

Rights Issue Prospectus

National Metal Manufacturing and Casting Company

National Metal Manufacturing and Casting Company is a Saudi joint stock company incorporated by Ministerial Resolution No. (253), dated 13/03/1411H (corresponding to 02/10/1990G). The Company operates under Commercial Registration No. (2055002251) issued in Jubail on 16/05/1411H (corresponding to 04/12/1990G)

Offering (12,000,000) ordinary shares at an Offer Price of (10) Saudi Riyals per share through a Rights Issue with a total value of (120,000,000) Saudi Riyals, representing an increase of 51.3% in the current capital of the Company, bringing the Company's capital after the Rights Issue to (SAR 354,000,000).

Trading period: Starts from [] date **/~/1442 H (corresponding to **/~/2021G), to [] date **/~/1441H (Corresponding to **/~/2021G).

Subscription period: Starts from [] date **/~/1224H (corresponding to **/~/2021G), to [] date **/~/1441H (Corresponding to **/~/2021G).



الشركة الوطنية لتصنيع وسبك المعادن
National Metal Manufacturing & Casting Co.

National Metal Manufacturing and Casting Company ("Maadaniyah" or "the Company") is a Saudi joint stock company. The Company was established by Ministerial Resolution No. (253), dated 13/03/1411H (corresponding to 02/10/1990G), with Commercial Registration No. (2055002251) issued by Jubail on 16/05/1411H (corresponding to 04/12/1990G). The capital of the Company is two hundred and thirty-four million (234,000,000) Saudi Riyals, divided into twenty-three million four hundred thousand (23,400,000) ordinary shares (the "Shares") with a nominal value of ten (10) Riyals per share, fully paid in value (individually referred to as "Existing Share" and collectively as "Existing Shares"). As of the date of this Prospectus (the "Prospectus"), the Substantial Shareholders in the Company (who own 5% or more of the Company's shares) are: National Industrialization Company, which owns 35.46%. The Company's Board of Directors recommended in its resolution dated 16/07/1442H (corresponding to 28/02/2021G) to increase the Company's capital by Offering Rights shares at a value of one hundred twenty million (120,000,000) Saudi Riyals, conditional on the approval of the Extraordinary General Assembly to reduce the Company's capital from two hundred eighty-one million one hundred twenty thousand eight hundred and ninety (281,120,890) Saudi Riyals to two hundred and thirty-four million (234,000,000) Saudi Riyals.

On **/~/****H (corresponding to **/~/****G), the Company's Extraordinary General Assembly approved an increase in the Company's capital through a Rights Issue ("Subscription"). The subscription consists of offering twelve million (12,000,000) new ordinary shares ("Rights" or "New Shares") at an offer price of (10) ten Saudi Riyals per share (the "Offer Price"), and at a nominal value of (10) ten Saudi Riyals to increase the Company's capital from two hundred and thirty-four million (234,000,000) Saudi Riyals divided into twenty-three million and four hundred thousand (23,400,000) ordinary shares to three hundred and fifty-four million (354,000,000) Saudi Riyals divided into thirty-five million and four hundred thousand (35,400,000) ordinary shares, after approval of the Extraordinary General Assembly at the same meeting to reduce the Company's capital from two hundred and eighty-one million one hundred and twenty eight thousand eight hundred and ninety (281,120,890) Saudi Riyals to two hundred and thirty-four million (234,000,000) Saudi Riyals.

The Offering will comprise tradable securities (referred to collectively as the "Rights" and each a "Right") to the Shareholders registered in the Company's Shareholders Register as at the close of trading on the date of the Extraordinary General Meeting (EGM) approving the capital increase ("Eligibility Date") and those registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the day of the EGM approving the capital increase on **/~/****H (corresponding to **/~/****G). (Each Shareholder is referred to as ("Registered Shareholder") and collectively as ("Registered Shareholders"). Such Rights will be deposited in the Shareholders' accounts who are registered in the Company's Shareholders Register as at the close of trading on the second day after convening the EGM approving the capital increase, taking into account the settlement procedures at (0.513) right for each (1) share of the Company's shares, and each Right gives its holder the right to subscribe to one new share at the Offer Price.

Registered Shareholders and other investors (referred to as "New Investors"), who may trade Rights and subscribe to New Shares, will be able to trade and subscribe to the Rights in the Saudi Stock Exchange (referred to as "Tadawul" or "the Exchange"). The Trading Period and the Subscription Period start on **/~/****H (corresponding to **/~/****G), provided that the Trading Period ends on **/~/****H (corresponding to **/~/****G) ("Trading Period"), while the Subscription Period continues until the end of **/~/****H (corresponding to **/~/****G) ("Subscription Period"). It should be noted that the Trading Period and the Subscription Period will start on the same day, while the Trading Period will continue until the end of the sixth day of the beginning of the period, while the Subscription Period will continue until the end of the ninth day of the beginning of the same period.

Registered Shareholders will be able to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof, or buying additional Rights through the Exchange. They also have the right not to take any action regarding the Rights they have. Also, New Investors during the Trading Period will be able to buy Rights through the market and sell Rights that are purchased during the Trading Period.

Subscription to the New Shares will be made available in one phase, according to the following:

1. Registered Shareholder and New Investors will be entitled to subscribe to the New Shares.
2. A Registered Shareholder will be allowed to subscribe directly to the number of his shares or less than the number of his shares during the Subscription Period, and if he buys new Rights, he will be able to subscribe to them after the end of their settlement period (two working days).
3. The New Investors will be entitled to subscribe to the New Shares immediately after settlement of the Rights purchase process (two working days).
4. Subscription will be available electronically through the investment portfolio in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other channels and means available to the agent.

In the event that any Shares remain unsubscribed for during the Subscription Period (the "Rump Shares"), they will be offered to a number of institutional investors ("Institutional Investors") ("Rump Offering"). Such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on **/~/****H (corresponding to **/~/****G), until the following day at 05:00 PM on **/~/****H (corresponding to **/~/****G) ("Rump Offering Period"). The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first until all of the Rump Shares have been allocated (providing that the price shall not fall below the Offering Price). Rump Shares shall be proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offering Price) for those who are entitled to it, each according to what he is entitled to, no later than **/~/****H (corresponding to **/~/****G). Note that the investor who did not subscribe to or sell his Rights, and the owners of fractional shares, may not get any compensation if the sale is made in the Rump Offering Period at the Offering Price.

In the event that the Investment Institutions have not subscribed to all the remaining shares and fractions of shares, the remaining shares shall be allocated to the Underwriters who will purchase them at the Offering Price

(please refer to Section (12) "Subscription Terms and Condition"). The final allocation process will be announced no later than **/~/****H (corresponding to **/~/****G), ("Allocation Date"). (please refer to Section (12) "Subscription Terms and Condition"). After completion of the subscription process, the Company's Share Capital will become three hundred and fifty-four million (354,000,000) Saudi Riyals divided into thirty-five million four hundred thousand (35,400,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share. The net Offering Proceeds will be used to raise its financial solvency and reduce borrowing rates and costs incurred from them. (Please refer to Section (6) "Use of the Offering Proceeds"). All the Company's shares are of one class, and no share gives its holder preferential Rights. The New Shares will be fully paid in value and exactly equal to the existing shares. Each share gives its holder the right to one vote and each shareholder of the Company (the "Shareholder") is entitled to attend and vote at the meeting of the General Assembly of Shareholders (the "General Assembly") (whether Ordinary or Extraordinary). The owners of the New Shares will be entitled to any dividends declared by the Company to be distributed after the issue date (if any).

The Company listed two million (2,000,000) of its shares in the Exchange at a nominal value of fifty (50) Riyals per share on 28/06/1421H (corresponding to 26/09/2000G) after obtaining approval of the Ministry of Commerce and the Central Bank of Saudi Arabia (SAMA). On 10/04/1425H (corresponding to 29/05/2004G), the Company increased its capital from one hundred million Riyals (SAR 100,000,000), divided into two million ordinary shares (2,000,000) to one hundred and twenty-five million Riyals (SAR 125,000,000), divided into two million five hundred thousand (2,500,000) ordinary shares by way of a Rights Issue. The Company also increased its capital on 11/05/1427H (corresponding to 07/06/2006G) from one hundred and twenty-five million (125,000,000) Saudi Riyals to one hundred and sixty-three million and five hundred sixty thousand two hundred and fifty (163,561,250) Saudi Riyals divided into sixteen million shares, three hundred fifty-six thousand and one hundred and twenty-five (16,356,125) shares, by issuing shares to acquire the Arab Company for Axles, Foundries and Spare Parts. On 01/04/1429H (corresponding to 07/04/2008G), the Company increased its capital from one hundred and sixty-three million and five hundred sixty thousand two hundred and fifty (163,561,250) Saudi Riyals to two hundred and four million four hundred one fifty thousand five hundred and sixty (204,451,560) Saudi Riyals divided into (20,445,156) shares in return for issuing bonus shares (one share for every four shares). On 01/05/1430H (corresponding to 26/04/2009G), the Company increased its capital from (204,451,560) two hundred and four million four hundred one fifty thousand five hundred and sixty Saudi Riyals to (255,564,450) two hundred fifty-five million five hundred and sixty-four thousand four hundred and fifty Saudi Riyals divided into (25,556,445) twenty-five million five hundred fifty-six thousand four hundred and forty-five shares by issuing bonus shares (one share for every four shares). On 01/05/1430H (corresponding to 26/04/2009G), the Company increased its capital from two hundred and four million four hundred one fifty-one thousand five hundred and sixty (204,451,560) Saudi Riyals to two hundred fifty-five million five hundred and sixty-four thousand four hundred and fifty (255,564,450) Saudi Riyals to two hundred eighty-one million one hundred and twenty thousand eight hundred and ninety (281,120,890) Saudi Riyals divided into twenty-eight million, one hundred and twelve thousand and eighty-nine (28,112,089) shares, in return for issuing bonus shares (one for every ten shares), after obtaining all regulatory and EGM approvals.

The Company reduced its capital on **/~/****H (corresponding to **/~/****G) from two hundred eighty one million one hundred twenty thousand eight hundred and ninety (281,120,890) Saudi Riyals to Two hundred and thirty-four million (234,000,000) Saudi Riyals, thus reducing the number of the Company's shares from twenty-eight million, one hundred and twelve thousand and eighty-nine (28,112,089) shares to twenty-three million and four hundred thousand ordinary (23,400,000) shares by canceling four million seven hundred and twelve thousand Eighty-nine (4,712,089) shares, with a capital reduction rate of about (16.76%), and at a rate of one share reduction for every (5,966) shares.

Currently, the Company's existing Shares are traded on the Saudi Stock Exchange. The Company has filed an application with Capital Market Authority in the Kingdom of Saudi Arabia ("CMA" or "the Authority") for registering and Offering the New Shares. Another application has been submitted to the Saudi Stock Exchange (Tadawul) to admit listing of the New Shares. All the required documents have been submitted and all the requirements of the relevant authorities have been fulfilled, and this Prospectus has been approved. Trading in the New Shares is expected to commence on the Exchange shortly after the final allocation of the New Shares and refund of extra subscriptions (see page (ix) "Key Dates and Subscription Procedures"). After registering the Shares on the official list, Saudi nationals; non-Saudi nationals holding valid residence permits in Saudi Arabia; GCC nationals, Saudi and GCC companies and funds and Qualified Foreign Financial Investors and Approved QFI Clients will be permitted to trade in the Shares pursuant to the CMA's Rules for Qualified Foreign Financial Institutions Investment in Listed Shares will be permitted to trade the New Shares. Non-Saudi individuals living outside the Kingdom and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire the economic benefits of the Shares by entering into swap agreements with persons authorized by the CMA (hereinafter referred to as "Authorized Persons") to purchase Shares listed in the Exchange, and to trade these Shares for the benefit of Foreign. In such a case, the Authorized Persons will be the registered legal owner of the shares.

Investors should read this Prospectus in its entirety and consider the "Important notice" section on page (i) and section (2) "Risk Factors" contained in this Prospectus before making an investment decision regarding the Rights or New Shares.

The Offering of Rights under this Prospectus depends on the shareholders' approval to increase the capital in accordance with the recommendation of the Board of Directors and the Company's obtaining of the regulatory approvals. An invitation for the Extraordinary General Meeting of the Company has been published to approve the issuance of the Rights on **/~/****H (corresponding to **/~/****G). The shareholders should know that if the shareholders' approval is not obtained for the Offering of the Rights Issue, the issue of the rights will automatically stop. At that time, this Prospectus will be considered void, and shareholders will be notified accordingly.

Financial Advisor



Lead Manager



Underwriters



This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the rules on the offer of Securities and Continuing Obligations of the Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority" or "CMA") and the application for listing of securities in compliance with the listing rules of the Saudi Stock Exchange. The Directors, whose names appear on page (iii) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts that omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus

"This unofficial English language translation of the official Arabic language Prospectus is provided for information purposes only. The Arabic language Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts".

This Prospectus is dated 07/02/1443H (corresponding to 14/09/2021G).





Important notice

This Prospectus (the “**Prospectus**”) provides full details relating to National Metal Manufacturing and Casting Company and the Right issue shares offered for subscription. When applying to subscribe for the New Shares, investors will be treated on the basis that their applications are based on the information contained in this Prospectus, a copy of which can be obtained from the Company’s headquarters and from the Lead Manager or by visiting the websites of the Company (www.maadaniyah.com), the Financial Adviser (www.wasatah.com.sa) and the Capital Market Authority (www.cma.org.sa).

The Prospectus will be published and assured to be available to the public within a period not less than (14) days prior to the date of the Extraordinary General Meeting for the capital increase. In the event that the Extraordinary General Meeting does not approve the capital increase within six months from the date of the Authority’s approval on registering and Offering the Right Issue, such an approval given by the Authority shall be deemed to be canceled.

