahara human resource Company, from 2018 to 2020. • Chief Executive Officer, Maharah Human Resources Company, from 2018G to 2020. • Managing Director, Abu Moati Libraries Company, from 2017 to 2018. • Member of the Board of Directors, Al-Wusta Company for Food Industries, from 2015 to 2017. • Member of the Board of Directors, Riyadh Food Industries Company, from 2013 to 2017 • consultant to the Chairman of the Board of Directors, Al-Othaim Holding Company, a closed joint stock company, from 2021 to 2022 • Member of the Board of Directors, Al-Othaim Investment Company, from 2006 to • CEO, Othaim Markets Company, from 2006 to 2017 • Executive Vice President, L'azurde Company for Jewelry, from 2005 to 2006. • Deputy Assistant Secretary General, Saudi tourism authority since 2000 to 2004. • Director of Human Resources, Samba Financial Group, from 1997 to 2004. • Credit Specialist, Riyad Bank from 1995 to 1997. • Human Resources Supervisor, Al Rajhi Bank, from 1991 to 1994. • Chairman of the Board of Directors, Maeen Human Resources Company, from 2015 to 2017. • Chairman of the Board of Directors, Saudi Advanced Industries Company, from 2022 to 02/2023 • Member of the Board of Directors, Al-Othaim Markets Company since 2006 to 2016. 	High school, Capital Model Institute, in 2002
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5	<p>Mustafa Hasab Allah Hassan Al-Hawfi</p> <p>Member of the Board of Directors</p>	<ul style="list-style-type: none"> • Member of the Board of Directors of the company since 2021. • Member of the audit committee of the company since 2021 AD • Chief Financial Officer, Suqi United Holding Group, since December 2022 	<ul style="list-style-type: none"> • Head of Financial Affairs and Investment, Madar Investment Company, a closed joint stock company, working in the field of investment and real estate development, from August 2021 until November 2022. • Executive Vice President of Financial Affairs, Suqa Holding Group, from 2019 to 2021. • Executive Vice President of Financial Affairs, Packaging Products Company, from 2018 to 2019. • Executive Vice President for Financial and Administrative Affairs, Saudi Plastic Factory, from 2016 AD to 2018 AD. • Executive Vice President for Financial and Administrative Affairs, Saudi Plastic Factory, from 2016 to 2018. • Executive Vice President of Financial Affairs and Head of Support Services, from 2014 to 2016. • Financial Manager, Nayyara Company, from 2007 to 2013. • Financial Director, Zahran Holding Company, from 2005 to 2006. • Director of Internal Audit, Saleh Al-Mudaifer Holding Group, from 2002 to 2004. • Financial Manager, Batterjee Holding Company, a closed joint stock company, from 1999 until 2002. Account Manager, Batterjee Holding Company, from 1992 to 1998. • Accountant, Arab Contractors Company, from 1990 to 1991. 	<ul style="list-style-type: none"> • American institute of public accountants AICPA, 2009. • American institute of internal auditors CIA, 2007. • American institute of Management Accountants, CMA 2005. • American institute of Financial Managers, CFM 2005. • Bachelor of Commerce, Alexandria University, Alexandria, 1990.
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6	<p>Zaid Nihad Ratib Al-Nazir</p> <p>Member of the Board of Directors</p>	<ul style="list-style-type: none"> Member of the company's board of directors since 2021 Member of the Rewards and Nominations Committee since 2021 Executive Vice President, Middle East Machinery Co., Ltd since 2016. 	<ul style="list-style-type: none"> Executive Vice President, Middle East Machinery Co. Ltd., from 2015 until now. General Manager, Takween Advanced Industries Company (Takween), from 2007 to 2013. General Manager, Arab Company for Paper Products, from 1998 to 2007. 	<p>Bachelor of Business Administration, Jackson State University, Mississippi in 1998</p>
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B - Members of the Audit Committee:

1- Abdullah Abd al-Rahman Muhammad al-Ribadi, Chairman of the Audit Committee

Please refer to the memberships of the Board of Directors for more details about Abdullah Abdulrahman Muhammad Al-Rabadi's experiences, qualifications and current and previous positions.

2- Mustafa Hasaballah Hassan Al-Hofy, member of the Audit Committee

Please refer to the memberships of the Board of Directors for more details about Mustafa Hasaballah Hasan Al-Hofy's experiences, qualifications and current and previous positions.

3- Haitham Abdullah Dahan, member of the Audit Committee

	Name	current jobs	previous jobs	Qualifications and experience
1	Haitham Abdullah Mohammed Dahan , Audit Committee Member	<ul style="list-style-type: none"> Member of the audit committee of the company since 2021 Chief Financial Officer, Saqi Group of Companies, since 2020 . 	<ul style="list-style-type: none"> Executive Director of Capital Consulting and Accounting Consulting Services, PricewaterhouseCoopers Certified Public Accountants, from 2017G until 2020G. Senior Director of Audit Services, Deloitte & Touche Middle East, from 2010 to 2016. Executive Director, Baker Tilly International, from 2016G to 2017G. Auditor, KPMG Hazem Hassan Chartered Accountants and Consultants, from 2008 to 2010. 	<ul style="list-style-type: none"> The American Fellowship of Internal Auditors, in 2019. British Fellowship of Certified Public Accountants, 2015. Bachelor's degree in Accounting and Management, Sana'a University, in 2008.

C- Members of the Nomination and Remuneration Committee:

1- Youssef Muhammad Nasser Al-Qafari, Chairman of the Nominations and Remuneration Committee

Please refer to the memberships of the Board of Directors for more details about Youssef Mohamed Nasser Al Qaffari's experiences, qualifications and current and previous positions.

2. Haitham Abdullah Muhammad Dahan, member of the Nominations and Remunerations Committee

Please refer to the Board Memberships for more details about Haitham Abdullah Muhammad Dahan's experiences, qualifications, and current and previous positions.

3. Zaid Nihad Ratib Al-Nazer, member of the Nominations and Remunerations Committee

Please refer to the Board Memberships for more details about Zaid Nihad Ratib Al-Nazir's experiences, qualifications, and current and previous positions.

	Name	current jobs	previous jobs	Qualifications and experience
1	Abdulaziz Youssef Al-Sayegh	<ul style="list-style-type: none"> - CEO of the company from 2020 - Member of the Board of Directors and Managing Director of the company since 2023 	<ul style="list-style-type: none"> - General Manager of Sales and Marketing of the company from 2017 AD to 2020 AD. - Director of Marketing and Public Relations, Sulaiman Al-Rajhi University, from 2016 AD to 2017 AD. - Sales official, Saudi Ceramic Company, during 2011. 	<ul style="list-style-type: none"> -- Bachelor's degree in Business Administration, Qassim University- Executive Master's in Business Administration (EMBA) from Sulaiman Al-Rajhi University.
2	Qassem Muhammad Falah Zureikat	CFO	<ul style="list-style-type: none"> - Financial Director of Sawa Financial Investments Company 2007-2008 - .Assistant Dean, and a university professor from 2003 until 2022. - Founder of Al-Ekhwa Trading Company for Foodstuffs, Jordan, 2009.Head of Budget and Financial Planning, Jerash Private University 2003-2006. - Leader of the team developing costs and budgets systems of Jerash Private University 2004-2006. - Member and team leader, Investment Committee, Sulaiman bin Abdulaziz Al-Rajhi Company for Education and Development 2020-2022. - Governance consultant, restructuring and strategy building for several companies. - Consultant in financial and accounting planning for several companies. - A founding member of the founding teams of business colleges in the Kingdom of Saudi Arabia. - A qualifying member within the teams of the UNESCO Creative Cities Network. 	<ul style="list-style-type: none"> - Holds a Bachelor's and Master's degree in Accounting - Holds a PhD in Accounting and Auditing.- Member of the American Accounting Association AAA. - Member of the Information Systems Auditors and Control Association (ISACA). - The local expert accredited to the International Accreditation Authority (AACSB). - He holds the rank of professor in accounting and auditing.
3	Abdulaziz Suleiman Al-Harbi	General Manager of Sales in the company since 2021 AD	<ul style="list-style-type: none"> -Operations Manager, Tawseel Trading Company for Logistics Services, from 2017 AD to 2021 AD. - Exhibition manager, Saudi Ceramic Company, from 2007 AD to 2017 AD - Salesman, Ghassan Ahmed Al Sulaiman Furniture Trading Company (IKEA Saudi Arabia), from 2005 AD to 2007 AD. - Accountant, Ghassan Ahmed Al-Sulaiman Furniture Trading Company (IKEA Saudi Arabia), from 2004 AD to 2005 AD. 	Bachelor of Business Administration -Marketing, King Abdulaziz University, Jeddah, in 2013.
4	Asim Ibrahim Al-Hatlani	General Manager of the company's support services since 2020	<ul style="list-style-type: none"> - Executive Director of the company from 2016 AD to 2020 AD. - Executive Director, Naqi Installments Corporation, from 2013 AD to 2016 AD - Administrator, Adel Al-Hatlani Foundation, from 2006 AD to 2013 AD. - Customer Service Employee, Saudi Telecom Company from 2001 AD to 2002 AD. 	Diploma in Computer, in 2001
5	Muhammad Salah Muhammad Al-Kharraz,	Director of the company's supply and logistics department since 2021 AD	<ul style="list-style-type: none"> -Procurement specialist in the company from 2021 AD to 2021 AD. -Procurement Specialist, Al Jomaih and Shell Lubricating Oils Company Limited, a limited liability company, working in the field of lubricant oil production and distribution, from 2018 AD to 2021 AD. 	Bachelor's degree in Business Administration, Qassim University, in 2018.

➤ **Third: The names of companies inside or outside the Kingdom in which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers:**

#	Name	The names of the companies in which the board member is a member of their current boards of directors or one of their managers	Inside the Kingdom / Outside the Kingdom	legal entity	Names of companies in which a member of the Board of Directors was a member of their previous boards of directors or one of their managers	Inside the Kingdom / Outside the Kingdom	legal entity
1	Amin Abdullah Al-Mallah	Naqi Water Company	-inside	-Listed	- Naqi Installment Company	-inside	-Limited Liability Company
2	Saleh Shabab Al Salami	-Al-Rajhi International Investment Company -Food security company	-inside -inside	-Listed -Limited Liability Company	-Naqi Water Company -Obeikan Investment Group -Al-Mudayfer Investment Group -The National Company for Industry -Packaging Materials Manufacturing Company (FIPCO)	-inside -inside -inside -inside -inside	-Listed -Limited Liability Company -Closed Joint-Stock Company -Closed Joint-Stock Company -Listed
3	Abdullah Abdul Rahman Al-Rabdi	-Naqi Water Company -Suleiman Bin Saleh Al Muhailib and Sons Holding Company -Rasanah Financial Company -Asset returns company	-inside -inside -inside -inside	-Listed -Closed Joint-Stock Company -Closed Joint-Stock Company -Closed Joint-Stock Company	-Al-Othaim Holding Company -Scope Consulting - Saudi Company for Paper Industry -Middle East Financial Investment Company (MEFIC Capital) - Allied Cooperative Insurance Group (ACIG) - Care International Company	-inside -inside -inside -inside -inside -inside	-Closed Joint-Stock Company -Closed Joint-Stock Company -Listed -Listed -Listed
4	Yusuf Muhammad Al-Qafari	-Naqi Water Company -Abdullah Saad Abu Moati Libraries Company -nternational Company for Human Resources -Invest Real Estate Development Company -Mekdar Investment Company -Blue Sky Company -Safety Valve Holding Company -Atlas Elevators Company for General Trading and Contracting	-inside -inside -inside -inside -inside -inside -inside	-Listed -Listed -Listed -Closed Joint-Stock Company -Closed Joint-Stock Company -Limited Liability Company -Closed Joint-Stock Company -Listed	-Maharah Human Resources Company Abu Moati Libraries Company - Middle Company for Food Industries - Riyadh Food Industries Company - Al-Othaim Holding Company - Al-Othaim Investment Company - Al-Othaim Markets Company - L'azurde Company for Jewelry - Maeen Human Resources Company - Saudi Company for Advanced Industries	-inside -inside -inside -inside -inside -inside -inside -inside -inside	-Closed Joint-Stock Company -Listed -Listed -Closed Joint-Stock Company -Closed Joint-Stock Company -Closed Joint-Stock Company -Closed Joint-Stock Company -Listed -Closed Joint-Stock Company -Listed -Closed Joint-Stock Company -Listed
5	Mustafa Al-Houfi	Naqi Water Company	-inside	Listed	-	-	-
6	Zaid Nihad Al-Nazer	-Naqi Water Company -Middle East Machinery Co. Ltd	-inside -inside	-Listed	-Takween Advanced Industries Company (Takween) - The Arab Company for Paper Products	-inside -inside	-Listed -Limited Liability Company