The Company has appointed Wasatah Capital as a financial advisor (“**Financial Advisor**”), and Al Nefae Investment Group Company as lead manager (“**Lead Manager**”). The Company appointed also Wasatah Capital as underwriter (“**Underwriter**”) in relation to the Offering of Rights Issue shares to increase the Company’s capital in accordance with this Prospectus (please refer to section (10) “**Underwriting**” of this prospectus).

The Prospectus contains information provided according to the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G) as amended by the Capital Market Authority Board Resolution No. 1-07-2021 dated 01/06/1442H (corresponding to 14/01/2021G). The Directors, whose names appear on page (iii), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Exchange (Tadawul) do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the information herein are derived from external sources, and while none of the Company, its managers, its directors, Financial Advisor, or the Company’s advisors, whose names appear on page (iv) of this Prospectus have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified, and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change, in particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic and political factors, or other ones over which the Company has no control (please refer to the section 2 “**Risk Factors**” in this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as a promise or representation as to future earnings, results or events.

This Prospectus shall not be considered as a recommendation by the Company, its directors, or any of its advisors to participate in the subscription process for Right issue shares. The information contained in the Prospectus is of a general nature and has been prepared without considering individual investment objectives, financial condition or special investment needs. Each recipient of the Prospectus, before making an investment decision, is responsible for obtaining professional advice from a financial advisor licensed by the CMA regarding the subscription to assess the suitability of this investment and the information contained in the Prospectus for his goals, conditions and financial needs.

The Registered Shareholder and other public investors (“**New Investors**”), who may trade in the Rights and subscribe for the New Shares, will be able to trade and subscribe to Right issue shares on the Saudi Stock Exchange (“**Tadawul**” or “**Exchange**”) during the Trading Period and the Subscription Period which both start on (••) ••/••/••••H (corresponding to ••/••/••••G). The Trading Period ends on (••) ••/••/••••H (corresponding to ••/••/••••G) (“**Trading Period**”), while the Subscription Period continues until the end of (••) ••/••/••••H (corresponding to ••/••/••••G) (“**Subscription Period**”).

The Registered Shareholder will be able to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof, or buying additional Rights through the market. Also, New Investors during the Trading Period will be able to buy Rights through the market and sell the Rights that are bought during the Trading Period or subscribe to them during the Trading Period.

Subscription to New Shares during the Subscription Period will be allowed at one phase according to the following:

- 1- Registered Shareholder and New Investors will be entitled to subscribe to the New Shares.
- 2- A Registered Shareholder will be allowed to subscribe directly to the number of his shares or less than the number of his shares during the Subscription Period, and if he buys new Rights, he will be able to subscribe to them after the end of their settlement period (two working days).



- 3- New Investors will be entitled to subscribe to the New Shares immediately after settlement of the Rights purchase process (two working days).
- 4- Subscription will be available electronically through the investment portfolio in the trading platforms and applications of Tadawul through which sale and purchase orders are entered, in addition to subscription through other channels and means available to the agent.

In the event that any Shares remain unsubscribed for during the Subscription Period (the “Rump Shares”), they will be offered to a number of institutional investors (“Institutional Investors”) (referred to as “Rump Offering”). Such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ G), until the following day at 05:00 PM on $\bullet\bullet\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ G) (“Rump Offering Period”). The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first until all the Rump Shares have been allocated (providing that the price shall not fall below the Offering Price). The shares will be allocated proportionally to the Institutional Investors who tendered the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offering Price) for those who are entitled to it, each according to what he is entitled to, no later than $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ G). Note that the investor who did not subscribe for or sell his Rights, and the owners of fractional shares, may not get any compensation if the sale is made in the Rump Offering Period at the Offering Price.

In the event that the Investment Institutions have not subscribed for all the remaining shares and fractions of shares, the remaining shares shall be allocated to the Underwriters who will purchase them at the Offering Price (please refer to Section (12) “Subscription Terms and Condition”). The final allocation process will be announced no later than $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ H (corresponding to $\bullet\bullet/\bullet\bullet/\bullet\bullet\bullet\bullet$ G), (“Allocation Date”). (Please refer to Section (12) “Subscription Terms and Condition”).

Financial Information

The Company’s financial statements for the years 2018G, 2019G and 2020G and the three-month period ending on March 31, 2021G, were prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom and the standards and other issuances issued by the Saudi Organization for Certified Public Accountants (SOCPA), and were audited by the Company’s auditor (Dr. Mohamed Al-Amari and Company – Certified Public Accountants and Advisors). The Company issues its financial statements in Saudi Riyals.

Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of specific and announced assumptions mentioned in the relevant parts thereof. The Company’s future conditions may differ from the assumptions used, and no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that the statements contained in this Prospectus were made based on the necessary professional care.

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

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary Prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware that: (i) There has been a significant change in any material information contained in this Prospectus; or (ii) The occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information, forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise relating to the Company, industry or risk factors. As a result of the foregoing and other risks, assumptions and uncertainties, expectations of future events and conditions set out in this Prospectus may not occur as expected by the Company or may not occur at all. Accordingly, potential investors should examine all future statements in the light of these interpretations and not rely primarily on these forward-looking statements.



Company's Directory

Board Members^{*}:

| Name | Post | Nationality | Independence | Capacity | Shares owned as on the date of the Prospectus ^{*,**} | | Date of Membership |
|--|-----------------|-------------|-----------------|---------------|---|-----------|--------------------|
| | | | | | Direct ^{***} | % | |
| Engineer/ Mutlaq bin Hamad Al-Morished | Chairman | Saudi | Independent | Non-executive | 0 | 0 | 11/06/2020G |
| Engineer/ Shaker bin Nafel Al-Otaibi | Deputy Chairman | Saudi | Non-Independent | Executive | 832 | 0,0035571 | 11/06/2020G |
| Engineer/ Rayan bin Waddah Trabzoni | Member | Saudi | Independent | Independent | 83 | 0,0035571 | 11/06/2020G |
| Mr. Asim bin Abdul Wahhab Al-Issa | Member | Saudi | Independent | Independent | 83 | 0,0035571 | 11/06/2020G |
| Mr. Talal bin Abdul Karim Al-Nafi' | Member | Saudi | Independent | Non-executive | 0 | 0 | 11/06/2020G |
| Engineer/ Omar bin Khaled Al-Bilali | Member | Saudi | Independent | Non-executive | 0 | 0 | 11/06/2020G |

Source: Company Management

^{*} The Company's Ordinary General Assembly, in its meeting held on 19/10/1441H (corresponding to 11/06/2020G), agreed to elect the members of the Board of Directors whose names are mentioned above for membership of the Board of Directors starting from 11/06/2020G for a term of three Gregorian years until 24/05/2023G.

^{**} Means the shares owned by the members of the Board of Directors directly or indirectly in the Company through their ownership in companies owning shares in the Company or the shares owned by the relatives of the members of the Board of Directors either directly or through their ownership in companies owning shares in the Company

^{***} Board members have no indirect ownership in the Company.

^{****} Shares owned after reducing the capital in case the members of the Board of Directors subscribed to the full percentage of their eligibility for the New Shares.

Company Address

National Metal Manufacturing and Casting Company

P.O. Box 10882 Jubail 3196131961

Jubail Industrial City - Road 198

Tel: +966 133438211

Fax: +966131131853

Website: www.maadaniyah.com

E-mail: info@maadaniyah.com



الشركة الوطنية لتصنيع وسبك المعادن
National Metal Manufacturing & Casting Co.

Company Authorized Representative (1)

Name: Shaker Nafel Al-Otaibi

Position: CEO - Deputy Chairman

National Metal Manufacturing and Casting Company

Jubail Industrial City - Road 198

P.O. Box 10882 Jubail 31961

Tel: +966 133588000

Fax: +966133583831

Website: www.maadaniyah.com

E-mail: s.otaibi@maadaniyah.com

Company Authorized Representative (2)

Name: Fath Alrahman Abdullah Othman

Position: Chief Financial Officer (CFO)

National Metal Manufacturing and Casting Company

Jubail Industrial City - Road 198

P.O. Box 10882 Jubail 31961

Tel: +966 133588000

Fax: +966133583831

Website: www.maadaniyah.com

E-mail: f.othman@maadaniyah.com

Stock Exchange

Saudi Tadawul Company (Tadawul)

King Fahd Road - Olaya 6897

Unit No: 15

Riyadh 12211-3388

Kingdom of Saudi Arabia

Tel: +966 920001919

Fax: +966 11 2181220

Website: www.tadawul.com.sa

E-mail: csc@tadawul.com.sa

تداول السعودية
Saudi Exchange



Advisors

Financial Advisor and Underwriter

Al Wasatah Capital Company (Wasatah Capital)

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



Lead Manager

Al Nefae Investment Group Company

Jeddah - Tahlia Street - Bin Hamran Center
P.O. Box 17381 Riyadh 21484
Kingdom of Saudi Arabia
Tel: + 966 12 6655071
Fax: + 966 12 6655723
Website: www.nefae.com.sa
E-mail: ipo@nefaie.com.sa



Legal Adviser

Mohammed Al Dhabaan Legal Office

Offices No. 11 - Office Homes Complex, Al-Orouba Road
P.O. Box 245555 Riyadh 11312
Kingdom of Saudi Arabia
Tel: +966 11 4844448
Fax: +966 11 2816611
Website: www.aldhabaan.eversheds.com
E-mail: aldehais@aldhabaan-es.com

الضبعان وشركاه

Disclaimer: All of the above-mentioned parties have given their written consent to refer to their names, logos and statements in the context mentioned in this Prospectus, and that consent has not been withdrawn as on the date of this Prospectus.

The Company's auditor for the years 2018G, 2019G and 2020G, and the three-month period ending on March 31, 2021G

Dr. Mohamed Al-Amari & Company – Certified Public Accountants and Advisors

Dammam - Prince Muhammad Bin Fahd Road
PO Box 2590, Dammam 32415-4120
Kingdom of Saudi Arabia
Tel: +966 13 8344311
Fax: +966 13 838553
Website: www.bdoalamri.com
E-mail: info@bdoalamri.com



الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

Disclaimer: The auditor of the above-mentioned company has given his written consent to publish his name, logo and statements in the context mentioned in this Prospectus, and that consent has not been withdrawn as on the date of this Prospectus.



Summary of the Offering

Prospective investors willing to subscribe to the offered shares shall read this Prospectus entirely prior to making their decision to invest in the Offered Shares, as the Summary of the Offering is not sufficient to make an investment decision.

Below is the summary of the Offering:

| The Company or Maadaniyah | The Company was established by Ministerial Resolution No. (253), dated 13/03/1411H (corresponding to 02/10/1990G), with Commercial Registration No. (2055002251) issued by Jubail on 16/05/1411H (corresponding to 03/12/1990G). On 28/06/1421H (corresponding to 26/09/2000G), The Company's shares have been listed on the Saudi Stock Exchange (Tadawul - the main market). | | | | | | | | | | | | | | | | | | |
|---|--|-------------|-----------------------------------|-------------|--|-------------|----------------------------------|--|-----------------------------------|--|----------------|-------------|---------------|-------------|------------------------------------|-----------|--------|------------|--------|
| Company Activities | <p>According to its Articles of Incorporation, the Company's activities are summarized below:</p> <ul style="list-style-type: none"> a- Production of drawn iron wires, stranded wires for pre-stressed concrete, spring wire and springs, steel frames for mattresses, stranded reinforcement wires for electricity, galvanized reinforcing wires, steel nails, various nails, iron screws, welding wires. b- Production of commercial and military metal castings of all kinds. c- Manufacturing and assembling cars and trailers, producing all kinds of axles (various axles), suspension springs of different qualities, spare parts for trucks, vehicles and equipment. d- Manufacturing military land amphibious vehicle, military vehicle spare parts, military vehicle surfing, and military mobile shelters. e- Manufacture of valves and accessories of all sizes. f- Wholesale and retail trade in the Company's products, building materials and industrial materials, including importing and exporting them. g- Owning land and real estate and constructing buildings on them. h- Owning patent Rights and using them to achieve their industrial purposes inside and outside the Kingdom i- Commercial agencies and representation of local or foreign companies inside and outside the Kingdom j- Tenders and commercial contracts. k- Establishment of industrial projects and commercial services inside and outside the Kingdom of Saudi Arabia <p>The Company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any.</p> | | | | | | | | | | | | | | | | | | |
| Substantial Shareholders | <p>The Substantial shareholder in the Company, who own 5% or more of the Company's shares, up to the date of this Prospectus, is the National Industrialization Company, which owns eight million two hundred and ninety-seven six hundred and forty (8,297,640) shares, or 35.46% before the Offering.</p> <table border="1"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Direct ownership before Offering</th> <th colspan="2">Direct ownership after Offering**</th> </tr> <tr> <th>No. of shares*</th> <th>Ownership %</th> <th>No. of shares</th> <th>Ownership %</th> </tr> </thead> <tbody> <tr> <td>National Industrialization Company</td> <td>8,297,640</td> <td>35.46%</td> <td>12,552,840</td> <td>35.46%</td> </tr> </tbody> </table> <p>* Number of shares after capital reduction ** In the event that the National Industrialization Company subscribes to its full share of the New Shares.</p> | | | | | Shareholder | Direct ownership before Offering | | Direct ownership after Offering** | | No. of shares* | Ownership % | No. of shares | Ownership % | National Industrialization Company | 8,297,640 | 35.46% | 12,552,840 | 35.46% |
| Shareholder | Direct ownership before Offering | | Direct ownership after Offering** | | | | | | | | | | | | | | | | |
| | No. of shares* | Ownership % | No. of shares | Ownership % | | | | | | | | | | | | | | | |
| National Industrialization Company | 8,297,640 | 35.46% | 12,552,840 | 35.46% | | | | | | | | | | | | | | | |
| Public | <p>In the Rules on the Offer of Securities and Continuing Obligations, public means the persons other than the following:</p> <ol style="list-style-type: none"> 1- Affiliates of the issuer. 2- Substantial shareholders of the issuer. 3- Directors and senior executives of the issuer. 4- Directors and senior executives of the affiliates of the issuer. 5- Directors and senior executives of substantial shareholders of the issuer. 6- Any relatives of the persons in (1, 2, 3, 4, or 5) above. 7- Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above. 8- Persons who act together in agreement and jointly own (5%) or more of the class of shares that will be listed. | | | | | | | | | | | | | | | | | | |
| Nature of Offering | Increasing the capital by issuing Rights. | | | | | | | | | | | | | | | | | | |
| Purpose of the Offering | The Company aims, through increasing its capital by Offering Rights, to raise its financial solvency and reduce borrowing rates and costs incurred from them. | | | | | | | | | | | | | | | | | | |
| Total number of Existing and issued Shares prior to the Offering | Twenty-three million four hundred thousand (23,400,000) ordinary shares | | | | | | | | | | | | | | | | | | |
| Nominal Value | SAR 10 per share | | | | | | | | | | | | | | | | | | |
| Company's capital before the Offering | Two hundred and thirty-four million (234,000,000) Saudi Riyals | | | | | | | | | | | | | | | | | | |
| Total Number of new Offered Shares | Twelve million (12,000,000) ordinary shares | | | | | | | | | | | | | | | | | | |
| Offering Price | Ten (10) Saudi Riyals per share. | | | | | | | | | | | | | | | | | | |
| Total Offering value | One hundred and twenty million (120,000,000) Saudi Riyals. | | | | | | | | | | | | | | | | | | |
| Adjusted Price | The Company's share price in Saudi Tadawul (Tadawul) has been modified to SAR 9.50 per share before trading on the next day of the Extraordinary General Assembly meeting for the capital increase. This represents a decrease in the share price of 5.00 Saudi Riyals per share. | | | | | | | | | | | | | | | | | | |