➤ **Fourth: Board of Directors meetings during the year 2022:**The company's board of directors held 7 meetings during the fiscal year 2022 AD. The table below shows the attendance record of the board members for meetings:

#	Member name/meeting date	Meeting number and date						Attendance times	
		First meeting 15/02/2022	Second meeting 02/06/2022	Third meeting 21/07/2022	Fourth meeting 27/08/2022	Fifth meeting 05/09/2022	Sixth meeting 09/10/2022		Seventh meeting 12/12/2022
	Amin Abdullah Ali Al-Mallah	✓	✓	✓	✓	✓	✓	☒	6
	Saleh Shabab Al-Salami	✓	✓	✓	✓	✓	✓	✓	7
	Abdullah Abdul Rahman Al Ridi	✓	✓	✓	✓	✓	✓	☒	6
	Yusuf Muhammad Al-Qafari	✓	✓	✓	✓	✓	✓	✓	7
	Mustafa Hasab Allah Al-Jawfi	✓	✓	✓	✓	✓	✓	✓	7
	Zaid Nihad Al-Nazir	✓	✓	✓	✓	✓	✓	✓	7

➤ **Fifth: The general assemblies held during the year 2022 AD, the names of the members of the Board of Directors and their attendance record for those assemblies**

#	Member name/meeting date	Meeting number and date			Attendance times
		First meeting 04/08/2022	Second meeting 16/06/2022	Third meeting 02/06/2022	
1	Amin Abdullah Ali Al-Mallah	✓	✓	✓	3
2	United Saqi Group	✓	✓	✓	3

Sixth: Brief description of the committees, their terms of reference and tasks:

Audit Committee:

The Extraordinary General Assembly of the company, in its meeting held on 03/10/2021 AD, approved the formation of the audit committee, defining its tasks, work controls, and remuneration for its members, for a period of three years ending on 03/10/2024 AD

The Audit Committee consists of 3 members, and in order to enhance its role in assisting the Board of Directors in performing its duties effectively and based on the Committee's work regulations, the Committee held 3 meetings during the year 2022, and among the tasks and functions of the Audit Committee, for example but not limited to, is to supervise the internal audit department in The company, studying the internal control system and internal audit reports, recommending to the Board of Directors the appointment of auditors, determining their fees, following up their work, studying the audit plan and the auditor's notes, studying the preliminary and annual financial statements before presenting them to the Board of Directors, studying the accounting policies used and their fulfillment of requirements in accordance with generally accepted accounting standards and the recommendation In this regard, the Board of Directors shall review the plan of the auditor and his work, and the results of the reports of the supervisory authorities, and verify that the company has taken the necessary measures in this regard, verifying the company's compliance with the relevant regulations, regulations, policies, and instructions, and presenting its views in this regard to the Board of Directors.

The following is a table showing the membership of the committee and its meetings that took place during the year 2022 :

#	Member's name/meeting date	Meeting number and date				Attendance times
		first meeting 15/2/2022	Second meeting 12/06/2022	Third meeting 22/08/2022	Fourth meeting 10/11/2022	
1	Abdullah Abdul Rahman Al Rabdi	√	√	√	√	4
2	Mostafa Hasab Allah Al-Hofy	√	√	√	√	4
3	Haitham Abdullah Muhammad Dahan	√	√	×	√	3

B -Nominations and Remunerations Committee:

The Extraordinary General Assembly of the company, in its meeting held on 04/07/2021, approved the formation of the Nominations and Remuneration Committee, defining its tasks, work controls, and the remuneration of its members, for a period of three years ending on 04/07/2024.

The Nominations and Remunerations Committee consists of 3 members, and in order to enhance its role in assisting the Board of Directors in performing its duties effectively and based on the Committee's work regulations, the Committee held 1 meeting during the year 2022, and among the tasks and competences of the Remunerations and Nominations Committee, for example 'but not limited to, is to recommend the nomination to the Board of Directors For the membership of the Board and proposing clear policies and standards for membership in the Board and the Executive Management, reviewing the structure of the Board of Directors and the executive management and making recommendations regarding changes that can be made. Identifying weaknesses and strengths in the Board of Directors and proposing solutions to address them in the interest of the company, and ensuring annually the independence of the independent members, preparing Updating the policies for the remuneration of the members of the Board of Directors, the committees emanating from the Board and the Executive Management, and periodically reviewing them and evaluating their effectiveness in achieving the goals, and clarifying the relationship between the bonuses granted and the applicable remuneration policy.

The following is a table showing the membership and meetings of the committee that took place during the year 2022

#	Member's name/meeting date	Meeting number and date	Attendance times
		first meeting 15/2/2022	
1	Yusuf Muhammad Nasser Al-Qafari	√	1
2	Zaid Nihad Ratib Al-Nazir	√	1
3	Haitham Abdullah Muhammad Dahan	×	0

The results of the annual audit of the effectiveness of the company's internal control procedures and the audit committee's opinion on the adequacy of the company's internal control system:

Control procedures and their effectiveness are of utmost importance and are considered a fundamental element in safeguarding the company's assets and supporting its efforts to achieve its goals and strategy. The internal control system has been established on a solid foundation by establishing the internal audit department and supporting its effectiveness through the audit committee, which oversees the implementation of best practices related to oversight. In 2022, the committee reviewed the company's internal control systems and controls to verify and ensure their adequacy and effectiveness. The committee also regularly reviewed the operational, financial, and administrative risks that the company may face and continuously evaluated the internal control system. Based on the audit plan and internal audit reports examining the control systems at the company's level, departments, and operations, we believe that there are no fundamental shortcomings that require clarification. The company has a sound and effective internal control system in terms of planning, designing, and implementing procedures, and all its operations are managed according to the framework developed in its control systems. The company also updates its policies and procedures manuals to align with best practices and continuously improves its control systems. Therefore, the Audit Committee, the Internal Audit Department, and the company's management continue their efforts to improve and develop the system.

Recommendation of the Audit Committee regarding the need to appoint an internal auditor:

There is no recommendation on the need to appoint an internal auditor, as the committee established an internal audit department and appointed a director for the department.

Seventh: A statement of the names, nationalities, number of shares, and ownership percentage of the main shareholders of the company who own 5 (%) or more, and its change during the year 2022:

Name of Shareholder	Nationality	number of shares at the beginning of 2022	ownership percentage of the main shareholders at the beginning of 2022	number of shares at the end of 2022	net change	Percentage change by the end of 2022
Amin Abdullah Ali Al-Mallah	Saudi	10,000,000	%50	7,000,000	%30	%30
United Seqa Group	Saudi	10,000,000	%50	7,000,000	%30	%30

* Adopted in monitoring the data according to the register of shareholders issued by the Securities Depository Center Company (deposit)

The ownership percentage of shareholders, Amin bin Abdullah Al-Mallah and the United Seqa Group, decreased as a result of the listing and the initial public offering, as 6,000,000 million shares were offered for public subscription, representing 30% of the company's total shares.

Eighth: Remunerations for members of the board of directors, committees and executive management

The data below shows the details of the remunerations paid to each of the members of the Board of Directors, members of the audit, remuneration and nomination committees, and five senior executives who received the highest remunerations from the company, including the CEO and the CFO

A- Members of the Board of Directors:

None of the members of the Board of Directors received any remuneration for their membership and work in the Board of Directors.

B- The Remuneration and Nomination Committee:

None of the members of the Remuneration and Nomination Committee received any remuneration for their membership and work in the Remuneration and Nomination Committee.

C- Audit Committee:

None of the members of the Audit Committee received any remuneration for their membership and work in the Audit Committee.

D- Senior executives' bonuses

The amounts indicated below show all the benefits received by five senior executives who received the highest remuneration from the company, including the CEO and the Chief Financial Officer. The company did not adopt any variable or periodic bonuses or incentive plans for senior executives, and the senior executives did not receive any in-kind benefits during the year 2022.

Senior Executive Posts	Salaries	Allowance	End of service	Other	Total
Managing Director and Chief Executive Officer					
Chief Financial Officer					
Support Services Manager					
Supply Chain Manager					
General Manager of Sales and Marketing					
	1,031,856	554,171	66,505	-	1,652,532

➤ **Ninth: Actions are taken by the Board of Directors to inform its members - especially non-executives - of the shareholders' proposals and comments regarding the company and its performance**

The Board of Directors is always keen to ensure that the majority of its members, especially non-executives, attend the meetings of the General Assemblies. The company's corporate governance regulations include the working procedures of the Board of Directors, which give special attention to hearing the suggestions and inquiries of the shareholders and responding to them. The Board also listens to the questions and suggestions of the shareholders regarding the company and its performance, responds to them, and documents them in the minutes of the assemblies. Additionally, the company provides the members with the minutes of the meetings of the assemblies, which include any inquiries by shareholders. The members are also informed of any inquiries or questions received by the company through various means of communication.

- **Tenth: The methods relied upon by the Board of Directors to evaluate performance, the performance of committees and members, and the external party that conducted the evaluation and its relationship with the company, if any:**

According to the Corporate Governance Regulations, it is necessary to evaluate the performance of each member of the Board of Directors, its committees, and executive management annually. The Nominations and Remuneration Committee will develop an internal model for evaluating the performance of board members and senior executives and their compensation, with board members participating in the evaluation process. The evaluation results will be analyzed under the supervision of the Nominations and Remuneration Committee and the results will be presented to the Board of Directors. There is no external party to evaluate the Board of Directors members, and this will be taken into account in the future.

➤ Eleventh: Description of any transaction between the company and any related party:

The company conducts business with related parties within its core operations, and all transactions with related parties are subject to the same business terms as those with general dealers and other contractors. The company purchases raw materials from Seqa United Group, mainly plastic raw materials that represent production components, and procures spare parts and maintenance services for production lines from Middle East Machinery Company Limited (MEMCO).

All transactions with related parties during 2022 are illustrated below

Related party	Type of relationship to the company	Type of contract or transaction	Duration	Transaction value
Seqa United Group (previously Al Sadd Modern Advanced Company)	Shareholder	Raw material purchase orders Paid dividend distributions	Unspecified	88,542,171 rials 5,000,000 rials
Middle East Factory for Machines Company Ltd. (MEMCO)	colleague company	Purchase orders and maintenance supplies	Unspecified	7,076,653 rials
Zulal Water Factory Company	colleague company	Collection of receivables	Year	209,647 rials

➤ Twelfth: Interests in the shares and debt instruments of the company for members of the Board and senior executives:

There is no interest in the shares or debt instruments of the company belonging to the members of the Board of Directors and their relatives in the shares or debt instruments of the company.

➤ **Thirteenth: The provisions of the Corporate Governance Regulations that have been applied, the provisions that have not been applied, and the reasons for non-application:**

The Board of Directors approved of the company's internal corporate governance regulations on 26/07/1442 AH (corresponding to 10/03/2021 AD). This regulations include rules and procedures related to corporate governance in accordance with the Companies Law and Corporate Governance Regulations issued by CMA. The company applies all the provisions of the Corporate Governance Regulations issued by the Capital Market Authority, with the exception of the following:

Article No.	Clause	Reasons not to apply
67	Composition of the Risk Management Committee	Indicative article
68	Competencies of the Risk Management Committee	Indicative article
69	Meetings of the Risk Management Committee	Indicative article
37	training of board members	Indicative article
95	Formation of a Corporate Governance Committee	Indicative article
39	Assessment of board members	Indicative article
39 clause E\F	e) The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years. f) Non-Executive Directors shall carry out a periodic assessment of the performance of the chairman of the Board after getting the opinions of the Executive Directors, without the presence of the chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.	Indicative article
82	The Company shall establish programmes for developing and encouraging the participation and performance of the Company's employees	Indicative article
85 clause a	establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities;	Indicative article
85 clause 4	establishing awareness programmes to the community to familiarise them with the Company's social responsibility.	Indicative article
41 clause 6	clear procedures when the Company contracts or enters into a transaction with a Related Party, this shall include notifying the Authority and the public without any delay of that contract or transaction if it equals to or exceeds 1% of the Company's total revenues according to the last annual audited financial statements.	Partially applied, and work is underway to update the list to include the entire clause

Fourteenth: Any penalty, penalty, precautionary measure, or precautionary restriction imposed on the company by the Authority or any supervisory, regulatory, or judicial authority:

Company response	Reasons for the violation	Violator	Penalty/Custodial/Custodial/Pe nalty Value
The company has reviewed all requirements and adopted clear procedures to avoid them	Violation of workers' housing controls	Ministry of Municipalities	30,000
The company has rehabilitated its human resources division to ensure full compliance	delay penalty	Ministry of Labor	25,200

Fifteenth: Details of the treasury shares held by the company and details of the uses of these shares:

There are no treasury shares held by the company

Sixteenth: Description of any interest in the class of shares with voting entitlement belonging to persons (other than members of the company's board of directors and senior executives and their relatives) who informed the company of those rights ,any change in those rights:

There is no interest in the category of voting shares belonging to persons other than the members of the Board of Directors of the company, senior executives, and their relatives who informed the company of these rights. Any change in those rights

- **Seventeenth: A description of the categories and numbers of any transferable debt transfers and any contractual securities or memorandums of subscription rights or similar rights issued or granted by the company during the fiscal year, with an explanation of any compensation obtained by the company for that:**

There are no transferable debt instruments, any contractual securities, subscription rights notes, or similar rights issued or granted by the company during the fiscal year.

- **Eighteenth: Description of any transfer or subscription rights under transferable debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company.**

There are no transfer or subscription rights under transferable debt instruments or contractual securities. Subscription rights notes, or similar rights issued or granted by the company

Nineteenth: A description of any interest, contractual securities and subscription rights belonging to the members of the Board of Directors of the company, senior executives and their relatives in the shares or debt transfers of the company or any of its subsidiaries, and any change in that interest or those rights during the last fiscal year

There are no interest, contractual securities, or subscription rights belonging to the members of the company's board of directors, senior executives, and their relatives in the company's shares or debt instruments.

Twentieth: A description of any redemption, purchase, or cancellation by the company of any redeemable debt instruments, and the value of the remaining securities, with a distinction between the listed securities purchased by the company and those purchased by its subsidiaries:

There is no refund, cancellation or purchase by the Company of any redeemable debt instruments

Twenty-first: Recommendations of the audit committee that conflict with the decisions of the Board of Directors, or which the Board refused to take into consideration regarding the appointment of the company's auditor, dismissing him, determining his fees, evaluating his performance, or appointing the internal auditor, and the justifications for those recommendations, and the reasons for not taking them in:

We would like to point out that there is no conflict or rejection during the year 2022 between the recommendations of the Audit Committee and the decisions of the Board of Directors

Twenty-second A statement of the works and contracts to which the company is a party and in which it has an interest to a board member, chief executive officer or any person connected with any of them

The following illustrates all transactions and contracts that took place during 2022 and to which the company was a party and to which a board member, CEO or any person directly or indirectly involved had an interest. The Chairman, CEO, or CFO had no direct or indirect interest in transactions or contracts to which the company was a party during the year.

Board member	Member of Board Relationship	Nature of the transaction	Transaction value	Fiscal period	Conditions
Al-Sayed Zaid Al-Nazer	He serves as Executive Vice-President of Middle East Machines Company Limited (MEMCO)	Purchase of supplies and spare parts for production lines from MEMCO	7,076,653	2022	The same prevailing business conditions a company follows for general dealers and other contractors
Mr. Mostafa Al-Houfi Mr. Saleh Al-Selmi	Chief Financial Officer, United Seqa Group During the previous two years, he served as Chief Executive Officer of Al Sadd Modern Advanced Company	Purchase raw materials for production inputs from United Seqa Group Group (previous Al Sadd Modern Advanced Company)	88,542,171 rials	2022	The same prevailing terms of business as the company for general customers and other contractors

➤ **Twenty-Third: Declarations of the Board of Directors:**

The Board of Directors of Naqi Water Company, according to the data and information available to it, and based on the company's auditor's report, acknowledges the following:

1. All records and accounts are properly maintained and displayed..
2. The company's financial statements have been prepared in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and versions approved by the Saudi Organization for Auditors and Accountants.
3. The internal control systems were prepared on sound foundations and were implemented effectively.
4. There is no doubt about the company's inability to continue.
5. The company has no treasury shares held.
6. There is no refund, purchase, or cancellation by the company for any debt instruments during the year 2022 AD.
7. There are no conflicts of interest during the year 2022 AD.
8. There are no material events affecting the soundness of the company's financial position after the end of the fiscal year 2022 AD that require disclosure.
9. There are no arrangements or agreements under which one of the members of the Board of Directors of the company or one of them waived. No, there are no arrangements or agreements under which one of the company's shareholders waived any rights to profits.
10. There are no investments or reserves created for the benefit of the company's employees.
11. The company's auditor's report on the company's financial statements ending on 12/31/2022 AD did not include any reservations, attention, or substantial observations.
12. The company's auditor did not submit any request to convene the General Assembly during the fiscal year ending 31/12/2022.
13. No procedures or restrictions have been put in place that might impede the shareholder's use of his rights guaranteed by the regulations and his right to vote.
14. The company does not have privileged shares or shares that enjoy special priority in voting) whether for shareholders, members of the board of directors, or its employees, and that all the company's shares are ordinary shares of equal value and equal voting rights and other rights according to the system

Financial performance

2022 Financial Performance Glance

Dividends paid for the year 2022 are 30 million riyals.



291 million riyals assets



Working capital 111.5 million riyals



Paid up capital 200 million riyals.



15% cash dividend return



Net Income Margin 18%



EPS Ratio 24.4%



Company's sales are 274.65 million riyals.

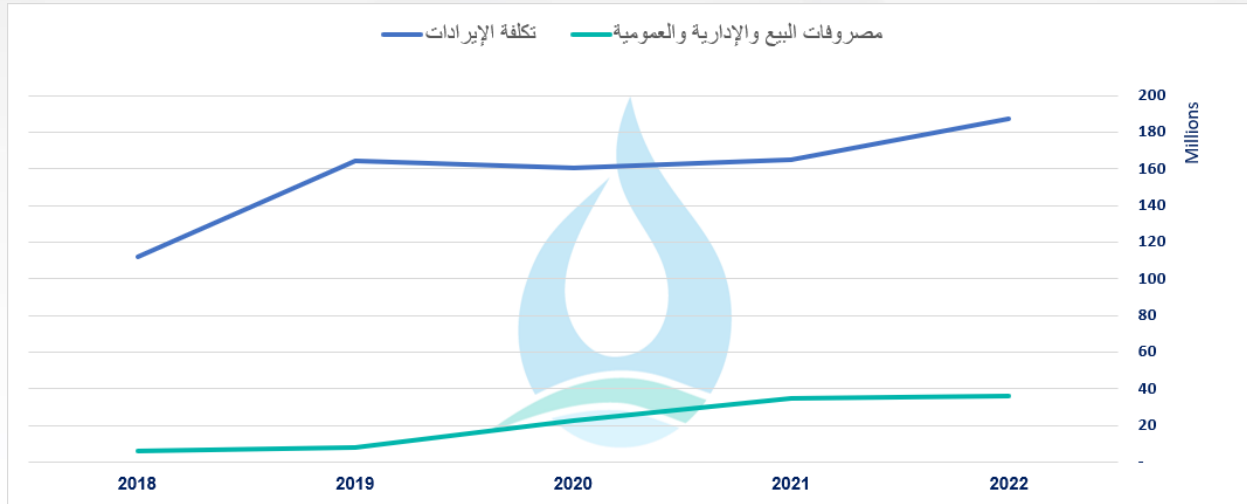


Revenue and Cost Management

The company was able to maintain its market share during the current year by achieving revenues of SAR 274,649,545, registering a slight decrease of 1% compared to the previous year. The company was able to continue to retain its customers and local market share despite the intense competition in the bottled water production sector in the Kingdom. In addition, the company has opened up to export to its agents in Kuwait, Bahrain, Oman, and the Hashemite Kingdom of Jordan, supported by the quality of our products that have passed all tests and standard conditions of the importing countries.