| Registered Shareholder | Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly for the capital increase and are registered in the Company's records at the Depository Center at the end of the second trading day following the convening of the Extraordinary General Meeting regarding the capital increase | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|-------------------|-------------------|-------------------|-------------------|--------------------|-------------|-------|----|---|---|-----------|------------|------------|-----------|------------|-----|--------------------|---|------------|---|---|---|------------|-------|-----------------|------------|------------|-----------|---|---|------------|-------|---|---|-----------|-----------|-----------|-----------|------------|-------|--------------------------|---|-----------|-----------|-----------|-----------|------------|-------|-------------------|-----------|---|---|---|---|-----------|------|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------|
| New Investors | In general, individual and institutional investors, other than Registered Shareholder, who purchased the Rights Issue during the Trading Period. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Targeted Investors | Registered Shareholder and New Shareholders | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rights | Rights are tradable securities that entitle its holders the right to subscribe to New Shares upon approval of the capital increase. It is an earned right for all Registered Shareholder. Rights may be traded during the Trading Period. Each Right entitles its holder to subscribe to one share of the New Shares at the Offer Price. Rights will be deposited after the Extraordinary General Assembly for the capital increase has convened. These Rights will appear in the Registered Shareholder' accounts under a new pre-emptive right-related symbol. One hundred and twenty million (120,000,000) Saudi Riyals. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| New Shares | Twelve million (12,000,000) ordinary shares, which will be issued as a result of the capital increase. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Eligibility Ratio | (0.513) Right for every (1) share held by the Registered Shareholder. This ratio is the result of dividing the number of New Shares by the number of the current shares of the Company | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of issued Rights | Twelve million (12,000,000) Rights. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Offer Shares to be Underwritten | Twelve million (12,000,000) ordinary shares. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Offering Amount to be Underwritten | One hundred and twenty million (120,000,000) Saudi Riyals. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of issued Rights after capital increase | Thirty-five million four hundred thousand (35,400,000) ordinary shares. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Company's capital after the capital increase | Three hundred and fifty-four million (354,000,000) Saudi Riyals. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Percentage of Offer Shares of the Company's Share Capital | (51.3%) approximately | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total estimated proceeds and analysis and description of its proposed use | <p>It is expected that the total proceeds from the subscription to the Rights Issue will amount to one hundred and twenty million (120,000,000) Saudi Riyals. The net proceeds of the subscription will be mainly used after deducting all the Offering costs in financing working capital, repaying part of the loans and financing future projects. For more details, please refer to Section (6) "Use of the Offering Proceeds". The following table shows the expected use of the Offering Proceeds:</p> <table border="1"> <thead> <tr> <th>(SAR'000)</th> <th>Q4 2021G</th> <th>Q1 2022G</th> <th>Q2 2022G</th> <th>Q3 2022G</th> <th>Q4 2022G</th> <th>Total</th> <th>%^</th> </tr> </thead> <tbody> <tr> <td>Factory to produce high-pressure valves</td> <td>0</td> <td>4,000,000</td> <td>10,000,000</td> <td>10,000,000</td> <td>6,000,000</td> <td>30,000,000</td> <td>25%</td> </tr> <tr> <td>Repayment of loans</td> <td>0</td> <td>25,000,000</td> <td>0</td> <td>0</td> <td>0</td> <td>25,000,000</td> <td>20.8%</td> </tr> <tr> <td>Working capital</td> <td>10,000,000</td> <td>10,000,000</td> <td>4,500,000</td> <td>0</td> <td>0</td> <td>24,500,000</td> <td>20.4%</td> </tr> <tr> <td>Stranded Wire Production Line Project for Pre-stressed Concrete</td> <td>0</td> <td>5,000,000</td> <td>6,000,000</td> <td>6,000,000</td> <td>3,000,000</td> <td>20,000,000</td> <td>16.7%</td> </tr> <tr> <td>Aluminum casting factory</td> <td>0</td> <td>4,000,000</td> <td>4,000,000</td> <td>4,000,000</td> <td>3,000,000</td> <td>15,000,000</td> <td>12.5%</td> </tr> <tr> <td>Offering expenses</td> <td>5,500,000</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>5,500,000</td> <td>4.6%</td> </tr> <tr> <td>Total</td> <td>15,500,000</td> <td>48,000,000</td> <td>24,500,000</td> <td>20,000,000</td> <td>12,000,000</td> <td>120,000,000</td> <td>100%</td> </tr> </tbody> </table> | (SAR'000) | Q4 2021G | Q1 2022G | Q2 2022G | Q3 2022G | Q4 2022G | Total | %^ | Factory to produce high-pressure valves | 0 | 4,000,000 | 10,000,000 | 10,000,000 | 6,000,000 | 30,000,000 | 25% | Repayment of loans | 0 | 25,000,000 | 0 | 0 | 0 | 25,000,000 | 20.8% | Working capital | 10,000,000 | 10,000,000 | 4,500,000 | 0 | 0 | 24,500,000 | 20.4% | Stranded Wire Production Line Project for Pre-stressed Concrete | 0 | 5,000,000 | 6,000,000 | 6,000,000 | 3,000,000 | 20,000,000 | 16.7% | Aluminum casting factory | 0 | 4,000,000 | 4,000,000 | 4,000,000 | 3,000,000 | 15,000,000 | 12.5% | Offering expenses | 5,500,000 | 0 | 0 | 0 | 0 | 5,500,000 | 4.6% | Total | 15,500,000 | 48,000,000 | 24,500,000 | 20,000,000 | 12,000,000 | 120,000,000 | 100% |
| (SAR'000) | Q4 2021G | Q1 2022G | Q2 2022G | Q3 2022G | Q4 2022G | Total | %^ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Factory to produce high-pressure valves | 0 | 4,000,000 | 10,000,000 | 10,000,000 | 6,000,000 | 30,000,000 | 25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Repayment of loans | 0 | 25,000,000 | 0 | 0 | 0 | 25,000,000 | 20.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Working capital | 10,000,000 | 10,000,000 | 4,500,000 | 0 | 0 | 24,500,000 | 20.4% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stranded Wire Production Line Project for Pre-stressed Concrete | 0 | 5,000,000 | 6,000,000 | 6,000,000 | 3,000,000 | 20,000,000 | 16.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Aluminum casting factory | 0 | 4,000,000 | 4,000,000 | 4,000,000 | 3,000,000 | 15,000,000 | 12.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Offering expenses | 5,500,000 | 0 | 0 | 0 | 0 | 5,500,000 | 4.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 15,500,000 | 48,000,000 | 24,500,000 | 20,000,000 | 12,000,000 | 120,000,000 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Offering costs | The Offering costs is about five million five hundred thousand (5,500,000) Saudi Riyals, knowing that this amount is estimated (please refer to section (6) "Use of the Offering Proceeds"). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Offering Proceeds after deducting the Offering costs | It is expected that the net Offering Proceeds will amount to about one hundred and fourteen million five hundred thousand (114,500,000) Saudi Riyals, after deducting all the costs of the Offering, which amount to five million and five hundred thousand (5,500,000) Saudi Riyals, knowing that this amount is an estimate (please refer to section (6) "Use of the Offering Proceeds"). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Use of Offering Proceeds | The main objective of the Company's capital increase is to raise its financial solvency and reduce borrowing rates and costs incurred therefrom. (Please see Section (6) "Use of the Offering Proceeds"). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Eligibility Date | Shareholders who own shares at the end of trading on the day of the EGM for the capital increase, and who are registered in the Company's shareholders register at the end of the second trading day following the EGM for the capital increase, on **/**/****H (Corresponding to **/**/****G). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trading Period | Trading Period begins on **/**/****H (corresponding to **/**/****G) and continues until the end of **/**/****H (corresponding to **/**/****G) during which, all Rights holders - whether they are registered investors or New Investors - may trade in the Rights. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



| | |
|---|--|
| Subscription Period | Subscription Period begins on .. **/...H (corresponding to ..**/...G) and continues until the end of .. **/...H (corresponding to ..**/...G) during which, all holders of Rights - whether they are registered investors or New Investors - may exercise their right to subscribe to New Shares. |
| Rump Shares | The remaining shares that were not subscribed to during the Subscription Period. |
| Rump Offering | In the event that unsubscribed shares remain after the end of the Subscription Period (Rump Shares), those shares will be offered to a number of institutional investors (Investment Institutions). Such Investment Institutions submit their offers to purchase the remaining shares, and these offers will be received starting from 10:00 AM on ..**/...H (corresponding to ..**/...G) until 5:00 PM the next day ..**/...H (corresponding to ..**/...G) (Rump Offering Period). The remaining shares will be allocated to the Investment Institutions with the highest offer and then the lowest and lowest (provided that the offer does not fall below the Offer Price). Rump shares will be allocated proportionally to the Investment Institutions that submit the same offer. As for the fractional shares, they will be added to the remaining shares and treated similarly. |
| Payment of Compensation Amounts, if any | Cash compensation amounts will be paid to the Eligible Persons who have not exercised their right to subscribe in whole or in part to the New Shares and to those entitled to fractional shares without any deductions no later than ..**/...H (corresponding to ..**/...G), noting that cash compensation amounts represent the amount that exceeds the Offering Price from the net proceeds of selling the Rump Shares and the fractions of shares. |
| Rights Listing and Trading | The Rights will be listed on Tadawul and traded during the Rights Trading Period. The Rights will have a separate and independent symbol other than the Company's current share symbol on Tadawul screen. During the Trading Period, the Registered Shareholder have several options, which include selling the Rights or part of them in the market, buying additional Rights through the market, or not taking any action regarding the Rights, whether by selling them or buying additional Rights. New Investors during the Trading Period will have the right to buy Rights through the market or sell those Rights or part of them or not to take any action regarding the Rights purchased during the Trading Period. "Tadawul" system will cancel the Company's Rights symbol on the trading screen after the expiry of the Rights Trading Period, and accordingly the trading of Rights will stop at the end of that period. |
| Method of Subscription | Eligible Persons wishing to subscribe to the New Shares must submit subscription applications electronically through the websites and platforms of the agents that provide such services to subscribers, or through any other means provided by the agents. |
| Exercising Subscription to the Rights | Eligible Persons have the right to exercise their right to subscribe to the Right shares by subscribing electronically through the websites and platforms of the agents that provide these subscription services or through any other means provided by the agents. Eligible Persons may also exercise subscription to the Rights as follows: 1- Shareholders registered during the Subscription Period have the right to exercise the Rights granted to them on the Eligibility Date and any additional Rights they purchased during the Trading Period by subscribing to New Shares. They also have the right not to take any action regarding the Rights they own. 2- New Investors during the Subscription Period have the right to exercise the Rights they purchased during the Trading Period by subscribing to the New Shares. They also have the right not to take any action regarding the Rights they own. In the event that any of the Registered Shareholder or New Investors failed to exercise their right to subscribe to the New Shares during the Subscription Period, the shares associated with those Rights will be offered during the Rump Offering Period. |
| Indicative Value of the Right | The Right's indicative value is the difference between the market value of the Company's Share during the Trading Period and the Offering Price. Tadawul will calculate and publish the indicative value of the Right during the Trading Period on its website, five minutes late, and market information service providers will also publish this information so that investors can see the indicative value of the Right when entering orders. |
| Saudi Authority for Industrial Cities and Technology Zones (MODON) | The Saudi Authority for Industrial Cities and Technology Zones (MODON) was established based on Cabinet Resolution No. (235), dated 27/8/1422H. MODON is concerned with developing industrial lands and integrated infrastructure, and it supervised 35 existing industrial cities and others under development in various parts of the Kingdom, in addition to supervising private industrial complexes and cities. |
| Trading Price of the Right | It is the price at which the Right is traded, knowing that it is determined through the mechanism of supply and demand, and therefore it may differ from the Indicative Value of the Right. |
| Allocation Date | The shares will be allocated no later than on ..**/...H (corresponding to ..**/...G). |
| Allocation of Shares | Shares will be allocated to each investor based on the number of Rights that he has properly and fully exercised. The fractional shares will be collected and added to the Rump Shares and then offered to the Investment Institutions during the Rump Offering Period. The Company will obtain the total Offering Price collected from the sale of the Rump Shares, while the rest of the proceeds of the Rump Offering will be distributed without calculating any fees or deductions (i.e. what exceeds the Offering Price) to its beneficiaries who have not fully or partially subscribed to the New Shares and to those entitled to fractional shares (please refer to section (12) "Subscription Terms and Condition"). |
| Trading of the New Shares | Trading of New Shares in "Tadawul" begins after completing all procedures related to the registration, allocation and listing of the New Shares. |
| Entitlement to Dividends | Owners of the New Shares will be entitled to any dividends declared by the Company after the date of their issuance |
| Voting Rights | All the Company's shares are of one class, and no share gives its holder preferential Rights. The New Shares will be fully paid in value and exactly equal to the existing shares. Each share gives its holder the right to one vote, and every shareholder in the Company has the right to attend and vote in the general assembly of shareholders (whether ordinary or extraordinary) meeting. |
| Restrictions on trading shares | There are no restrictions imposed on the trading of the Company's shares, except for the regulatory restrictions imposed generally on the listed shares. |
| Restrictions on trading Rights | There are no restrictions imposed on Rights trading with the exception of foreign shareholders who are not entitled to purchase additional Rights without the approval of the competent authorities. |