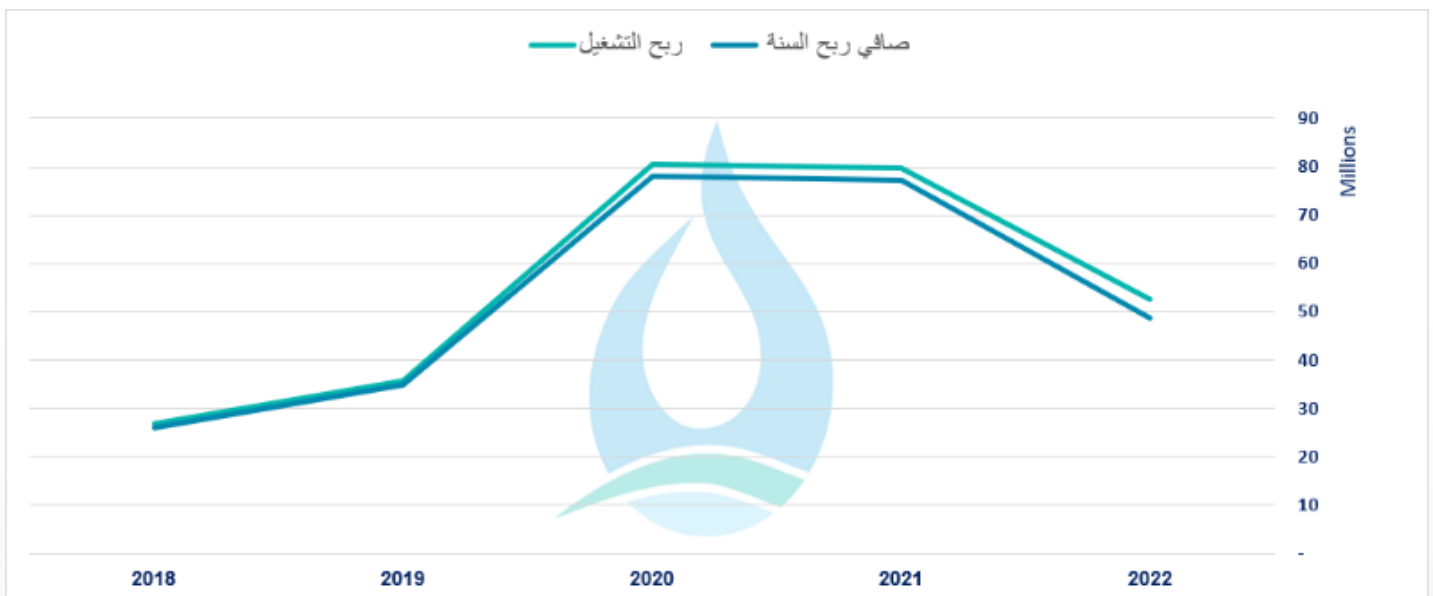
However, maintaining the market share of revenues and quantities of products sold faced a significant relative increase in production costs and inputs, which were directly affected by the rise in raw material prices at the local and global levels during the year 2022. Some of these increases reached over 50%, resulting in the company incurring additional costs of approximately SAR 22 million. The company began restructuring many of its operations to reduce production input costs by relying on periodic purchasing of raw materials and managing inventory levels of raw materials and production requirements with price flexibility linked to macro and global economic variables, which contributed to tangibly controlling production costs. The company has begun a digital transformation plan for operations management aimed at reducing operating costs, managing operational and production efficiency, and reducing waste levels to a minimum.

The increase in production input costs had a significant relative impact on the company's overall profit, reaching 23% compared to the previous year, to reach SAR 87,318,792. However, the company was able to efficiently control its other operating costs within the framework of the expansion strategy currently adopted by the company to create demand for its diverse products, which led to maintaining operating cost levels within acceptable limits compared to their counterparts in 2021. However, operating profits decreased by 34% to reach SAR 52,656,419, affected by the increase in production input costs and the requirements of the expansion strategy, in addition to including expenses related to listing and initial public offering within the operating profit items, which accounted for 6.1%.



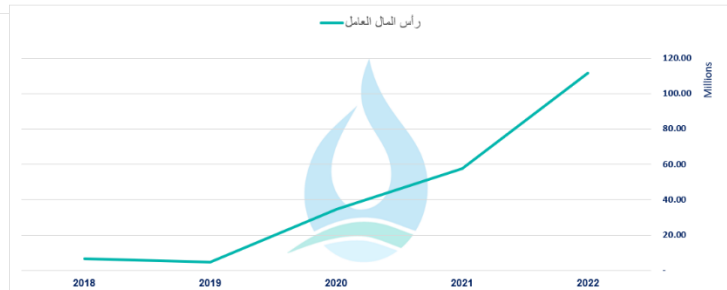
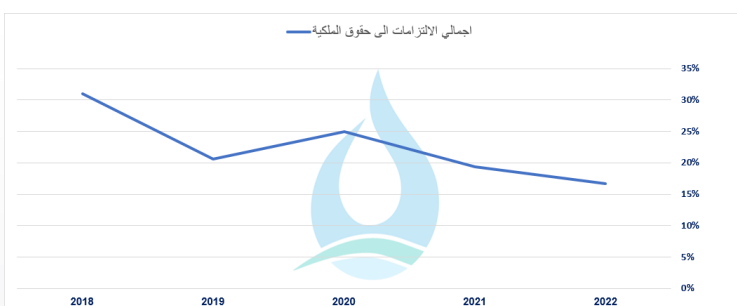
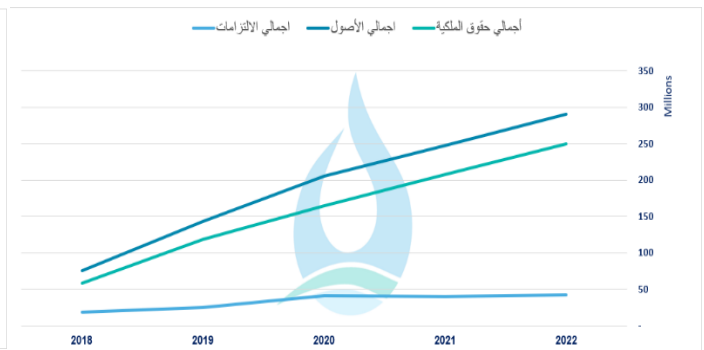
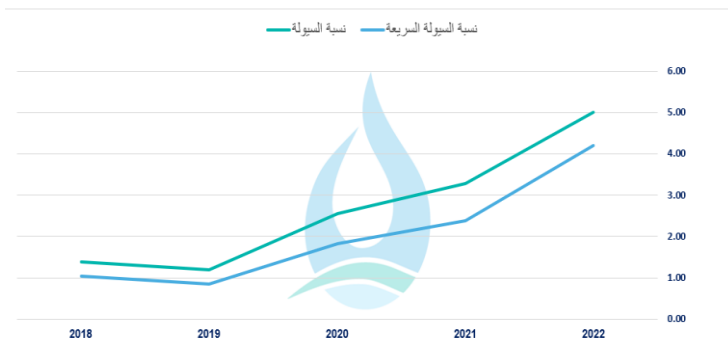
The production cost was mainly affected by the increase in the cost of raw materials, which are the most important production input elements. The cost of plastic raw materials used in product packaging increased by percentages ranging from 2% to 14%. The cost of cardboard raw materials used in packaging operations also increased by percentages ranging from 19% to 54%. Additionally, the increase in the cost of plastic raw materials used in various packaging operations ranged from 4% to 24%. The company bore a relatively significant part of the increase in the cost of raw materials in exchange for maintaining the quality of its products, ensuring the delivery of safe products according to the best health standards for the end consumer, and contributing to the sustainability of the company's operations while maintaining its competitive advantage.

The company was able to increase its other net revenues by over 200%, reflecting its plan to activate control over raw materials sold as scrap and manufacturing waste, in addition to the efficiency of its transportation fleet operations. The company uses its own transportation fleet to cover the transportation of its sales to its branches and operates according to a systematic plan to use the fleet to provide transportation services to others in case of the availability of additional transportation capacity. The efficiency of using the transportation fleet has increased the value of transportation revenues earned by the company in exchange for providing transportation services to others, which has contributed tangibly to improving the margin of other revenues. Furthermore, the company's investment plan was supported by short-term Islamic deposits in banks with high credit ratings, which contributed to the increase in other revenues.



Financial position

The company achieved a growth in its total assets by over 17% compared to the previous year, and this increase in total assets was the result of the company's ability to generate cash from its core operations. The company maintained outstanding performance indicators, with a liquidity ratio of 5 times and an increase of 53% from 2021. Additionally, the quick liquidity ratio reached 4.2 times, an increase of 76% from the previous year. At the same time, the company managed to reduce the debt-to-equity ratio by 14%, reaching 17% in 2022. The company also achieved a growth in working capital by 94%, reaching SAR 111.5 million.

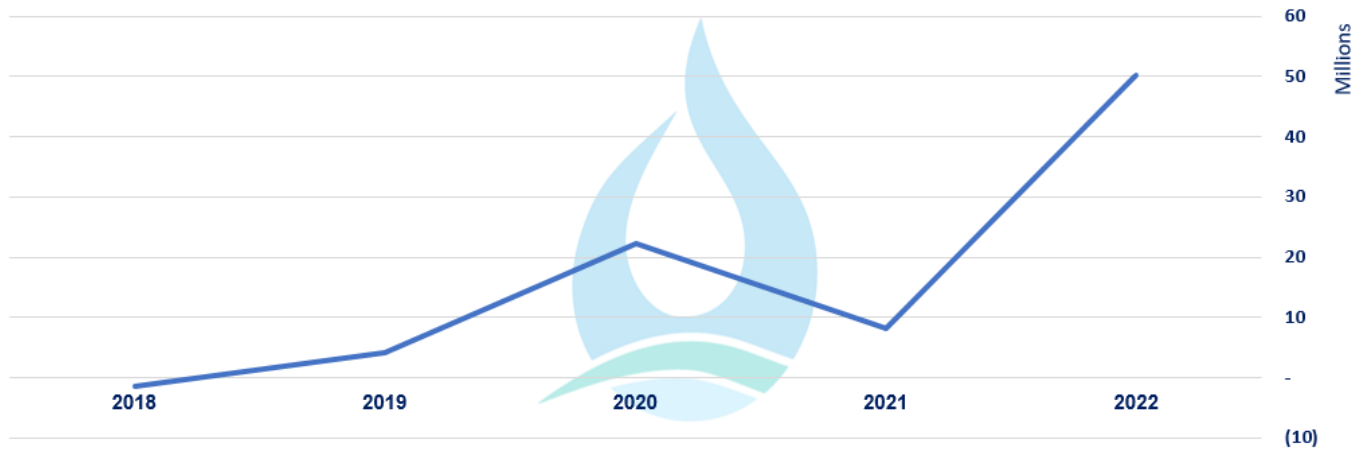


Equity

The company was able to achieve a 20% growth in equity compared to the previous year, as equity increased as a result of the company's business results, and the company did not make any increases in capital during the year. Retained earnings also increased significantly as of December 31, 2022, and statutory reserves increased by 63%. The company distributed interim dividends for 2022 in the amount of SAR 30,000,000, equivalent to 15% of the nominal value of the shares. The company expects to maintain a distinguished ratio of dividend distributions in the coming years.

During the fourth quarter of 2022, the company worked on re-estimating business risks in line with local and global economic changes that were relatively affected by rising interest rates and liquidity repositioning in markets. The company worked on re-evaluating its financial strategy in a more conservative manner in order to reduce business and liquidity risks while maintaining its strategic goals of expanding operational activities through increasing outreach and reaching wider customer segments, while retaining human capital. The company increased provisions for bad debts and employee-related provisions to prepare for any future economic changes and in line with the plan to retain qualified competencies. Additionally, the company worked on building investment partnerships with banks with high credit ratings to invest available liquidity in short-term Islamic deposits with competitive profit rates, ensuring an increase in working capital efficiency and avoiding inflation and liquidity risks.

صافى التغيير في النقد وما في حكمه

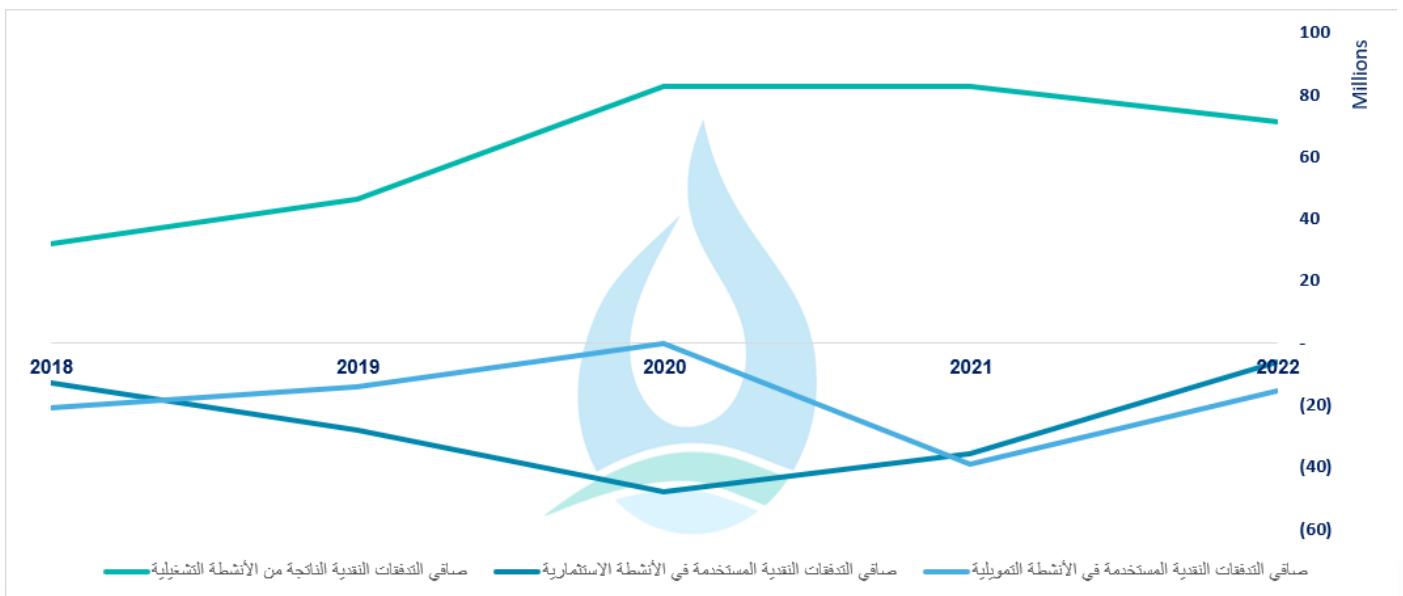


	Assets				
	2022	2021	2020	2019	2018
Non-current assets					
Property ,Plant and equipment	146,387,220	161,277,195	126,803,823	92,667,759	50,876,924
Advance payments for the purchase of property, plant and equipment	1,380,000	1,982,250	19,516,111	21,096,112	-
right-of-use asset	2,911,197	933,493	1,217,269	-	-
intangible asset	1,016,233	1,126,994	760,327	161,408	160,176
Total non-current assets	151,694,650	165,319,932	148,297,530	113,925,279	51,037,100
Current assets					
Inventory	22,681,031	22,553,507	16,268,718	8,206,232	6,173,280
Trade and other Receivables	26,604,454	22,157,204	10,973,810	11,723,488	4,046,799
Due from related parties	1,985,882	217,381	-	1,385,539	3,000,000
Cash and cash equivalents	88,057,270	37,860,998	29,713,591	7,539,721	11,327,162
Current assets	139,328,637	82,789,090	56,956,119	28,854,980	24,547,241
Total assets	291,023,287	248,109,022	205,253,649	142,780,259	75,584,341

Liabilities and Equity					
Property rights	2022	2021	2020	2019	2018
Share capital	200,000,000	200,000,000	150,000,000	85,338,000	45,338,000
Statutory reserve	12,598,306	7,727,599	7,795,482	7,404,590	3,926,709
Retained earnings	36,883,080	206,346	6,467,286	25,657,083	8,445,723
Total Equity	249,481,386	207,933,945	164,262,768	118,399,673	57,710,432
Non-current liabilities					
long-term loan	8,241,864	12,095,334	16,851,005		
Employee end-of-service benefits	3,744,106	2,283,822	1,090,511	154,436	182,792
lease liability	1,740,678	558,348	826,053		
Total Non-current liabilities	13,726,648	14,937,504	18,767,569	154,436	182,792
Current Liabilities					
Long term loan – Current Portion	4,755,671	4,755,671	3,648,995	-	-
Due to related parties	707,876	6,899,820	2,730,374	14,567,804	11,928,603
Trade and other payables	18,414,674	11,314,755	12,081,383	7,619,306	4,657,550
Zakat provision	3,148,110	1,912,122	3,432,244	2,039,040	1,132,864
Lease liability - Current Portion	788,922	355,205	330,316	-	-
Total current liabilities	27,815,253	25,237,573	22,223,312	24,226,150	17,719,017
Total liabilities	41,541,901	40,175,077	40,990,881	24,380,586	17,901,809
TOTAL EQUITY AND LIABILITIES	291,023,287	248,109,022	205,253,649	142,780,259	75,612,241

Profit or loss list and other inclusive income					
	2022	2021	2020	2019	2018
Sales	274,649,545	277,823,065	264,514,045	207,299,975	144,215,578
Cost of sales	(187,330,753)	(164,868,568)	(160,493,074)	(164,374,593)	(112,083,654)
Gross profit	87,318,792	112,954,497	104,020,971	42,925,382	32,131,924
Sales and distribution expenses	(24,663,876)	(24,220,794)	(14,836,244)	(4,415,509)	(3,073,251)
General and administrative expenses	(11,236,658)	(10,466,259)	(7,847,494)	(3,605,972)	(2,610,708)
Other income (expense),net	4,434,047	1,433,537	(725,305)	781,089	317,394
Initial public offering and listing costs	(3,195,886)	-	-	-	-
Operating profit	52,656,419	79,700,981	80,611,928	35,684,990	26,765,359
Financing costs	(801,243)	(1,193,591)	(592,307)		(3,761)
Net profit of the year before Zakat	51,855,176	78,507,390	80,019,621	35,684,990	26,761,598
Zakat expenses	(3,148,110)	(1,231,403)	(2,064,806)	(906,176)	(671,603)
Net profit of the period	48,707,066	77,275,987	77,954,815	34,778,814	26,089,995
Other comprehensive income					
Remeasurements of employees end of service benefits	(355,511)	395,190	(160,788)	31,739	(27,900)
Total comprehensive income for the period	48,351,555	77,671,177	77,794,027	34,810,553	26,062,095

Cash flow list					
	2022	2021	2020	2019	2018
Net cash flows from operating activities	71,562,991	82,688,908	82,593,581	46,388,843	32,147,855
Net cash flows from investing activities	(5,878,264)	(35,446,378)	(48,133,972)	(28,227,738)	(12,692,131)
Net cash flows from financing activities	(15,488,455)	(39,095,123)	(128,539)	(14,093,412)	(20,880,671)
Net change in cash and cash equivalents	50,196,272	8,147,407	22,173,870	4,067,693	(1,424,947)
Significant non-cash transactions	88,057,270	37,860,998	7,539,721	7,539,721	3,472,028



Unusual accounting transactions

On 25 May 2022, the company obtained the approval of the Capital Market Authority on Naqi Water Company's request to register and offer its shares for public subscription, which includes approval of the company's request to register its shares and offer (6,000,000) shares for public subscription, representing (30%) of the company's total shares. The value of the costs related to the project of registering the company's shares and offering part of it for public subscription amount with SAR 8,262,584. The old shareholders pledged during the offering process to bear the value of these costs and pay them to the company in the event of success of the offering and subscription project. On 15 August 2022, the process of listing the company's shares in the Capital Market was completed, and all the shares offered were subscribed. The company covered the amounts of the subscription costs from the old shareholders that existed before the offering and subscription. Mr. Amin Al-Mallah and seqa united group(previously Al Sadd Modern Advanced Company) afford and bearing the full value of the listing and public offering costs.

The costs have been classified and treated according to the nature of the transaction to which each of these costs is related, according to a clarification from the Accounting Standards Board on how to account for the costs of listing in the capital market when the listing with a sale of part of the founders' share to the public on 23 March 2023. These costs were classified into costs related to selling and initial public offering, and were processed by constantly charging them to the old shareholders outside the company's accounts. The costs related to the listing transaction have been included in the profit and loss statement. Costs related to the listing transaction that are difficult to attribute directly to both the sale process and the listing process have been allocated using the gudianc of paragraph 38 of International Accounting Standard No. 32 "Financial Instruments: Presentations" between the company and the old shareholders pro-rata to the basis of the number of shares sold to the shares held, and the company's share was charged to the profit and loss statement.

The financial impact of the amounts covered by the old shareholders for the costs of listing and initial public offering was charged to the equity in accordance with the requirements of International Accounting Standard No. 32.

Financial and Accounting System in the Company

The company believes in the importance of having an efficient financial and accounting system to provide suitable, reliable, and verifiable information within the time limits associated with the company's stakeholders. Therefore, the company has worked on updating and developing financial management procedures in line with the International Financial Reporting Standards (IFRS) by:

Continuing to develop the financial and accounting system in the company and enhancing the use of the Enterprise Resource Planning (ERP) system to ensure the integration of all operational and financial processes across the company's sectors and branches efficiently.

Continuously developing and improving accounting procedures and financial reports in line with the IFRS standards, under the company's strategy based on expansion and growth.

Continuously measuring accounting procedures risks and enhancing control practices and risk management to ensure the safety and completeness of financial and accounting processes and operations.

Enhancing communication and sharing financial, accounting, and operational data with the internal audit management to ensure good integration of risk management processes and activating the role of control over operations and procedures.

Continuously developing the efficiency of the financial affairs team in line with the continuous improvement procedures adopted by the management, while working to attract more qualified national competencies.

Continuously reinforcing the concepts and procedures of compliance with financial and accounting regulations and systems, complying with the requirements of the Saudi Arabian Monetary Authority (SAMA), ensuring good resource management, disclosing operations, and ensuring the rights of current and potential investors and stakeholders.

Zakat and Tax Position

The company received tax differences resulting from the examination of the Zakat, Tax and Customs Authority (“ZATCA”) with amount to SAR 5,281,971 for the value added tax returns for the months from September 2020 to December 2020 (of which SAR 3,504,899 are the original tax due, and an amount of SAR 1,777,072 represents the value of fines and penalties).

The company submitted objections to these differences, and these objections were not accepted by the Zakat, Tax and Customs Authority “the Authority”, and accordingly a letter of guarantee was submitted in the amount of SAR 5,294,902 in favor of the Authority for those differences drawn on Riyad Bank

The company submitted an objection for the General Secretariat of Zakat, Tax and Customs Committees "the Secretariat". During the month of October 2022, and for the purpose of reducing the risks of failure of the objection submitted by the company to the Secretariat, the company paid the principal amount of the due tax amounting to 3,504,899 riyals in exchange for canceling the full value of fines and penalties imposed by the Authority, according to what was included in the initiative to cancel fines and exemption from Financial penalty.

On 20 December 2022, the letter of guarantee was settled and the amount of SAR 5,294,902 was returned to the company’s account, and the amount of the letter of guarantee was fully recovered, and the company asked the old shareholders to pay the total value of amounts paid by the company, amounting to SAR 3,504,899. The amounts paid to the Zakat, Tax and Customs Authority was collected from the old shareholders of Company before the company was listed on the stock market, as it relates to tax differences prior to the public offering process, and this process did not result in any financial impact on the profit or loss statement amounts of the company.