| <p>Issuer's previously issued shares</p> | <p>The Company listed two million (2,000,000) of its shares in the Exchange at a nominal value of fifty (50) Riyals per share on 28/06/1421H (corresponding to 26/09/2000G) after obtaining approval of the Ministry of Commerce and the Central Bank of Saudi Arabia (SAMA). On 10/04/1425H (corresponding to 29/05/2004G), the Company increased its capital from one hundred million Riyals (SAR 100,000,000), divided into two million ordinary shares (2,000,000) to one hundred and twenty-five million Riyals (SAR 125,000,000), divided into two million five hundred thousand (2,500,000) ordinary shares by way of a Rights Issue. The Company also increased its capital on 11/05/1427H (corresponding to 07/06/2006G) from one hundred and twenty-five million (125,000,000) Saudi Riyals to one hundred and sixty-three million and five hundred sixty thousand two hundred and fifty (163,561,250) Saudi Riyals divided into sixteen million shares, three hundred fifty-six thousand and one hundred and twenty-five (16,356,125) shares, by issuing shares to acquire the Arab Company for Axles, Foundries and Spare Parts. On 01/04/1429H (corresponding to 07/04/2008G), the Company increased its capital from one hundred and sixty-three million and five hundred sixty thousand two hundred and fifty (163,561,250) Saudi Riyals to two hundred and four million four hundred one fifty thousand five hundred and sixty (204,451,560) Saudi Riyals divided into (20,445,156) shares in return for issuing bonus shares (one share for every four shares). On 01/05/1430H (corresponding to 26/04/2009G), the Company increased its capital from (204,451,560) two hundred and four million four hundred one fifty thousand five hundred and sixty Saudi Riyals to (255,564,450) two hundred fifty-five million five hundred and sixty-four thousand four hundred and fifty Saudi Riyals divided into (25,556,445) twenty-five million five hundred fifty-six thousand four hundred and forty-five shares by issuing bonus shares (one share for every four shares). On 01/05/1430H (corresponding to 26/04/2009G), the Company increased its capital from two hundred and four million four hundred one fifty thousand five hundred and sixty (204,451,560) Saudi Riyals to two hundred fifty-five million five hundred and sixty-four thousand four hundred and fifty (255,564,450) Saudi Riyals divided into twenty-five million five hundred fifty-six thousand four hundred and forty-five (25,556,445) shares by issuing bonus shares (one share for every four shares). On 03/06/1433H (corresponding to 24/04/2012G), the Company raised its capital from two hundred fifty-five million five hundred and sixty-four thousand four hundred and fifty (255,564,450) Saudi Riyals to two hundred eighty-one million one hundred and twenty thousand eight hundred and ninety (281,120,890) Saudi Riyals divided into twenty-eight million, one hundred and twelve thousand and eighty-nine (28,112,089) shares, in return for issuing bonus shares (one for every ten shares), after obtaining all regulatory and EGM approvals.</p> | | | | | | | | | | | | | | | |
|---|--|-----------------------|-------------------|--|------------------|--|---|--------------------------------|------------|------------|------|--------------|--|-------------------|-------------------|-------------|
| <p>Risk Factors</p> | <p>Investing in this Right Shares involves certain risks. Such risks can be classified into: (1) Risks related to the Company's business and operations; (2) Risks related to the market and the sector; and (3) Risks related to the New Shares. Such risks are clarified in Section 2 "Risk Factors" of this Prospectus, which shall be reviewed carefully before making an investment decision.</p> | | | | | | | | | | | | | | | |
| <p>Total proceeds obtained from the last Rights Issue and their analysis, description and uses</p> | <p>The total proceeds to the Company in the last issuance process of subscription shares on 10/04/1425H corresponding to 29/05/2004G amounted to 25,000,000 Saudi Riyals.</p> <p>Where the Company increased its capital from (100,000,000) one hundred million Saudi Riyals to (125,000,000) one hundred and twenty-five million Riyals in return for issuing (500,000) five hundred thousand shares with a nominal value of (50) fifty Riyals per share. The proceeds of the subscription were used as follows:</p> <table border="1" data-bbox="387 958 1426 1104"> <thead> <tr> <th>S</th> <th>Description</th> <th>Declared amount (SAR)</th> <th>Actual Use (SAR)</th> <th>percentage (%) of actual to planned expenses</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Financing Investment Expansion</td> <td>25,000,000</td> <td>25,000,000</td> <td>100%</td> </tr> <tr> <td colspan="2">Total</td> <td>25,000,000</td> <td>25,000,000</td> <td>100%</td> </tr> </tbody> </table> <p>Source: Company Management</p> <p>* A project to expand the production line of stranded wires and wires of springs. The costs include the cost of machines and expansions of the infrastructure and warehouses, related to the expansion process</p> <p>For more details, please see section 6 "Use of the Offering Proceeds".</p> | S | Description | Declared amount (SAR) | Actual Use (SAR) | percentage (%) of actual to planned expenses | 1 | Financing Investment Expansion | 25,000,000 | 25,000,000 | 100% | Total | | 25,000,000 | 25,000,000 | 100% |
| S | Description | Declared amount (SAR) | Actual Use (SAR) | percentage (%) of actual to planned expenses | | | | | | | | | | | | |
| 1 | Financing Investment Expansion | 25,000,000 | 25,000,000 | 100% | | | | | | | | | | | | |
| Total | | 25,000,000 | 25,000,000 | 100% | | | | | | | | | | | | |
| <p>Conditions of subscription to Rights</p> | <p>Eligible Persons wishing to subscribe to the New Shares must fulfill the relevant subscription conditions. To view the terms and conditions and instructions of the Offering, please refer to Section (12) "Subscription Terms and Condition" of this Prospectus</p> | | | | | | | | | | | | | | | |

Note: The "Important notice" section and section 2 "Risk Factors" of this Prospectus should be considered carefully prior to making any investment decision according to this Prospectus.



Key Dates and Subscription Procedures

| Events | Dates |
|---|---|
| Date of the EGM approving capital increase and setting the Eligibility Date and Eligible Shareholders. The Eligible Shareholders are the shareholders registered in the Company's register, and they are not registered until two days after the date of the EGM. | On **/**/****H (corresponding to **/**/****G) |
| Trading Period | Trading Period starts on **/**/****H (corresponding to **/**/****G) and continues until the end of **/**/****H (corresponding to **/**/****G). During this period, all holders of Rights, whether registered or New Investors, may subscribe for the Rights. |
| Subscription Period | Subscription Period starts on **/**/****H (corresponding to **/**/****G) and continues until the end of **/**/****H (corresponding to **/**/****G). During this period, all holders of Rights, whether registered or New Investors, may exercise their Rights by subscribing to the New Shares. |
| End of Subscription Period | Subscription Period and receipt of subscription applications ends by the end of **/**/****H (corresponding to **/**/****G) |
| Rump Offering Period | The Rump Offering Period begins at 10:00 AM of **/**/****H (corresponding to **/**/****G) and continues until 5:00 PM of **/**/****H (corresponding to **/**/****G) |
| Final Allocation Notification | On **/**/****H (corresponding to **/**/****G) |
| Payment of compensation amounts (if any) for Eligible Persons who did not participate in the Offering entirely or partially | On **/**/****H (corresponding to **/**/****G) |
| Expected day for commencement of trading in Offer Shares | After completion of all relevant regulatory procedures. The date will be announced later on the Tadawul website. |

Notice: All the dates mentioned in the timeline above are approximate, and the actual dates will be announced on the website of the Saudi Stock Exchange (Tadawul) (www.tadawul.com.sa).

Key announcement dates

| Announcement | Announcing Party | Announcement Date |
|--|------------------|---|
| Announcement regarding the invitation for the EGM for capital increase. | Company | On **/**/****H (corresponding to **/**/****G) |
| Announcement regarding the EGM outcome with regard to capital increase. | Company | On **/**/****H (corresponding to **/**/****G) |
| Announcement regarding the change in Company's share price, Rights' deposit and the Indicative Value of the Right. | Tadawul | On **/**/****H (corresponding to **/**/****G) |
| Announcement regarding the addition of Maadaniyah Rights. | Edaa | On **/**/****H (corresponding to **/**/****G) |
| Announcement regarding the start of Rights' Trading Period and Subscription Period. | Company | On **/**/****H (corresponding to **/**/****G) |
| Reminder announcement on the start of the Rights Trading Period and Subscription Period. | Company | On **/**/****H (corresponding to **/**/****G) |
| Reminder announcement of the last day for trading Rights and noting the importance of selling Rights for those who do not wish to subscribe to their owned Rights | Company | On **/**/****H (corresponding to **/**/****G) |
| Announcement regarding: <ul style="list-style-type: none"> Subscription results, Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering | Company | On **/**/****H (corresponding to **/**/****G) |
| Announcement regarding the outcome of the Rump Offering and Notification of the final allocation. | Company | On **/**/****H (corresponding to **/**/****G) |
| Announcement regarding the deposit of New Shares in the investors' portfolios. | Edaa | On **/**/****H (corresponding to **/**/****G) |
| Announcement regarding distribution of the compensation amounts (if any). | Company | On **/**/****H (corresponding to **/**/****G) |

Notice: All the dates mentioned in the timeline above are approximate, and the actual dates will be announced on the website of the Saudi Stock Exchange (Tadawul) (www.tadawul.com.sa) in coordination with the Securities Depository Center Company (Edaa) to determine the date of depositing Rights and shares.

It should be noted also that in the event that an announcement related to the Offering is published in a local newspaper after the publication of the Prospectus, such an announcement must include the following: (1) Name of the Issuer and its Commercial Registration number; (2) The securities, their value, type, and class covered by the securities registration and Offering application; (3) The addresses and places where the public can obtain the Prospectus; (4) The date of publishing the Prospectus; (5) A statement that the announcement is for information only and does not constitute an invitation or offer to acquire securities by purchasing or subscribing to them; (6) Names of the Lead Manager, Underwriter (if any), Financial



Advisor, and Legal Advisor; (7) A disclaimer in the following form: "CMA and the Saudi Stock Exchange Group (Tadawul) do not assume any responsibility on the contents of this announcement, nor do they give any representations regarding its accuracy or completeness, and they expressly disclaim any responsibility for any loss they have suffered as a result of what is contained in this announcement or from reliance on any part thereof.

How to apply for subscription

Subscription to Right Issue shares is limited to Eligible Persons, whether they are Registered Shareholder or New Investors. In the event that the Right Issue of the Eligible Persons are not exercised, any Rump Shares that have not been subscribed to by the Eligible Persons will be offered to the Investment Institutions during the Rump Offering Period. Eligible Persons wishing to subscribe to the New Shares must submit subscription applications through the means and services provided by the agent to investors, provided that the Eligible Person has an investment account with one of the agents who provide these services.

Subscription applications shall be submitted through the investment portfolio on the trading platforms through which buy and sell orders are entered. Subscription may be made through any other means provided by the agent to the investors and the custodian of shares. The Company reserves the right to reject any application to subscribe to the New Shares, in whole or in part, in the event that it does not meet any of the terms or requirements of the subscription. The subscription application may not be amended or withdrawn after its submission. The subscription application upon submission represents a binding contract between the Company and the eligible shareholder.

FAQs about the Rights Issue

What is a Rights Issue?

Rights are tradable securities that give their holders the right to subscribe to the New Shares offered upon approval of the capital increase. They are acquired Rights for all Registered Shareholder who own shares on the day of the EGM meeting for the capital increase and who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price.

To whom Rights are granted?

Rights are granted to all Registered Shareholder in the Company's Register at the Depository as at the close of the second trading day after the date of the EGM to increase the capital.

When are the Rights deposited?

Following the Extraordinary General Meeting and its approval to increase the capital through a Rights Issue, the Rights shall be deposited as securities in the portfolios of the Company's Shareholders Register at the Securities Depository Center by the end of the second trading day after the Extraordinary General Meeting. The New Rights appear in their portfolios under a new code for the Rights. Such Rights will be allowed to be traded or subscribed only at the beginning of the Trading and Subscription Periods.

How are Investors in the Rights notified of the Rights being deposited in their portfolios?

Investors are notified through an announcement on the Tadawul website and through Tadawulati Service provided by the Depository Center and SMS's sent through intermediaries/brokers.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the number of Shares ratio held by the Registered Shareholder in the Company's Shareholders Register at the Depository as at the close of the second trading day after the EGM.

What is the Rights Issue eligibility factor?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the second trading day after the EGM. This factor is calculated by dividing the number of New Shares by the number of the current shares of the Company. Therefore, the eligibility factor is (0.513) right for each one (1) share owned by the registered shareholder on the Eligibility Date. Accordingly, if a registered shareholder owns (1,000) shares on the Eligibility Date, he/she will be allocated 513 Rights in exchange for the shares he/she owns.

What is the Right value upon commencement of trading?