Loans

In 2020, the company obtained a long-term loan from Riyadh Bank to finance the purchase of trucks and enhance its local transportation fleet to transport its products to various regions of the kingdom. The loan was contracted with a fixed Islamic markup, which led the company to avoid bearing additional interest expenses during the year due to the high interest rates. The loan balance at the beginning of the year was SAR 16,851,005, and the last installment was due on October 7, 2025. The company committed to paying all payments on time, and no additional interest was charged on the company except for what was agreed upon. The details of the loan during 2022 were as follows:

The Loan Donor	Loan duration	Loan balance as at 1 January 2022	Repaid loan during the year	Loan balance as at 31 December 2022
Al-Riyadh Bank	long-term	16,851,005	3,853,470	12,997,535

The company does not have any other loans besides the loan mentioned, and it does not plan to obtain any other loans due to its financial solvency to cover its investments and future projects.

As of 31/12/2022, the total value of the company's financial instruments was SR 34,114,081, including SR 12,997,535 in the value of the purchase loan for transport trucks. The remainder of the amount represents financial obligations related to the company's main commercial operations and not associated with any financing costs or interest. The company manages liquidity risk by maintaining appropriate reserves, by continuously monitoring future cash flows, and by meeting due dates for assets and cash obligations. The company's management has regularly calculated payment requirements by providing amounts due on all of its liabilities according to their due date. The company has no difficulty paying these liabilities, which represent less than 12% of the company's total assets. The Administration asserts that there is no negative and substantial impact on the company's business, operations results, financial position and future projections as a result of these commitments.

Risk Management

Risk analysis and management

The company continuously works on identifying and analyzing risks related to all its activities to ensure the continuity of managing these risks within acceptable levels that ensure the sustainability of operations and continuously improve financial performance. The following is a presentation of the most important risks that the company deals with:

Risks of Industry Fluctuation and Production Inputs

The concept of the industrial sector is related to the process of converting raw materials into finished products ready for sale and distribution through the company's multiple sales channels. Thus, changes in the cost of production inputs are reflected significantly in the overall main costs that the company bears in its operational processes. Similarly, the food retail sector is affected by changes in general economic and financial conditions, where changes in macroeconomic conditions affect the cost of production, sales quantities, and values, and thus affect the different profit margins of the company.

Considering that the company's profits depend on several factors, including the prices of raw materials that represent the plastic preforms, plastic caps, and cartons, which are subject to price fluctuations based on prevailing prices in local and global markets driven by local and global supply and demand factors, the company cannot control the factors affecting raw material prices or the actual changes in supply and demand that significantly affect raw material prices.

The company has worked on developing a risk management plan that mainly relies on periodic inventory management and dealing with local and global variables in raw material price fluctuations and achieving variable inventory targets according to these expectations. The company has also developed mechanisms for supplying raw materials by utilizing its own transportation fleet to reduce the cost of transporting raw materials and reducing the volume of deferred transactions related to purchasing raw materials in a way that positively reflects on reducing direct costs of raw materials. Additionally, the company has worked on developing supply contracts for supplying some raw material parts to benefit from economies of scale in reducing costs, which currently contributes continuously to controlling costs and reducing industry fluctuations risks to a relatively significant extent.

Risks Associated with Competition and Company Market Share

The bottled drinking water production sector is fiercely contested in Saudi Arabia, where competitive factors include price, water purity, brand proliferation, geographic reach, innovation, and customer service. Additionally, the sector is facing indirect competition from companies offering home water purification solutions, which may affect the demand for bottled drinking water products. This competition mainly puts pressure on the pricing and market share levels of many bottled drinking water companies.

The company worked to build a long-term strategic plan to counter these risks, based primarily on quality control and control, maintaining products that meet the wishes of a wide range of customers and end-users, and thus enhancing the status of Naqi products as high-quality products with health specifications that meet all approved health standards. The company has restructured customer service management and established customer relationship management to enhance continuous communication with various segments of the company's customers and end-users. The company also worked on building a clear plan to enhance its geographical dispersion and increase its market share in the various regions of the kingdom in a way that enables it to reach as many target consumers as possible with its final product.

The company has worked to enhance the research and development capabilities in order to provide innovative and outstanding products aimed at meeting the needs of a wide range of potential consumers. Over the past two years, the company has worked on the creation of a bottled drinking water product supplemented with vitamin D and has received the necessary approvals from the General Food and Drug Administration to become the first company in the Kingdom of Saudi Arabia to register and market this product.

Risks Associated with Interest Rate Changes

The cost of financing is greatly affected by interest rates, which in turn are highly sensitive to a number of external factors beyond the company's control, including government, monetary, and tax policies, economic and local and global political conditions. This may lead to an increase in related financing costs, which may result in a decrease in company profitability and cash flows.

The company has maintained very low levels of financing, where the total contracted financing for the company as of December 31, 2022 is SAR 12,997,535, which represents 4% of the company's total assets and less than 9% of total current assets. This remaining contract is from a loan with a principal value of SAR 20,500,000 obtained in 2019 to finance the purchase of the company's trucks with a fixed interest rate unaffected by fluctuations in local and global interest rates.

Liquidity Risk

The risks of liquidity are related to difficulties that a company may face in providing funds to fulfill its financial obligations. The management of liquidity risks is primarily related to the efficiency of managing working capital and cash flows continuously. Liquidity management is also related to the size of financial instrument obligations. The company continuously evaluates its cash assets and studies their sufficiency to cover its contracted obligations. The total value of the company's cash items as of December 31, 2022 was SAR 88,057,271. The company works to ensure dealing with banks with high credit ratings to minimize cash risks. As of December 31, 2022, the total value of financial instruments held by the company was SAR 34,114,081, which includes SAR 12,997,535 for the purchase of transportation trucks. The remaining amount represents financial obligations related to the company's main business operations and is not related to financing costs or interest. The company manages liquidity risks by maintaining adequate reserves, continuously monitoring cash flows, and tracking maturity dates of assets and cash obligations. The company's management regularly calculates payment requirements to provide the amounts due for all obligations according to their maturity dates. The company does not face any difficulties in paying these obligations, as these obligations represent less than 12% of the company's total assets. Management confirms that there is no significant negative impact on the company's operations, results, financial position, or future expectations as a result of these commitments.

Risks of Foreign Exchange Fluctuations

The risks of fluctuations in foreign currency exchange rates represent the differences resulting from future transactions in foreign currencies other than the Saudi riyal, which may result in the company bearing differences in settling liabilities or collecting receivables in other currencies other than the Saudi riyal. The company maintains its accounts in Saudi riyals, and transactions conducted in foreign currencies are converted to Saudi riyals according to prevailing exchange rates at the time of the transaction, and assets and financial receivables recorded in foreign currencies as of the date of the financial statement are converted into Saudi riyals according to prevailing exchange rates on that date.

The company monitors operations carried out in currencies other than the Saudi riyal to monitor the essentiality of these transactions and take appropriate hedging measures to meet non-essential fluctuations. This is despite the company's policy of promoting local content and relying almost entirely on transactions with local suppliers, which has led to the absence of significant future transactions with suppliers in other volatile currencies against the Saudi riyal. The essential foreign currency transactions are primarily limited to transactions in UAE dirhams, and since the exchange rate for both the UAE dirham and the Saudi riyal is fixed against the US dollar, the risks of changes in foreign exchange rates are limited.

The company deals with export customers in Saudi riyals in all operations, which results in the elimination of risks of fluctuations in foreign currency exchange rates for export customers.

Inflation and Operating Costs Risks

The company is exposed to inflation and the increase in operating costs associated with various activities other than the cost of raw materials and production inputs. The risks of rising wages, transportation costs, and maintenance input costs are the most significant inflation-related risks.

The company continuously works on building plans to manage these risks, where the company has built its own transportation fleet during the years 2021 and 2022 to reduce the costs of shipping and transporting finished products and raw materials. Additionally, the company has developed a plan for employee development to enhance loyalty, reduce turnover rates, and increase retention of national competencies. The company also works on building a maintenance team that works according to regular plans to ensure the preservation of operational efficiency, reduce the costs of machine and production line maintenance, and enhance operational sustainability.

Risks Related to Production Lines and Assets:

The management of the company is committed to maintaining the efficiency of the company's assets and ensuring their continuity and sustainability against the risks of fire and natural disasters that may affect operations, production, and sales. The company continuously works on finding many mechanisms to control assets, including, for example, insuring all company assets, including production lines, logistics services, and transportation fleet. Additionally, the company works on maintaining the sustainability of safety and fire systems in all company facilities according to best practices and in compliance with regulatory and supervisory requirements. The company also adopts monitoring systems for movable assets and mobility and is currently working innovatively in partnership with specialized suppliers to develop production monitoring and product movement control systems.

Risk OF Downtime

The company continuously works on evaluating the risks of business interruption by relying on business continuity plans, which mainly aim to ensure the sustainability of production operations, water supply, electricity, and fuel. The company has contracts with major companies in the local market to provide continuous fuel supply. Additionally, the company owns electricity generation equipment that ensures the sustainability of operation activities. The company has also built three water desalination and purification plants to ensure the sustainability of business operations in a sustainable manner.

Risk of Information Security

The company considers its information as of utmost importance to ensure the security, confidentiality, and safety of its data and its customers' data. The company has identified information security risks in cooperation with specialized entities and has identified potential information security risks. The company has worked on creating an integrated infrastructure under the supervision of our IT management engineers and in accordance with the best local and international practices. Additionally, the company has established specialized data rooms to store backup copies of its data, and the infrastructure has been equipped with specialized systems to protect data security, ensure authorized access, and ensure sustainability. The company also works on leveraging cloud storage services to facilitate authorized access and ensure sustainability.

Market overview

This year witnessed significant economic and social developments worldwide, the most important of which were the increase in inflation levels and the prices of production inputs that rely on petroleum derivatives. This was followed by an increase in interest rates that impacted the decrease in liquidity levels in markets, and the Kingdom was not far from this impact despite the distinguished economic growth achieved by its economy during the year.

Market Overview*

The total volume of the packaged water market in the Kingdom was estimated at around 6.1 billion liters in terms of volume in 2020 (equivalent to about SAR 7.8 billion, or USD 2.1 billion in value). After a long period of positive growth since the early 21st century, the bottled water sector in Saudi Arabia recorded a slight decrease of 2.3% in terms of volume during the period from 2017 to 2020. This was due to the slowdown in overall consumer spending and the impact of the COVID-19 pandemic on the wider economy of the Kingdom. However, the packaged water market in the Kingdom recorded positive growth of 3.7% in terms of value and volume during the period from 2017 to 2020, as a result of changes in consumption patterns and an increase in non-residential consumption. The per capita consumption levels of packaged water in the Kingdom were estimated at 187 liters per person annually in 2020, which is one of the highest levels in the world, due to several factors, including the general climate of the Kingdom, the increasing trend of consuming products to promote a healthy lifestyle among families, as well as the supportive social, economic, and legal framework that ensured long-term expansion of the bottled water sector in the Kingdom.

According to independent estimates, the bottled water market in the Kingdom is expected to witness a recovery during the upcoming period, supported by factors including the expected improvement in the overall economic conditions of the Kingdom, the increase in incoming tourism flows, the rise in disposable income levels, and the increasing trend towards products that promote a healthy lifestyle. It is expected to grow at a compound annual growth rate of 5.7% in terms of volume to reach 8.1 billion liters by 2025. In terms of value, the bottled water market in the Kingdom is expected to grow at an average annual rate of 7.9% until 2025, reaching SAR 11.4 billion (equivalent to USD 3.1 billion).