The Right opening price is the difference between the share closing price on the day preceding the Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 15 (fifteen Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 15 minus 10, i.e. SAR 5 (five Saudi Riyals).



Who is the Registered Shareholder?

Any Shareholder whose name appears in the Company's Shareholders' Register at the end of the second trading day after the EGM.

Can Registered Shareholder subscribe for additional shares?

Yes, Registered Shareholder can subscribe for additional shares by purchasing new Rights during the Trading Period.

Is it possible for a Registered Shareholder to lose his eligibility to subscribe even if he has the right to attend the EGM and vote on increasing the capital through a Rights Issue?

Yes, the Shareholder loses his eligibility to subscribe if he sells his shares on the day of the Extraordinary General Meeting or one working day before it.

How does the subscription take place?

Subscription Applications are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the intermediaries and custodian.

Can an Eligible Person subscribe to more shares than the Rights owned by him/her?

An Eligible Person cannot subscribe to more shares than the Rights owned by him/her.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholder holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited (513) Rights as each share is eligible for (0.513) Right. Therefore, 410 Rights will be deposited in portfolio (a) and 103 Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe, but they cannot trade until after depositing the certificates in investment portfolios through the receiving agents or Depository Center Company (Edaa) and introducing the necessary documents.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

When can a subscriber subscribe for the Rights he/she purchased during the Trading Period?

After settlement of the purchase of Rights (two working days), provided that he/she shall subscribe to the Rights during the Subscription Period.

Can a holder of Rights sell or assign them after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, holder of the Rights may only exercise the right to subscribe for the Rights or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What will happen to Rights that are unsold or unsubscribed for during the Trading Period and the Offering Periods?

If the New Shares are not fully subscribed for during the Offering Period, the remaining New Shares will be offered for subscription through an Offering to be organized by the Lead Manager. The amount of compensation (if any) for the Rights holder will be calculated after deducting the subscription price. The investor may not receive any compensation if the sale occurs in the Rump Offering Period at the Offering Price.

Who has the right to attend the Extraordinary General Assembly and vote on increasing the Share Capital through a Rights Issue?

The shareholder who is registered in the Issuer's Shareholders' Register at the Depository Center after the end of the trading session on the EGM day shall have the right to attend the EGM and vote on increasing the Issuer's Share Capital through a Rights Issue.



If an investor buys securities on the EGM day, will he/she be eligible for the Rights resulting from the increase of the Issuer's Capital?

Yes, as the investor will be registered in the Company Shareholders Register two business days after the date of the purchase of shares (i.e., at the end of the second trading day following the day of the EGM), bearing in mind that Rights will be granted to all shareholders registered in the Company Shareholders Register at the end of trading session on the second trading day following the date of the EGM. However, he/she may not attend or vote in the EGM for the capital increase.

If an investor has more than one portfolio with more than one Brokerage Company, how will his/her Rights be calculated?

The investor's shares will be distributed to the portfolios owned by him/her, according to the percentage of ownership in each portfolio. In the event of share fractions, these fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest number of Rights.

What are Trading and Subscription Periods?

Trading in and Subscription to the Rights shall commence at the same time until the end of trading on the sixth day, while Subscription shall continue until the ninth day, as stated in the Prospectus and the Company's issued announcements.

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non-Registered Shareholder on the day of the EGM subscribe for the Rights?

Non-Registered Shareholder can subscribe for the Rights after purchase of Rights during the period specified for trading.

For more information on the terms and conditions of the subscription, please refer to Section (12) "Subscription Terms and Condition" and the rest of the information contained in this Prospectus.

Summary of Key Information

This summary provides a brief overview of the key information included in this Prospectus. Being a summary, it does not include all information that may be of interest to shareholders and other general institutional and individual investors. The recipients of this Prospectus must read it in full before making any investment decision related to the New Rights or shares.

Company Overview

The National Metal Manufacturing and Casting Company ("Maadaniyah" or "the Company") is a Saudi joint stock company, established by Ministerial Resolution No. (253), dated 13/03/1411H (corresponding to 02/10/1990G), with Commercial Registration No. (2055002251) issued by Jubail on 16/05/1411H (corresponding to 03/12/1990G). On 28/06/1421H (corresponding to 26/09/2000G), the Company's shares have been listed on the Saudi Stock Exchange (Tadawul - the main market).

Summary of the Company Activities

According to its Articles of Incorporation, the Company's activities are to produce and market the following:

- a. Production of drawn iron wires, stranded wires for pre-stressed concrete, spring wire and springs, steel frames for mattresses, stranded reinforcement wires for electricity, galvanized reinforcing wires, steel nails, various nails, iron screws, welding wires.
- b. Production of commercial and military metal castings of all kinds.
- c. Manufacturing and assembling cars and trailers, producing all kinds of axles (various axles), suspension springs of different qualities, spare parts for trucks, vehicles and equipment.
- d. Manufacturing military land amphibious vehicle, military vehicle spare parts, military vehicle surfing, and military mobile shelters.
- e. Manufacture of valves and accessories of all sizes.
- f. Wholesale and retail trade in the Company's products, building materials and industrial materials, including importing and exporting them.
- g. Owning land and real estate and constructing buildings on them.
- h. Owning patent Rights and using them to achieve their industrial purposes inside and outside the Kingdom
- i. Commercial agencies and representation of local or foreign companies inside and outside the Kingdom
- j. Tenders and commercial contracts.
- k. Establishment of industrial projects and commercial services inside and outside the Kingdom of Saudi Arabia.



The Company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any.

The Company owns 3 factories located in the industrial cities of Jubail and Dammam as follows:

- **Wire Drawing & Related Products Factory (ASLAK)**

ASLAK factory is a leading factory in manufacturing of high carbon steel wire products for more than (20) years. The factory produces stranded wires for pre-stressed concrete and spring wires for mattresses. ASLAK factory is equipped with modern production lines to provide high quality products that conform with the best international specifications. The Company has invested in providing integrated laboratories to examine and test raw materials during the manufacturing and final product stages to provide high quality products.

The product of stranded wires for pre-stressed concrete is one of our most important products, which is used in the reinforcement of projects of bridges, tunnels, reservoirs, railway bases, and hollow core ceilings in precast concrete factories. The factory has obtained certifications for manufacturing and products accreditation from multiple accreditation bodies internally and globally.

The production capacity of the factory is approximately 110 tons annually, and the annual sales of the factory amounted to SR 346 million, 195 million, 136 million, and 48 million for the years 2018G, 2019G and 2020G, and the three-month period ending on March 31, 2021G.

- **Metal Casting Factory “MASABEK”**

MASABEK was able to put a strong imprint in the Gulf region and its surroundings, as it entered strongly and distinguished itself in the metal casting sector through international experience, excellence and research, using the latest international Technologies.

MASABEK Factory is one of the best casting factories in the Kingdom and is equipped with the latest machinery and equipment at the local and international levels and serves a large number of customers in the Middle East, Asia, and Europe, especially in the fields of transportation, agriculture, water, crushers, mines, cement and petroleum factories, as well as engineering and industrial spare parts.

The production capacity of the factory is approximately 7 thousand tons annually, and the annual sales of the factory amounted to SR 25 million, 38 million, 33 million, and 7 million for the years 2018G, 2019G and 2020G, and the three-month period ending on March 31, 2021G.

- **Axles and Spare Parts Factory “Arabian axles”**

Arabian Axles Factory is the first factory in the Gulf in the manufacture of various types of axles and spare parts for the heavy transport sector. It is equipped with the latest equipment according to European technology that enables it to produce the best axles and spare parts with international specifications. The Arabian Axles Factory is a leading name in the trailer manufacturing market in the Gulf region and the Middle East

The production capacity of the factory is approximately 7 thousand units annually, and the annual sales of the factory amounted to SR 20 million, 30 million, 37 million, and 11 million for the years 2018G, 2019G, 2020G, and the three-month period ending on March 31, 2021G.



Capital Structure of the Company

The Company listed two million (2,000,000) of its shares in the Exchange at a nominal value of fifty (50) Riyals per share on 28/06/1421H (corresponding to 26/09/2000G) after obtaining approval of the Ministry of Commerce and the Central Bank of Saudi Arabia (SAMA). On 10/04/1425H (corresponding to 29/05/2004G), the Company increased its capital from one hundred million Riyals (SAR 100,000,000), divided into two million ordinary shares (2,000,000) to one hundred and twenty-five million Riyals (SAR 125,000,000), divided into two million five hundred thousand (2,500,000) ordinary shares by way of a Rights Issue. The Company also increased its capital on 11/05/1427H (corresponding to 07/06/2006G) from one hundred and twenty-five million (125,000,000) Saudi Riyals to one hundred and sixty-three million and five hundred sixty thousand two hundred and fifty (163,561,250) Saudi Riyals divided into sixteen million shares, three hundred fifty-six thousand and one hundred and twenty-five (16,356,125) shares, by issuing shares to acquire the Arab Company for Axles, Foundries and Spare Parts. On 01/04/1429H (corresponding to 07/04/2008G), the Company increased its capital from one hundred and sixty-three million and five hundred sixty thousand two hundred and fifty (163,561,250) Saudi Riyals to two hundred and four million four hundred one fifty thousand five hundred and sixty (204,451,560) Saudi Riyals divided into (20,445,156) shares in return for issuing bonus shares (one share for every four shares). On 01/05/1430H (corresponding to 26/04/2009G), the Company increased its capital from (204,451,56) two hundred and four million four hundred one fifty thousand five hundred and sixty Saudi Riyals to (255,564,450) two hundred fifty-five million five hundred and sixty-four thousand four hundred and fifty Saudi Riyals divided into (25,556,445) twenty-five million five hundred fifty-six thousand four hundred and forty-five shares by issuing bonus shares (one share for every four shares). On 01/05/1430H (corresponding to 26/04/2009G), the Company increased its capital from two hundred and four million four hundred one fifty-one thousand five hundred and sixty (204,451,560) Saudi Riyals to two hundred fifty-five million five hundred and sixty-four thousand four hundred and fifty (255,564,450) Saudi Riyals divided into twenty-five million five hundred fifty-six thousand four hundred and forty-five (25,556,445) shares by issuing bonus shares (one share for every four shares). On 03/06/1433H (corresponding to 24/04/2012G), the Company raised its capital from two hundred fifty-five million five hundred and sixty-four thousand four hundred and fifty (255,564,450) Saudi Riyals to two hundred eighty-one million one hundred and twenty thousand eight hundred and ninety (281,120,890) Saudi Riyals divided into twenty-eight million, one hundred and twelve thousand and eighty-nine (28,112,089) shares, in return for issuing bonus shares (one for every ten shares), after obtaining all regulatory and EGM approvals.

The Company reduced its capital on 02/05/1433H (corresponding to 02/05/2012G) from two hundred eighty one million one hundred twenty thousand eight hundred and ninety (281,120,890) Saudi Riyals to Two hundred and thirty-four million (234,000,000) Saudi Riyals, thus reducing the number of the Company's shares from twenty-eight million, one hundred and twelve thousand and eighty-nine (28,112,089) shares to twenty-three million and four hundred thousand ordinary (23,400,000) shares by canceling four million seven hundred and twelve thousand Eighty-nine (4,712,089) shares, with a capital reduction rate of about (16.76%), and at a rate of one share reduction for every (5,966) shares.

Company's Vision

To be pioneers in our industrial field, achieve competitive efficiency, continuous growth, leadership in the local market, and presence in global markets.

Company's Mission

Commitment to the best professional practices, providing integrated products and services that satisfy our customers, and achieving the desired results for stakeholders.

Company's Strategy

The Company's strategy aims to focus on expanding its business and enhancing its leading position in the regional market, as well as diversifying into more profitable sectors through acquisitions, building strategic alliances, partnerships and joint ventures. The Company's strategy during the next five years focuses on the following main objectives:

- Achieving market leadership for our existing products
- Raising production capacity to keep pace with the growth in the market
- Expansion of new value-added products
- Exploring opportunities for horizontal and vertical expansion
- Sustainable growth for all business requirements
- The integrated view of all the Company's activities to achieve its vision



Competitive Advantages

- The Company owns three (3) factories specialized in metallurgical industries
- The Company is one of the leading companies in the production of prefabricated stranded wires
- The Company produces bases for trucks, trailers and military vehicles through the Arab Axles Factory, which is the only factory in the Middle East.
- The Company also has great operational and technical experience in this sector, as the Company owns a well-established marketing and distribution network through which it reaches a customer base in more than 14 countries, and this helps the Company to develop its strategy periodically to match the requirements and trends of the market and to explore new products and addition business opportunities that have a positive impact on the Company's performance.

Market Overview

Industrial and economic diversification away from oil and gas is an important pillar of Vision 2030.

The market is witnessing a huge demand for minerals and mineral products, from domestic as well as regional parties, which have an ideal reserve of untapped mining potential, which can compensate for economic diversification.

Metals and mining companies benefit from significant advantages at low cost, taking advantage of the increasing demand, local facilities, raw materials, suppliers, contractors and the talent capacity of the workforce in the sector. With the government's strong commitment and support to empower the sector, investors can feel confident in the future growth of the mining and minerals industry in Saudi Arabia.

Saudi Arabia is blessed with abundant and diversified reserves of untapped mining potential worth 4.88 trillion Saudi Riyals (US\$1.3 trillion), with 20 million ounces of underground gold reserves. The Kingdom currently accounts for a large share of 37.9% of the metals and mining market in the Middle East and Africa worth 60 billion Saudi Riyals (\$ 16 billion).

Iron and steel sector is the most profitable in the industry, with total revenues of 17.6 billion Saudi Riyals (4.7 billion US dollars), which represents 75.3% of the total GDP of the mining industry in Saudi Arabia. It is followed by the aluminum sector, with revenues of 4.5 billion Saudi Riyals (1.2 billion US dollars) in 2016G.

In addition, the economic and industrial growth witnessed by the Kingdom of Saudi Arabia is driving a significant increase in the demand for mining commodities that serve the main developing sectors.

The Kingdom of Saudi Arabia is the largest in the Middle East and ranks 13th in the world in terms of the abundance and diversity of minerals and mineral resources of more than 48 different types of minerals and includes at least 15 minerals that can be economically exploited. It also has the largest reserves of phosphate and tantalum in the world, and Saudi Arabia has become an important market for mineral extraction and mining.

The Kingdom of Saudi Arabia is also the third largest importer of copper products globally, the fourth largest importer of aluminum products globally, the fifth largest importer of ceramic products globally, and the twelfth largest importer of sodium carbonate globally. In addition, iron and steel were among the largest imports to the Kingdom of Saudi Arabia. The supply gap of mineral products/minerals leads to multiple opportunities in the billions of dollars for domestic production.

The Kingdom of Saudi Arabia enjoys an important strategic location as it is near the end-user markets in the main geographical regions (Middle East, North Africa, Europe and Asia).

The mining sector contributes to the national economy at its full potential." The mining sector is a cornerstone of Vision 2030 due to its great economic impact. Therefore, the priority is to develop the mining sector and include it as the third pillar of economic diversification after oil, gas and petrochemical production.

The Saudi Government largely supports mining and mineral processing through various giant projects, including the construction of a 2,750-kilometer north-south railway to link the Al Jalameed mine with processing facilities in the Ras Al Khair Industrial City, an international city for minerals and mining' with industrial complexes, ports and integrated business climate Wa'ad Al Shamal city offers the expansion of Maaden Phosphate Mining Company, and many other large global facilities that allow production capacity of up to 16 million tons / year. In addition, more than 90 billion Saudi Riyals (25 billion US dollars) have been invested in new mining projects and industrial ores processing plants.

As a result, the mining sector is prepared for a new era and significant growth in the next few years. The role of the private sector is also expanding, as the government considers its participation an essential means to improve production and develop related industries.



Summary of Risk Factors

There are a number of risks related to the issue of Rights Issue shares, which are summarized as follows:

- Risks related to the Company's Activity and Operations
- Risks Related to Market and Industry
- Risk related to the offered securities

Summary of Financial Information

The summary of the financial information presented below is based on the Company's audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the three-month period ended on 31 March 2021G.. Therefore, the summary of the financial information should be read alongside the information provided in the "Risk Factors", "Management's Discussion and Analysis of the Company's Financial Position and Results of its Operations" sections and other financial statements contained elsewhere of this Prospectus.

| Statement of Financial Position (SAR'000) | Fiscal year ended on December 31 | | | Three-month period ended on 31 March 2021G |
|--|----------------------------------|----------------|----------------|---|
| | 2018G | 2019G | 2020G | |
| Assets | | | | |
| Current assets | 340,126 | 252,744 | 223,745 | 213,479 |
| Non-current assets | 243,307 | 199,612 | 190,811 | 186,797 |
| Total assets | 583,434 | 452,356 | 414,556 | 400,275 |
| Liabilities | | | | |
| Current liabilities | 123,015 | 59,621 | 67,679 | 65,979 |
| Non-current liabilities | 87,652 | 84,224 | 78,740 | 73,244 |
| Total Liabilities | 210,667 | 143,845 | 146,419 | 139,223 |
| Total Equity | 372,767 | 308,511 | 268,137 | 261,052 |
| Total Equity and Liabilities | 583,434 | 452,356 | 414,556 | 400,275 |

Source: financial statements

| Statement of Income (SAR'000) | Fiscal year ended on December 31 | | | Three-month period ended on March 31 | |
|-------------------------------------|----------------------------------|-----------------|-----------------|--------------------------------------|----------------|
| | 2018G | 2019G | 2020G | 2020G | 2021G |
| Revenues | 391,170 | 263,248 | 205,962 | 79,549 | 65,256 |
| Cost of revenue | (343,262) | (246,005) | (194,559) | (75,923) | (61,633) |
| Gross profit | 47,908 | 17,243 | 11,403 | 3,625 | 3,624 |
| Selling and distribution expenses | (16,726) | (13,292) | (12,775) | (5,141) | (3,376) |
| General and administrative expenses | (18,036) | (17,316) | (18,790) | (3,786) | (3,741) |
| Other expenses | (466) | (42,785) | (12,136) | (429) | (1,973) |
| Other income | 2,146 | 1,442 | 797 | 218 | 183 |
| Operational Profit/(loss) | 14,826 | (54,708) | (31,502) | (5,513) | (5,283) |
| Financing cost | (4,481) | (4,910) | (3,634) | (849) | (701) |
| Profit/(loss) before Zakat | 10,346 | (59,618) | (35,136) | (6,362) | (5,985) |
| Zakat | (5,816) | (5,491) | (5,679) | (1,100) | (1,100) |
| Net profit / (loss) | 4,529 | (65,109) | (40,815) | (7,462) | (7,085) |

Source: financial statements



| Statement of Cash Flows (SAR'000) | Fiscal year ended on December 31 | | | Three-month period ended on March 31 | |
|---|----------------------------------|-----------------|---------------|--------------------------------------|----------------|
| | 2018G | 2019G | 2020G | 2020G | 2021G |
| Net cash (generated) incoming from operating activities | (45,061) | 15,572 | 41,438 | 33,139 | 375 |
| Net cash generated from investing activities | (4,376) | (9,901) | (9,622) | (1,657) | (460) |
| Net cash generated from financing activities | 41,805 | (24,286) | (14,920) | (16,051) | (8,982) |
| Net change in cash and cash equivalents | (7,632) | (18,615) | 16,896 | 15,432 | (9,067) |
| Cash and cash equivalent at the beginning of the period | 45,943 | 38,311 | 19,696 | 19,696 | 36,592 |
| Cash and cash equivalents at the end of the period | 38,311 | 19,696 | 36,592 | 35,128 | 27,526 |

Source: financial statements

| Key Performance Indicators | Unit | Fiscal year ended on December 31 | | | Three-month period ended on March 31 | |
|--|----------|----------------------------------|------------|---------|--------------------------------------|---------|
| | | 2018G | 2019G | 2020G | 2020G | 2021G |
| Sales growth rate | % | 33.3% | (32.7%) | (21.8%) | (1.4%) | (18.0%) |
| Net Profit / (Loss) Growth Rate | % | N/A | (1,537.6%) | (37.3%) | (3,780.00%) | (5.1%) |
| Gross profit margin | % | 12.2% | 6.6% | 5.5% | 4.60% | 5.6% |
| Net profit/(loss) margin | % | 1.2% | (24.7%) | (19.8%) | (9.40%) | (10.9%) |
| Selling and distribution expenses as a percentage of revenue | % | (4.3%) | (5.0%) | (6.2%) | (7.00%) | (5.2%) |
| General and administrative expenses as a percentage of revenue | % | (4.6%) | (6.6%) | (9.1%) | (4.80%) | (5.7%) |
| Return on assets | % | 0.8% | (14.4%) | (9.8%) | (1.60%) | (1.8%) |
| Return on equity | % | 1.2% | (21.1%) | (15.2%) | (2.50%) | (2.7%) |
| Current Assets/Current Liabilities | one time | 2.8 | 4.2 | 3.3 | 1.8 | 3.2 |
| Total Assets / Total Liabilities | one time | 2.8 | 3.1 | 2.8 | 2.9 | 2.9 |
| Debt to Total Equity Ratio | one time | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |

Source: Management Information

Table of Contents

| | |
|--|----------|
| 1- Terms and Definitions | 1 |
| 2- Risk Factors | 4 |
| 2-1 Risks Related to the Company's Activity and Operations | 4 |
| 2-1-1 Risks of Dependence on Main Raw Materials | 4 |
| 2-1-2 Risks related to Revenue Concentration | 4 |
| 2-1-3 Risks related to the Change in the Prices of the main Company's Products | 4 |
| 2-1-4 Risks Related to the Inability to Implement the Strategy | 5 |
| 2-1-5 Risks related to Employees Mistakes and Misconduct | 5 |
| 2-1-6 Risks related to Dependence on Key Personnel and Executive Management | 5 |
| 2-1-7 Risks related to Equipment, Operational Costs and Work Disruption | 5 |
| 2-1-8 Risks related to Operating Systems and Information Technology | 6 |
| 2-1-9 Risks related to Liquidity | 6 |
| 2-1-10 Credit Risks | 6 |
| 2-1-11 Risks related to Changes in the Accounting Standards or Application of New Standards | 6 |
| 2-1-12 Risks related to Reliance on non-Saudi Employees | 7 |
| 2-1-13 Risks related to the Management of Capital | 7 |
| 2-1-14 Capital Costs for Implementing Future Projects are above the Expected Value | 7 |
| 2-1-15 Lawsuits and Claims | 7 |
| 2-1-16 Risks related to Potential Liabilities | 7 |
| 2-1-17 Risks related to Protection of Trademarks and Proprietary Rights | 8 |
| 2-1-18 Risks of Fluctuation of Interest Rates and Financing Costs | 8 |
| 2-1-19 Risks of Penalties, Fines and Business Suspension by the Competent Authorities | 8 |
| 2-1-20 Risks related to the Company's Reputation | 8 |
| 2-1-21 Adequacy of Appropriate Insurance Coverage | 8 |
| 2-1-22 Risks Related to Contracts with Third Parties | 9 |
| 2-1-23 The Company's Operations are Subject to Environmental, Health and Safety Regulations and Rules | 9 |
| 2-1-24 Risks related to the Companies Law and Corporate Governance Regulations | 9 |
| 2-1-25 Risks of Having Some Assets on Leased Lands | 10 |
| 2-1-26 Risks related to Non-compliance with Quality Standards and Specifications Required by Customers | 10 |
| 2-1-27 Risks related to Value-added Tax (VAT) | 10 |
| 2-1-28 Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates | 10 |
| 2-1-29 Risks related to Occurrence of Natural Disasters | 11 |
| 2-1-30 Risks related to the Outbreak of Corona Virus Pandemic (COVID-19) | 11 |
| 2-1-31 Risks related to the Export of the Company's Products | 11 |
| 2-1-32 Risks related to Incentives Provided to Support the Industrial Sector | 11 |
| 2-1-33 Risks of Obtaining Financing | 12 |
| 2-1-34 Risks related to the Company's Losses | 12 |
| 2-1-35 Risks related to Transactions of Related Parties | 13 |

| | | |
|------------|--|-----------|
| 2-2 | Risks Related to Market and Industry | 13 |
| 2-2-1 | Fluctuations in the Prices of Raw Materials | 13 |
| 2-2-2 | Risks related to non-Compliance with Existing Regulations and Laws and/or Issuance of New Regulations and Laws | 13 |
| 2-2-3 | Risks of Fluctuations in Supply and Demand in Local and Regional Markets | 13 |
| 2-2-4 | Risks related to the Economic Performance of the Kingdom | 13 |
| 2-2-5 | Risks related to Political and Economic Instability in the Middle East | 14 |
| 2-2-6 | Risk of Currency Exchange Rate | 14 |
| 2-2-7 | Risks of Price Adjustment of Energy, Electricity, Water and Related Services Products | 14 |
| 2-2-8 | Risks related to Environmental Regulations and Standards | 14 |
| 2-3 | Risks related to the Offered Securities | 15 |
| 2-3-1 | Risks related to the Distribution of Dividends to Shareholders | 15 |
| 2-3-2 | Risks related to Future Data | 15 |
| 2-3-3 | Selling a Large Number of Shares in the Market after the Offering Process | 15 |
| 2-3-4 | Risks related to the Potential Fluctuation in the Price of the Rights Issue | 15 |
| 2-3-5 | Risks related to Potential Fluctuations in the Share price | 15 |
| 2-3-6 | Risks related to Unprofitability or Sale of Rights | 15 |
| 2-3-7 | Risks related to Future Data | 16 |
| 2-3-8 | Risks related to the Possibility of Issuing New Shares | 16 |
| 2-3-9 | Risks of Lack of Demand for the Company's Priority Rights and Shares | 16 |
| 2-3-10 | Risks related to Potential Dilution of Ownership | 16 |
| 2-3-11 | Risks related to Not Exercising the Priority Rights in a Timely Manner | 16 |
| 2-3-12 | Risks related to Speculation in Priority Rights | 16 |
| 2-3-13 | Risks related to Non-publication of Financial Statements and Information | 16 |
| 3- | Company Background and Nature of Business | 18 |
| 3-1 | Company Overview | 18 |
| 3-2 | History of the Company and the most significant developments in its capital structure | 18 |
| 3-3 | Vision, Mission and Strategy | 19 |
| 3-4 | Company's Branches | 19 |
| 3-5 | Subsidiaries | 19 |
| 3-6 | Substantial Shareholders of the Company | 19 |
| 3-7 | Company's Activity | 20 |
| 3-7-1 | Company's Factories and Production Capacity | 20 |
| 3-7-2 | Geographical Analysis of the Company's Sales | 20 |
| 3-8 | Competitive Advantages | 21 |
| 3-9 | Business Interruption | 21 |
| 3-10 | Employees and Saudization | 21 |
| 3-11 | Employee Stock Program | 21 |