During 2022, the bottled drinking water sector expanded significantly, according to the initial estimates adopted by the company in building its strategy. The levels of awareness and health care increased among different consumer segments, leading to an increase in the consumption of bottled drinking water at the Kingdom level. The sector also witnessed the entry of several new producers and brands, while production costs and inputs increased due to the rise in prices of basic raw materials and inflation levels, which affected profit margins. This posed a major challenge for many producers in the sector, given the rise in interest rates and the decrease in cash supply in markets, which posed critical challenges for many companies.

*Naqi Prospects

Our Response

The company responded to all the challenges imposed during the current year by enhancing and developing its flexible strategy and leveraging positive factors to increase competitiveness by focusing on differentiators and working on developing learning and continuous development capabilities.

Naqi also strengthened its research and innovation mechanisms to provide products that meet the needs of the end consumer. Naqi focused on adding value to its operations by restructuring cost-related processes, enhancing raw material supply relationships, and building predictive price models linked to inventory management strategy to ensure sustainable supply operations and reduce supply and storage costs to a minimum.

The company also worked on restructuring many processes within different departments and increasing reliance on automation and technology to improve operational efficiency. The company was able to maintain its market share excellently and achieve outstanding sales.

Operational performance

Naqi begins its journey towards operational excellence in 2016 when it launched its first production line with a capacity of 24,000 bottles per hour, to be the first production station followed by the addition of a set of production lines annually until it reached seven fully owned production lines by the company with a total production capacity of 280,000 bottles per hour. Naqi relied on the concept of quality and performance efficiency by establishing and operating high-quality production lines that contribute to maintaining operational efficiency and reducing periodic maintenance costs.

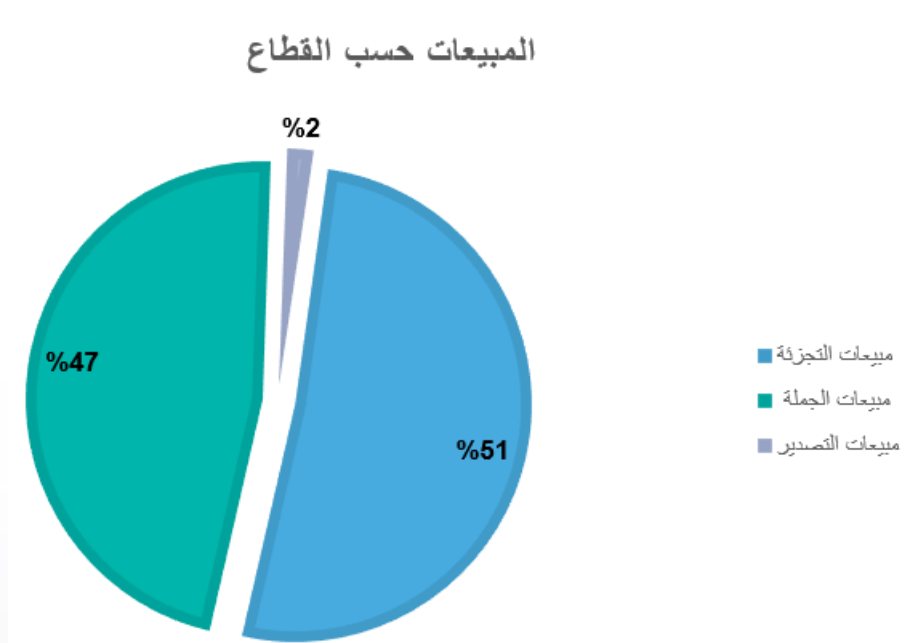
The production lines are operated according to a regular annual plan that takes into account preventive and corrective maintenance periods, seasonal production, and contributes to maintaining high production efficiency compared to the bottled drinking water production sector. The average production line efficiency for 2022 was 72% according to an average continuous operation of 275 working days. Production during the year relied on providing water that meets the specifications and standards adopted by the company on three desalination plants equipped to produce safe and healthy water. The production capacity of the desalination plants is approximately double the production capacity of the production lines and is one of the most important strengths for the company's future expansions.

The company owns seven warehouses for storing finished products, raw materials, and their derivatives, excluding the distribution warehouses in the Riyadh and Al-Qassim regions. Managing these warehouses, located on company-owned land, contributes to achieving operational and production efficiency due to their ability to achieve a zero-waste ratio in handling and delivery time. Naqi has equipped all its warehouses with advanced safety and protection systems to maintain product quality and security while reducing inventory risks to a minimum possible level.

The quality management and production control department provides continuous and immediate support to all production processes, and the company's products are subject to comprehensive control to ensure the safety of these products and compliance with all health conditions. Our team works using the latest technology to perform periodic tests every 30 minutes to ensure the safety of our products. The quality and production control team works according to ISO 22000, HACCP, and GMP standards to activate a joint work strategy with the production management team, contributing to achieving integration of production processes and achieving health control targets. In order to sustain quality-related operations, Naqi has contracted with specialized laboratories for microbiological and chemical analysis to raise the reliability of its product quality and verify the fulfillment of its promise to customers to provide safe and healthy products.

Sales

Naqi's strategic plan is based on expanding access to the largest possible segment of customers efficiently, considering the company's outstanding geographic location, which enables it to reach different regions of the Kingdom within a reasonable cost structure. The company has worked in recent years to expand its sales channels and diversify them by building a network of distribution agents in different regions of the Kingdom. Additionally, the company is working on expanding its retail sales channels by deepening its presence in the Riyadh and Al-Qassim regions to meet the needs of a larger segment of retail customers, including households, mosques, the hospitality sector, stores, supermarkets, and customers with agreements. The company's strategy includes increasing the percentage of retail sales according to the profitability margins achieved by the retail sales sector, while continuously maintaining its sustainability relationship with wholesale sales agents.

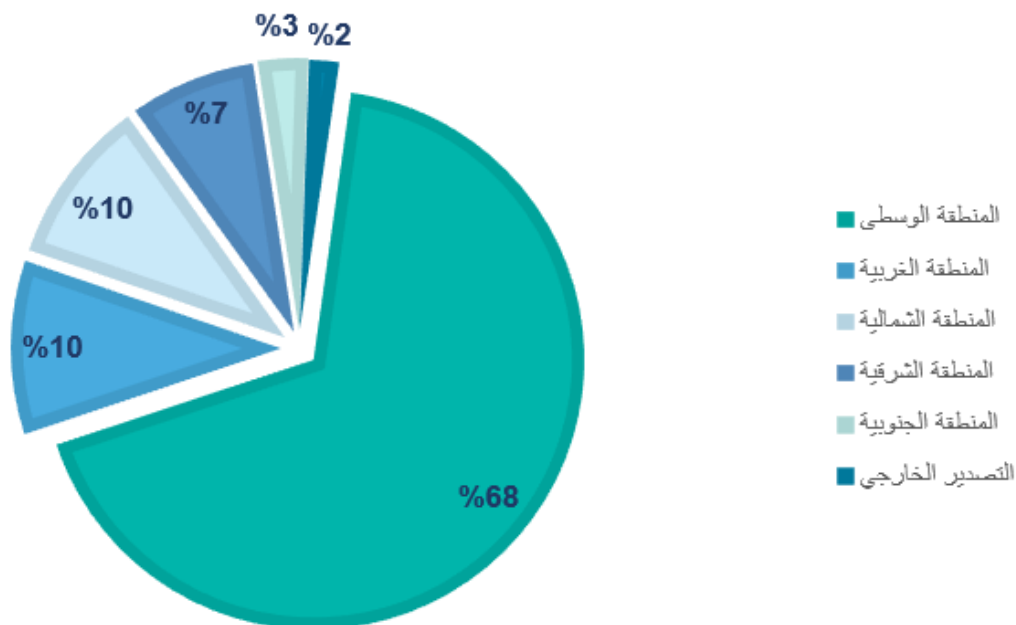


Currently, Naqi's products reach all regions of the Kingdom with varying concentrations, and the company is currently seeking to increase its concentration in densely populated areas of the Kingdom, contributing to supporting its market share and enhancing the presence of its products. In addition, the company is open to export operations to Kuwait, Bahrain, Oman, and the Hashemite Kingdom of Jordan, which led to a 90% increase in export sales during 2022 compared to the previous year.

Geographical analysis of the company's total sales for the year 2022

Year	Total Revenue	Central Region	West Region	Nourth Region	East Region	South Region	Export
2022	274,649,545	185,893,922	28,309,632	27,277,719	20,485,444	8,043,546	4,639,281

المبيعات حسب المناطق



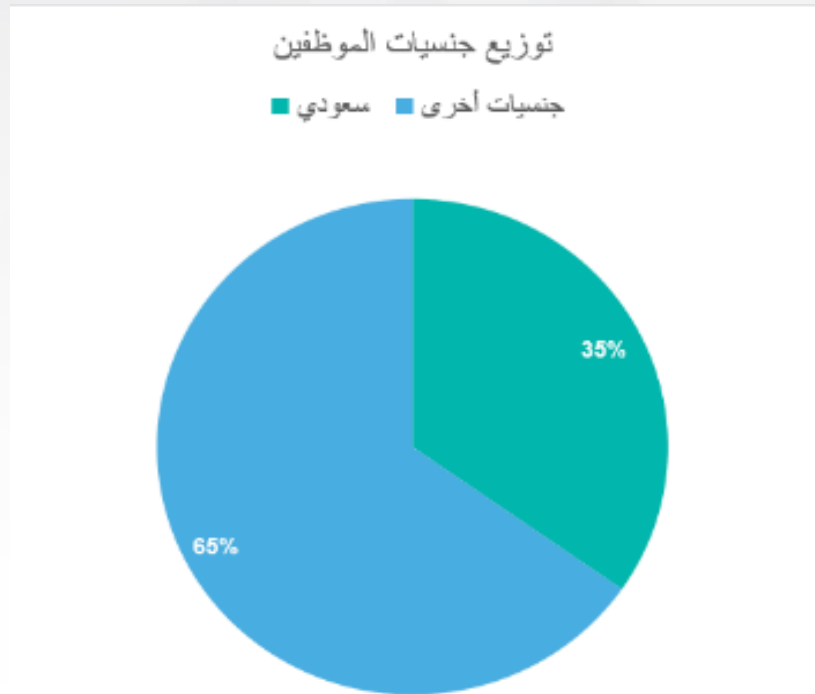
Personnel and Organizational Culture

Naqi is committed to fulfilling its responsibilities towards its employees, and the company's practices are based on its responsible commitment towards its human resources by:

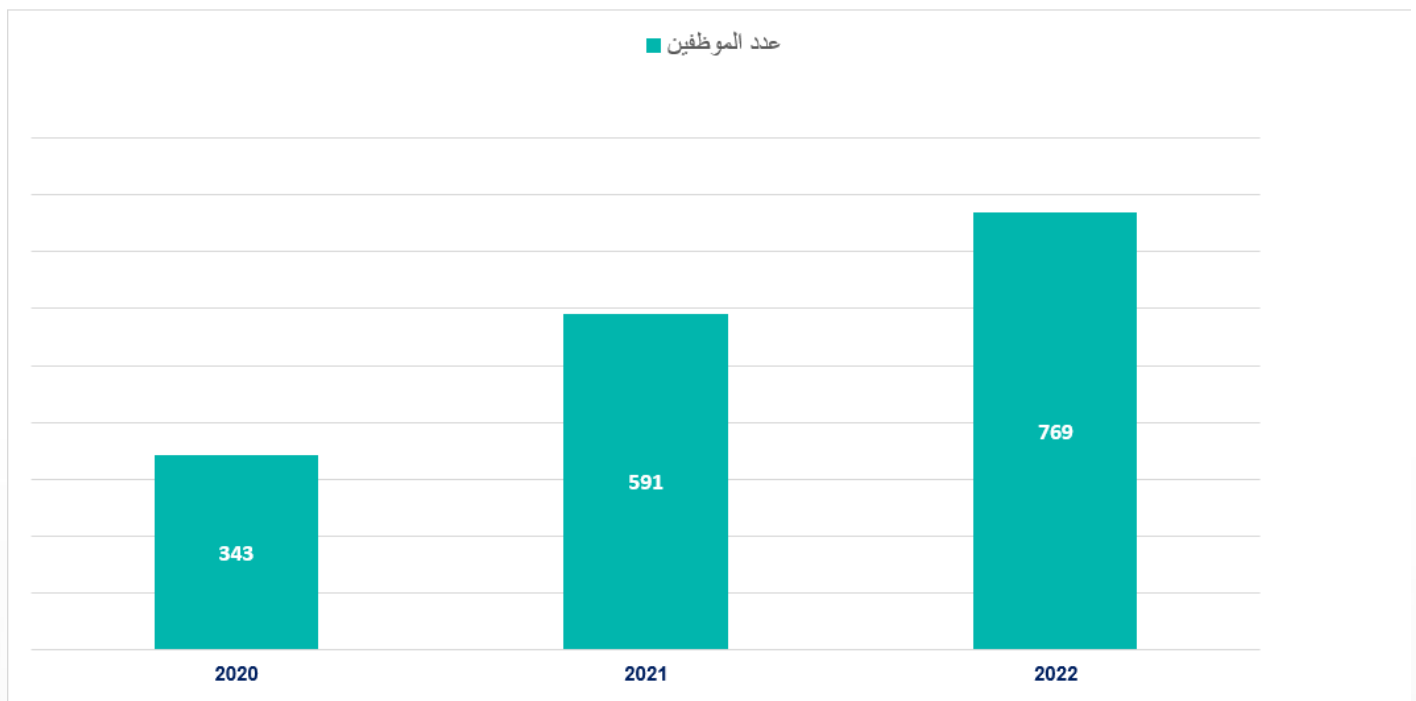
- Working to provide a safe and motivating environment for performing tasks, which contributes to improving the health and well-being of employees and their families without compromising their commitments to their families.
- Encouraging the freedom of expressing ideas and opinions in an organized manner according to agreed-upon ethical rules and listening to them with respect and appreciation.
- Encouraging all employees to participate in training and development programs, which contribute to improving their professional and personal abilities and skills.
- Emphasizing the relationship with employees based on responsibility and mutual success.

A Leader of Local Employment

Naqi occupies a leading position among the pioneering employers in its region, and the company is proud of its contribution to enabling its employees to enjoy a safe working environment based on teamwork within a culture that considers the needs of development and training and enhances its employees' contributions to achieving its strategic objectives. The growth rate of the number of employees in the company reached 30% compared to the previous year.



Naqi's human resources strategy is based on empowering qualified national cadres, and the company has achieved a localization rate of 35%. Naqi also endeavors to enhance diversity among its employees, who numbered 769 at the end of 2022, representing 12 different nationalities.



Our Corporate Social Responsibility

Naqi has been eager to respond to the needs of the local community as part of its strategy towards CSR. The flexible review of the company's strategy has also contributed to identifying additional axes to enhance Naqi's initiatives towards sustainability and social impact, in line with the company's direction towards adopting concepts of environmental and social sustainability and enhancing ESG governance applications.

Current CSR practices emphasizes:

- The commitment towards the community in which the company operates by investing in it through long-term developmental projects and initiatives that are in line with the nature of the originally built relationship with the community on a long-term basis.
- Working to provide all forms of direct and indirect assistance to charitable, social, and developmental organizations as much as possible, in order to improve the living standards of the individuals in the community in which the company operates. The company has effectively contributed to events for education, health, sports, civil defense, smoking cessation, blood donation, road safety, Hajj security, and others.
- Contributing to supporting the provision of employment opportunities for individuals in the community in all its categories.

During the year 2022, Naqi was keen on fulfilling its social commitment and implemented many initiatives, participated in various events, and provided diverse sponsorships that are in line with the targets of the Kingdom's Vision 2030 and align with the social needs and aspirations. The most important of which were:

- ❑ Participation in the celebration of International Civil Defense Day under the slogan, "Human Safety is Building and Development," in partnership with the Civil Defense Directorate in the city of Unaiza.
- ❑ Participation in a readership forum at King Saud University organized by the Student Partnership.
- ❑ Participating in the Delni Ali Al-Tayeb Festival in Onaiza Governorate.
- ❑ Saudi participation in the Seoul Food Fair in Paris.
- ❑ Sponsoring a volunteering forum under the slogan "Hanna Laha" in the Al-Qassim region in honor of the Emir of the Al-Qassim region, Dr. Faisal bin Mishaal Al Saud.
- ❑ Sponsoring the Women's Volunteerism Forum in the Al-Qassim Province in honor of the Emir of the Al-Qassim Region, Dr. Faisal bin Mishaal Al Saud.
- ❑ Al-Hajr Sports Club in Al-Ahsa for two consecutive seasons.
- ❑ Al-Faiha Sports Club sponsored in Majmaa Governorate.
- ❑ Al-Jandal Club sponsored in the Al-Jawf area.
- ❑ Sponsoring the Mania Oasis Festival in Al-Mudhuneb Governorate, Al-Qassim Province.
- ❑ Al-Qassim Sports Academy sponsored for younger age groups.

Social Construction Inside Naqi

Naqi is keen on enhancing community communication for its employees by holding joint social events for all company employees, which contributes to enhancing teamwork and improving employee satisfaction levels. Naqi also seeks to participate in its employees' special occasions, which enhances the basis of job belonging and improves the organizational culture.

Statement of amount of regular payments due to government agencies, zakat, taxes and any other dues

2022م				
Statement	Outstanding	Due at end of fiscal period and not paid	Description of amounts	Causes
Zakat	1,912,122.00	-	Statutory payments	Entitlement according to regulations
VAT	17,521,055.97	-	Statutory payments	Entitlement according to regulations
General Organization for Social Insurance	3,040,989.39	-	Statutory payments	Entitlement according to regulations
Visa and passport expenses	173,726.00	-	Statutory payments	Entitlement according to regulations
Human resource fees	606,993.00	-	Statutory payments	Entitlement according to regulations
Export fees	95,000.00	-	Statutory payments	Entitlement according to regulations

Investors Relations

First: Dividend and Dividend Distribution Policy:

A- The company's policy for distributing profits:

According to Article 110 of the Companies Law, every shareholder shall have all the rights related to the shares, which include in particular the right to obtain a share of the profits to be distributed, and the Board of Directors shall recommend the distribution of any profits before they are approved by the shareholders at the meeting of the General Assembly. The company is committed to announcing any profits, and any decision to distribute profits depends on a number of factors, including the company's previous profits

and expected cash flows, financing and capital requirements, market data and economic factors in general, and zakat. As well as other legal and regulatory considerations. The distribution of profits is subject to the restrictions contained in the financing agreements concluded with the financing agencies. The distribution of profits is also subject to the restrictions contained in the basic system. The profits are distributed in Saudi riyals.

The company follows a policy of distributing its annual net profits in accordance with Article No. (47) of its Articles of Association, after deducting all general expenses and other costs as follows:

1. Ten percent (10%) of the net profits shall be set aside to form a statutory reserve. The Ordinary General Assembly may stop this set aside when the statutory reserve reaches thirty percent (30%) of the paid-up capital.
2. The Ordinary General Assembly may decide to form other reserves to the extent that serves the interest of the company or ensures the distribution of fixed profits as much as possible to the shareholders. The statutory reserve may also deduct from the net profits sums to establish social institutions for the company's employees or to assist the existing ones from these institutions.

The Ordinary General Assembly, based on a proposal by the Board of Directors, may set aside five percent (5%) of the net profits to form other reserves and allocate it for a specific purpose or purposes decided by the General Assembly.

The entire remainder of the net profits shall be distributed among the shareholders, unless the Ordinary General Assembly decides otherwise.

The percentage of profits distributed to shareholders during the different periods of the fiscal year, in addition to the percentage of profits proposed to be distributed at the end of the fiscal year, and the total of these profits (in riyals):

The General Assembly approved dividends for the first quarter of 2022 at the rate of half a riyal per share, equivalent to 5% of the nominal value, and a dividend distribution for the second and third quarters of the year, at the rate of one riyal per share, equivalent to 10% of the nominal value. The total dividends paid for the year 2022 amounted to 1.5 riyals per share, at 15% of the nominal value of the share. The profits of the first quarter were distributed during the year, while the profits of the second and third quarters were decided and distributed by the decision of the General Assembly on January 8, 2023, and the dividends were deposited in favor of the company's shareholders on January 18, 2023.

- **Second: The number of the company's requests for the register of shareholders, and the dates and reasons for those requests:**

Shareholder records:

Company code	Date of request	Stock ownership history	Reasons for the request
2282	16/08/2022	18/08/2022	Company procedures
2282	30/08/2022	30/08/2022	Company procedures
2282	29/09/2022	29/09/2022	Company procedures
2282	20/11/2022	21/11/2022	Company procedures

Third: Company announcements on Tadawul website during the year 2022 (company code 2282)

#	Date	Description
1	18/12/2022	Naqi Water Company invites Its Shareholders to The Ordinary General Assembly Meeting (The First Meeting) By Means of Modern Technology
2	13/12/2022	Naqi Water Company announces the Board of Directors' recommendation to distribute cash dividends to shareholders for the Second and Third quarters of 2022
3	10/11/2022	Naqi Water Co. announces its Interim Financial Results for the Period Ending on 30-09-2022 (Nine Months)
4	29/08/2022	Naqi Water Co. Announces the signing of an agreement to sell and export its products in the Sultanate of Oman
5	25/08/2022	Naqi Water Co. announces its Interim Financial Results for the Period Ending on 30-06-2022 (Six Months)

- **Fourth: Shareholders' Rights and Communication Mechanisms:**

Based on the company's concern, interest, and care for the rights of its shareholders and stakeholders and recognizing the Board of Directors' responsibilities towards the company's shareholders to achieve communication based on a common understanding of the company's objectives, strategies, aspirations, interests, and all-important developments, all shareholder rights are included in the company's articles of association and governance regulations. The company publishes financial reports, announcements, and material information via the financial market website "Tadawul," the company's website, and general shareholder associations. The company places utmost importance on communicating with its shareholders and answering their queries by providing direct channels of communication. Shareholders can easily communicate with the company through the company's investor relations officers. Investor Relations Officer

Name: Abdulaziz Khaled Al-Muhaimid

Email: investor.relations@naqiwater.com

❖ **Closing statement**

In conclusion, the Chairman and members of the Board of Directors of NQI Water Company extend their gratitude and appreciation to the Executive Management and to the employees of the Company for their support, cooperation and efforts, as well as to the Company's clients and shareholders who have placed their trust in the Company and its Board of Directors.

Board of Directors