| | |
|--|-----------|
| 4- The Organizational Structure of the Company | 22 |
| 4-1 Organizational Structure | 22 |
| 4-2 Board of Directors | 23 |
| 4-3 Compensation and Remuneration of Board Members and Senior Executives | 23 |
| 4-4 Board Committees | 24 |
| 4-4-1 Audit Committee | 24 |
| 4-4-2 Remuneration and Nominations Committee | 24 |
| 4-5 Executive Management | 25 |
| 5- Management's Discussion and Analysis of the Company's Financial Position and Results of its Operations | 26 |
| 5-1 Introduction | 26 |
| 5-2 Directors' Declarations Regarding the Financial Information | 26 |
| 5-3 Important Accounting Policies | 27 |
| 5-3-1 Property, plant and equipment | 27 |
| 5-3-2 Right-of-Use Assets and Lease Liabilities | 27 |
| 5-3-3 Investment Properties | 28 |
| 5-3-4 Intangible Assets | 28 |
| 5-3-5 Impairment of Non-Financial Assets | 28 |
| 5-3-6 Financial Instruments | 29 |
| 5-3-7 Fair Value Measurement | 31 |
| 5-3-8 Inventory | 31 |
| 5-3-9 Cash and Cash Equivalent | 31 |
| 5-3-10 Obligations of Employees' End of Service Benefits | 32 |
| 5-3-11 Revenue Recognition | 32 |
| 5-3-12 Cost of Borrowing | 32 |
| 5-3-13 Expenses | 32 |
| 5-3-14 Foreign Currency Transactions | 32 |
| 5-3-15 Zakat | 32 |
| 5-3-16 Operational Sector | 32 |
| 5-3-17 Dividends | 33 |
| 5-4 Key Performance Indicators | 34 |
| 5-5 Results of Operations | 34 |
| 5-5-1 Statement of Income | 34 |
| 5-5-2 Statement Of Financial Position | 42 |
| 5-5-3 Statement of Cash Flows | 57 |
| 5-6 Contingencies and Obligations | 59 |

| | |
|---|-----------|
| 6- Use of the Offering Proceeds | 60 |
| 6-1 Net Offering Proceeds | 60 |
| 6-2 Using the Offering Proceeds | 61 |
| 6-3 Total proceeds previously obtained from issuance of shares, their analysis, description and uses | 62 |
| 7- Experts Statement | 63 |
| 8- Directors Declarations | 64 |
| 9- Legal Information | 65 |
| 9-1 Company Name | 65 |
| 9-2 Incorporation of the Company and the stages of capital development | 65 |
| 9-3 Capital Adjustment | 66 |
| 9-4 Company Objectives | 67 |
| 9-5 Company's Term (Duration) | 67 |
| 9-6 Board of Directors | 68 |
| 9-6-1 Formation of the Board | 68 |
| 9-6-2 Chairman of the Board of Directors, Vice-Chairman and Secretary of the Board | 68 |
| 9-6-3 Board Remunerations | 69 |
| 9-6-4 Board Meetings | 69 |
| 9-6-5 Board Committees | 70 |
| 9-6-6 Executive Management | 70 |
| 9-6-7 Corporate Governance | 71 |
| 9-7 Government Approvals, Licenses and Certificates | 71 |
| 9-7-1 Schedule of Approvals and Licenses | 71 |
| 9-7-2 Continuing Obligations Imposed By Governmental Agencies on the Company and Its Subsidiaries in its Capacity As the "License Holder" | 72 |
| 9-7-3 Company Branches | 74 |
| 9-7-4 Summary of Material Contracts | 74 |
| 9-8 Trademarks and Proprietary Rights | 78 |
| 9-9 Disputes and Lawsuits | 79 |
| 9-10 Material Information that has Changed Since the Authority's Approval of the Last Prospectus | 79 |
| 9-11 Declarations of Legal Information | 80 |
| 10-Underwriting | 82 |
| 10-1 Underwriter | 82 |
| 10-2 Main terms of the Underwriting Agreement | 82 |
| 11-Waivers | 83 |

| | |
|--|-----------|
| 12-Subscription Terms and Condition | 84 |
| 12-1 The Offering | 84 |
| 12-2 How to Apply for Subscription to the Rights (New Shares) | 84 |
| 12-3 Subscription Application | 84 |
| 12-4 Trading and Subscription Stage and Rump Offering Period | 84 |
| 12-5 Allocation and Refund | 85 |
| 12-6 Supplementary Prospectus | 86 |
| 12-7 Suspension or cancellation of the Offering | 86 |
| 12-8 Decisions and approvals according to which shares will be offered | 89 |
| 12-9 Miscellaneous items | 89 |
| 12-10 Statement of any arrangements in place to prevent disposal of certain shares | 89 |
| 13-Changes in the share price as a result of an increase in Capital | 90 |
| 14-Covenants relating to the Subscription | 91 |
| 14-1 Overview of the Subscription Application and the Covenants | 91 |
| 14-2 Allocation Processes | 91 |
| 14-3 Saudi Stock Exchange (Tadawul) | 91 |
| 14-4 Trading of the Company Shares on the Saudi Stock Exchange | 92 |
| 15-Documents available for Inspection | 93 |

Index of Tables

| | |
|--|----|
| Table No.(1): Substantial Shareholders of the Company | 19 |
| Table No.(2): The Company's factories and their production capacity | 20 |
| Table No.(3): Company Sales by Factory | 20 |
| Table No.(4): The Company's products and their percentage of sales | 20 |
| Table No.(5): Geographical analysis of the Company's sales | 21 |
| Table No.(6): Board Members | 23 |
| Table No.(7): Compensation and Remuneration of Board Members and Senior Executives | 23 |
| Table No.(8): Members of the Audit Committee | 24 |
| Table No.(9): Members of the Remuneration and Nominations Committee | 25 |
| Table No.(10): The Company's Executive Management | 25 |
| Table No.(11): Key Performance Indicators | 34 |
| Table No.(12): Income Statement | 34 |
| Table No.(13): Revenue by product | 36 |
| Table No.(14): Revenues by Geographic Regions | 36 |
| Table No.(15): Sales and Marketing Expenses | 37 |
| Table No.(16): General and Administrative Expenses | 38 |
| Table No.(17): Other expenses | 40 |
| Table No.(18): Other income | 41 |
| Table No.(19): Statement of financial position | 42 |
| Table No.(20): Non-Current Assets | 43 |
| Table No.(21): Plant, property and equipment | 44 |
| Table No.(22): Right-of-use assets | 45 |
| Table No.(23): Intangible Assets | 45 |
| Table No.(24): investment property | 46 |
| Table No.(25): Current Assets | 46 |
| Table No.(26): Inventory | 47 |
| Table No.(27): Movement in provision for slow moving inventory | 48 |
| Table No.(28): Trade receivables | 48 |
| Table No.(29): Movement in Receivables Impairment | 49 |
| Table No.(30): Prepayments and Other Receivables | 49 |
| Table No.(31): Cash and Cash Equivalent | 50 |
| Table No.(32): Non-current liabilities | 50 |
| Table No.(33): Lease Contract Obligations | 51 |
| Table No.(34): Summary of the loans granted to the Company | 51 |
| Table No.(35): Long Term Loans | 52 |
| Table No.(36): Maturity of long-term loans | 53 |
| Table No.(37): Employees' benefits obligations | 53 |
| Table No.(38): Current Liabilities | 54 |
| Table No.(39): Trade payables and other liabilities | 54 |
| Table No.(40): Accruals and Other Liabilities | 55 |

| | |
|---|----|
| Table No.(41): Related parties' transactions and balances | 56 |
| Table No.(42): Equity | 56 |
| Table No.(43): Cash Flow Statement | 57 |
| Table No.(44): Statement of cash flows from operating activities | 57 |
| Table No.(45): Statement of Cash Flows from Investment Activities | 58 |
| Table No.(46): Statement of Cash Flows from Financing Activities | 59 |
| Table No.(47): Emergency events and contingences | 59 |
| Table No.(48): The timetable for the establishment of the high-pressure valves factory. | 60 |
| Table No.(49): The timetable for establishing a pre-concrete stranded wire production line. | 60 |
| Table No.(50): Aluminum Casting Factory | 61 |
| Table No.(51): Using the Offering Proceeds | 61 |
| Table No.(52): Using the Offering Proceeds previously obtained in the last share issuance process | 62 |
| Table No.(53): Board Members | 68 |
| Table No.(54): Positions of the Board of Directors | 68 |
| Table No.(55): Members of the Audit Committee | 70 |
| Table No.(56): Members of the Nomination and Remuneration Committee: | 70 |
| Table No.(57): Licenses and approvals obtained by the Company | 71 |
| Table No.(58): Licenses and Approvals Obtained by the Company's Branches | 72 |
| Table No.(59): Branches | 74 |
| Table No.(60): Data of the title deed of land owned by the Company | 76 |
| Table No.(61): Overview of the lease contracts concluded by the Company or its branches as a lessee | 76 |
| Table No.(62): Overview of the lease contracts concluded by the Company or its branches in its capacity as a lessor | 76 |
| Table No.(63): Summary of Credit Facilities | 77 |
| Table No.(64): Trade Brand | 78 |
| Table No.(65): Cases filed by the Company | 79 |



1- Terms and Definitions

| Term or Abbreviation | Definition |
|---|--|
| “The Company” or “Maadaniyah” or “the Issuer” | The National Metal Manufacturing and Casting Company (“Maadaniyah” or “the Company”) is a Saudi joint stock company, established by Ministerial Resolution No. (253), dated 13/03/1411H (corresponding to 02/10/1990G), with Commercial Registration No. (2055002251) issued from Jubail on 16/05/1411H (corresponding to 03/12/1990G). On 28/06/1421H (corresponding to 26/09/2000G), the Company’s shares have been listed on the Saudi Stock Exchange (Tadawul - the main market). |
| Advisors | The Company advisors whose names appear on page (iv). |
| Management | The executive management of the Company. |
| Board or Board of Directors | The Company’s Board of Directors whose names appear on page (iii). |
| Substantial Shareholders | Shareholders who own 5% or more of the Company’s shares, and they are: The National Industrialization Company, which owns (35.46%). |
| Related Parties | They are intended to be: <ol style="list-style-type: none"> 1- Affiliates of the issuer. 2- Substantial shareholders of the issuer. 3- Directors and senior executives of the issuer. 4- Directors and senior executives of the affiliates of the issuer. 5- Directors and senior executives of substantial shareholders of the issuer. 6- Any relatives of the persons in (1, 2, 3, 4, or 5) above. 7- Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above. 8- Persons who act together in agreement and jointly own (5%) or more of the class of shares that will be listed. |
| Senior Executives | Any natural person who is entrusted (alone or with others) by the Company’s management body or by a member of the Company’s management body with tasks of supervision and management, and he refers to any of the following: (1) the management body directly and (2) a member of the management body and (3) the Chief Executive Officer. |
| Management body | The group of individuals who make strategic decisions for the Company, and the Board of Directors of the joint-stock company is its management body. |
| GACR | A method used to calculate the growth rate of a particular item over a specified period of time. |
| By-Laws | The Company By-Laws |
| Royal Commission for Jubail and Yanbu | A Saudi body established by Royal Decree No. M/75 on Ramadan 16, 1395H (1975G) concerned with developing the two industrial cities of Jubail and Yanbu in the Kingdom of Saudi Arabia and expanded in Ras Al-Khair Mining, which was added in 2009G, and then Jazan Economic City, which was added in 2015G. |
| Saudi Authority for Industrial Cities and Technology Zones or MODON | A Saudi organization established in 2001G. Its responsibilities are to develop integrated industrial lands with services and create an exemplary investment environment that meets the aspirations of its partners and enhances plans to empower the industry in the Kingdom |
| CMA or the Authority | Capital Market Authority of Saudi Arabia |
| Companies Law or Companies Regulations | The Companies Law in the Kingdom of Saudi Arabia, issued under royal decree no. (m/3), dated 28/01/1437H (corresponding to 10/11/2015G, which came into force on 25/07/1437H (corresponding to 02/05/2016G), and amended under royal decree no. (m/79), dated 25/07/1439H (corresponding to 11/04/2018G). |
| The Exchange | Saudi Stock Exchange (Tadawul) |
| Founding Shareholders | The Founding Shareholders of the Company |
| General Assembly | Shareholders general assembly in the Company |
| Ordinary General Assembly (OGM) | The meeting of the Ordinary General Assembly of the Company’s Shareholders, which is held in accordance with the Company’s Articles of Association. |
| EGM | The Extraordinary General Assembly Meeting of the Company’s Shareholders, which is held in accordance with the Company’s Articles of Association. |
| GCC | The Cooperation Council for the Arab States of the Gulf. |
| GDP | Gross Domestic Product of the Kingdom of Saudi Arabic |
| Government | Government of Saudi Arabia |
| Corporate Governance Regulations | The Corporate Governance Regulations in the Kingdom of Saudi Arabia, issued by the board of the Capital Market Authority under resolution no. 8-16-2017, dated 16/05/1438H (corresponding to 13/02/2017G), based on the Companies Law issued under royal decree No. m/3, dated 28/01/1437H corresponding to 10/11/2015G), and amended by the Capital Market Authority resolution of No. 1-7-2021, dated 01/06/1442H (corresponding to 14/01/2021G). and any subsequent amendments until the date of publication of the prospectus. |
| Kingdom or KSA | Kingdom of Saudi Arabia. |



| Term or Abbreviation | Definition |
|--|--|
| Rights or Pre-emptive Rights | They are tradable securities that entitle its holders the right to subscribe to New Shares upon approval of the capital increase. It is an earned right for all Registered Shareholder and each right entitles its holder to subscribe to one share of the New Shares at the Offer Price. Rights will be deposited after the Extraordinary General Assembly for the capital. These Rights will appear in the Registered Shareholder accounts under a new pre-emptive right-related symbol. Registered Shareholder will be notified of depositing the Rights in their portfolios. |
| Capital Market Law | The Capital Market Law issued by Royal Decree No. M/30 on 02/06/1424H (corresponding to 01/08/2003G). |
| Rules on the Offer of Securities and Continuing Obligations | The Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority under resolution no. 3-123-2017, dated 09/4/1439H (corresponding to 27/12/2017G), based on the Capital Market Law issued under Royal Decree no. m/30, dated 02/06/1424H, and amended under the Capital Market Authority Board resolution no. 1-07-2021, dated 01/06/1442H (corresponding to 14/01/2021G). |
| Listing Rules | The listing rules issued by the Saudi Stock Exchange Company (Tadawul), approved by the Capital Market Authority board resolution no. 3-123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), and amended by the board resolution no. (1-104-2019), dated 01/02/1441H (corresponding to 30/09/2019G), and amended by Resolution No. (1-22-2021), dated 12/07/1442H corresponding to 02/24/2021G |
| Listing | Listing of securities in the main market or – where permitted by the text – submitting a listing application to the Saudi Stock Exchange Company (Tadawul). |
| Lead Manager | Al Nefae Investment Group Company. |
| Net Offering Proceeds | The net Offering Proceeds after deducting the Offering expenses, amounting to (114,500,000) Saudi Riyals. |
| Offering Price | 10 Saudi Riyals per share. |
| Offered Shares for Subscription | 12,000,000 ordinary shares. |
| Indicative Value of the Right | The difference between the market value of the Company shares during the Trading Period and the Offer Price. |
| Offering Period | The period starting from **/**/****H (corresponding to **/**/****G) to the day of **/**/****H (corresponding to **/**/****G). |
| Rump Offering | Offering any remaining unsubscribed shares by Eligible Persons to investment institutions by Offering them during the Rump Offering Period. |
| Rump Offering Period | In the event that unsubscribed shares remain after the end of the Subscription Period (Rump Shares), those shares will be offered to a number of institutional investors ("Investment Institutions"). Such Investment Institutions submit their offers to purchase the remaining shares, and these offers will be received starting from 10:00 AM on **/**/****H (corresponding to **/**/****G) until 5:00 PM the next day **/**/****H (corresponding to **/**/****G) ("Rump Offering Period"). The remaining shares will be allocated to the Investment Institutions with the highest offer and then the lowest and lowest (provided that the offer does not fall below the Offer Price). Rump shares will be allocated proportionally to the Investment Institutions that submit the same offer. As for the fractional shares, they will be added to the remaining shares and treated similarly. |
| Eligible Persons | All holders of pre-emptive Rights whether Registered Shareholder or shareholders who bought pre-emptive Rights during the Trading Period. |
| Registered Shareholder | The shareholders owning shares at the end of the trading on the day of the EGM related to capital increase, and who are registered in the Company shareholders' register in the Depository Center at the end of the second trading day following the extraordinary general assembly meeting. |
| Person | Natural Person |
| Prospectus | This document which is prepared by the Company in relation to pre-emptive Rights shares subscription. |
| "SR" or "SAR" or Riyal | Saudi Riyal is the official currency of the Kingdom of Saudi Arabia. |
| Main Currency | Saudi Riyal, in which the consolidated financial statements are presented. |
| USD | The official currency of the United States of America. |
| Shareholder | The owner or holder of shares as of any specified date. |
| Total Offered Shares | Twelve million (12,000,000) shares with a nominal value of ten (10) Riyals per share. |
| Wasatah Capital Company or Wasatah Capital | Wasatah Capital Company, a closed Saudi joint stock company, licensed by the Capital Market Authority with license No. (37-08125), which allows it to deal as principal in underwriting, management, arrangement, and custody in securities. |
| Al Nefae Investment Group Company | Al-Nafie Investment Group Company, a closed Saudi joint stock company, licensed by the Capital Market Authority, license No. (37-07082), which allows it to deal as principal, agent, underwriting, management, arrangement, advice and custody in securities. |
| Agents | They are the market institutions licensed by the Capital Market Authority to engage in the activity of dealing in securities in the capacity of an agent. |



| Term or Abbreviation | Definition |
|---|---|
| Investment Institutions | <p>It includes a group of institutions, which are as follows:</p> <ol style="list-style-type: none"> 1- Government agencies and companies owned by the government, directly or through a private portfolio manager, or any international body recognized by the Authority, or the Exchange, and any other financial market recognized by the Authority, or the depository center. 2- Public investment funds established in the Kingdom that are offered publicly, in addition to private funds that invest in securities listed in the Saudi Stock Exchange, if the terms and conditions of the fund allow it to do so, while complying with the provisions and restrictions stipulated in the Investment Funds Regulations. 3- Authorized Persons to deal in securities as principals, while complying with the financial solvency requirements. 4- Clients of an authorized person to engage in management business, provided that such an authorized person has been appointed on conditions that enable him to take decisions regarding accepting participation in the offering and investing in the Saudi Stock Exchange on behalf of the client without the need to obtain his prior consent. 5- Any other legal persons who may open an investment account in the Kingdom and an account with the Depository Center, taking into consideration the investment controls of companies listed in securities, provided that the company's participation does not lead to any conflict of interest. 6- Gulf investors with legal personality, which include companies and funds established in the GCC countries. 7- Qualified Foreign Investors. 8- An ultimate beneficiary of a legal capacity in a swap agreement concluded with an authorized person in accordance with the terms and conditions of the swap agreements. |
| SOCPA | Saudi Organization for Certified Public Accountants (SOCPA). |
| IFRS) | International Financial Reporting Standards that have been adopted in the Kingdom of Saudi Arabia as well as other standards and publications issued by the Saudi Organization for Certified Public Accountants. |
| Fiscal year | The financial year of the Company, which starts from January 1 to December 31 of each fiscal year. |
| Financial Statements | The audited financial statements of the Company for the financial years ending on December 31, 2018G, 2019G, 2020G and the three-month period ending on March 31, 2021G. |
| Auditor | Dr. Mohamed Al-Omari & Partners Company, the Company's independent external auditor. |
| Ministry of Commerce (MOC) | The Ministry of Commerce in the Kingdom of Saudi Arabia (the name of the "Ministry of Commerce and Investment" has been modified to become the "Ministry of Commerce"). |
| Subscriber | Any person who subscribes to the offered shares. |
| Tadawul | An automated system for buying and selling Saudi stocks. |
| SIDF | Saudi Industrial Development Fund. |
| Borrowed Manpower | Manpower hired from local manpower supply companies through the Ajir system. |
| Value Added Tax (VAT) | <p>On 02/05/1438H, the Council of Ministers decided to approve the unified agreement of the value added tax of the GCC states, which came into force as of 01 January 2018G, as a new tax to be added to the system of taxes and other fees that should be applied by certain sectors in the Kingdom and in the GCC States. VAT has been set at 5%. The Kingdom's government has decided to increase the value-added tax rate from 5% to 15%, starting from July 2020G.</p> <p>A number of products (such as residential rents and services related to health care and education) were exempted from the said tax.</p> |
| Underwriter | Wasatah Capital Company |
| Underwriting Agreement | Underwriting Agreement between the Company and the Underwriter |
| Accumulated Losses | The Company's results for the current period in addition to the Company's carried forward results from previous periods, which in total represent a loss, which appears as a separate item within shareholders' equity in the statement of financial position. On 31/03/2021G, the accumulated losses amounted to 47,241,637 Saudi Riyals, which is equivalent to 16.80% of the Company's capital of 281,120,890 Saudi Riyals. |
| Capital | The balance shown as a separate item within shareholders' equity in the statement of financial position. |
| Litigation | Recourse to courts or judicial and quasi-judicial committees to reach a settlement of a dispute. |
| Rules for Qualified Foreign Financial Institutions Investment in Listed Securities | The rules that regulate investment in securities by non-Saudi persons residing outside the Kingdom and are issued by the Capital Market Authority board under resolution no. 1-42-2015, dated 15/07/1436H (corresponding to 04/05/2015G) as amended in the Authority Board resolution no. 3-65-2019, dated 14/10/1440H (corresponding to 17/06/2019G). |
| Procedures and instructions for companies listed in the market whose accumulated losses amounted to (20%) or more of their capital | Rules for companies with accumulated losses issued by the Authority's Board under Resolution (4-48-2013), dated 15/01/1435H (corresponding to 18/11/2013G) as amended by Authority Board Resolution No. (1-77-2018), dated 05/11/1439H (corresponding to 18/07/2018G). |



2- Risk Factors

In addition to other information contained in this Prospectus, all prospective investors should carefully consider all risk factors described below before deciding whether to invest in the Offer Shares. The risk factors described below are not inclusive of all the risks that the Company may encounter; there could be other risks currently unknown to, or considered immaterial by, the Company, which may preclude its operations. The Company's business, financial condition, results of operations, cash flows and prospects, could be materially and adversely affected if any of the following risks actually occur or become material.

Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as of the date of this Prospectus, except as disclosed in this Section. An investment in the shares of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss, which might result from such an investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser licensed by the CMA for advice about investing in the shares of this Offering.

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

The risks and uncertainties described below are presented in an order that does not reflect their importance. Additional unknown risks and uncertainties or those deemed immaterial now, may have the impacts shown in this Prospectus.

2-1 Risks Related to the Company's Activity and Operations

2-1-1 Risks of Dependence on Main Raw Materials

Steel wire coils are the main raw materials for the main products of the Company. The average price of the steel wire coils amounted to (2,225), (2,311), (2,066) and (2,325) per linear ton for the years 2018G, 2019G and 2020G and for the three-month period ending March 31, 2021G. The Company mainly depends on the availability of these materials, and its operations may be directly and negatively affected in the event of any delay or interruption of the supplies or any change in the conditions of their provision. Also, the change in the prices of the main raw materials used in the Company's production will affect the results of its operations. The Company's profitability may be affected by the rise in raw materials prices if the Company does not succeed in increasing the prices of its products or covering the deficit by reducing other operating costs, and as such will have negative impact on the Company's business, financial condition and future prospects. For example, the increase in the price of steel wire coils by 4% in the year 2019G led to an increase in production costs for the stranded wires and spring wires because steel wire coils are the main component of both products, and this led to a decrease in the gross profit for both products from 15.1% in 2018G to 6.6% in 2019G. The price of steel coils also increased during the first quarter of 2021G by 13%, which led to a decrease in the gross profit to 4.7%.

To reduce these risks, the Company is working hard to reduce their effects by closely monitoring and following up the steel price fluctuations in the local and international markets. In the event of any disturbance (whether the reasons are related to the supplier, market shortage, natural disasters, increase in material prices, changes in commercial policy or environmental requirements) the Company will not be able to produce its products or will not have the same competitive advantage that it has today. As a result, the Company's operations and consequently the prices of its products, sales and ability to meet customers' demands at the appropriate quality, price and time will be adversely affected, and accordingly will have a material impact on the Company's financial condition or results of operations.

2-1-2 Risks related to Revenue Concentration

The Company's products consist of stranded wires for pre-stressed concrete, wires for springs, trucks and trailers beds, and non-precious metal castings. Sales of the main products which are the stranded wires for pre-stressed concrete and spring wires represented (88%), (74%), (66%), (71.4%) and (73.8%) of the total revenues in 2018G, 2019G, 2020G and for the three-month period ending in 2021G, respectively. The demand for the Company's products may change as a result of changing supply and demand and competition to sell these products. The decrease in demand for the Company's main products will have a negative impact on its business, results of operations, financial position and future prospects.

2-1-3 Risks related to the Change in the Prices of the main Company's Products

The Company's main products consist of stranded wires for pre-stressed concrete and spring wires. The average selling price of stranded wires for pre-stressed concrete and spring wires amounted to (3,511), (3,364), (3,108) and (3,378) per linear ton for the years 2018G, 2019G, 2020G and the three-month period ending in 2021G, respectively. The prices of the Company's products may change as a result of the change in supply, demand and competition for these products. The decrease in market prices of the Company's products will have a negative impact on its business, results of operations, financial condition and future prospects.



2-1-4 Risks Related to the Inability to Implement the Strategy

The Company's ability to increase its revenues and improve its profitability depends on the effective implementation of its business plans and successful implementation of its strategy including, but not limited to, improvement of current activities in which the Company operates or entering new activities. The Company's ability to expand its business in the future depends on its ability to continue implementing and improving its operational, financial and administrative information systems in an efficient and timely manner, as well as on its ability to increase, train, motivate and maintain its workforce. Moreover, any business expansion plans that the Company intends to undertake in the future will be subject to the estimated costs and the schedule of implementation set for them and may need additional funding to complete any expansion plans. If the Company is unable to implement the expansion plans according to the schedule set for them with the estimated costs of the project or in the event that the desired profitability of these projects is not achieved, due to various reasons, including a change in the market situation at the time of implementation of these projects or a defect in the feasibility study, the Company's competitive position as well as its results of operations and profitability will be adversely affected.

The Company's ability to implement its current strategy is subject to various factors, including what is outside its control, and there are no guarantees that no defect, failure or sudden interruption in the work of production lines will occur during the expansion process, or that the employees appointed by the Company or the systems, procedures and controls it adopts will be sufficient to support future growth and expansion and successfully achieve its strategy. In the event that the Company fails to implement any part of its strategy for any reason, this will have a negative and significant impact on the Company's business, results of operations, financial condition and future prospects.

2-1-5 Risks related to Employees Mistakes and Misconduct

The Company cannot guarantee that it can deter employee's misconduct or mistakes, such as embezzlement, deliberate mistakes, fraud, theft, forgery, misuse of its properties and act on its behalf without obtaining the required administrative authorizations. Consequently, these actions may entail consequences and responsibilities for the Company, or statutory penalties, or financial liability, which will negatively affect the reputation of the Company. Therefore, the Company cannot guarantee that employees' misconduct or mistakes will not materially and negatively harm its financial condition, results of its operations and future prospects.

The Company has an internal regulation for work organization (Work Regulation) presented to the Ministry of Human Resources and Social Development (Labor Office) and obtained its approval under No. 1168/1 dated 01/04/1430H corresponding to 28/03/2009G. The regulation includes internal policies and controls related to work and workers.

All the Company's employees were made aware of the regulation by placing it in a visible place in the workplace. However, despite this, the Company cannot guarantee that it will avoid employee misconduct or mistakes such as fraud, intentional errors, embezzlement, fraud, theft, forgery, misuse of its property and acting on its behalf without obtaining the required administrative authorizations. Consequently, these actions may result in consequences, responsibilities, legal penalties, financial liabilities borne by the Company, which will negatively affect its reputation. Therefore, the Company cannot guarantee that the misconduct of its employees will not materially harm its financial position or results of operations.

2-1-6 Risks related to Dependence on Key Personnel and Executive Management

The Company and its future plans for success depend on the expertise and competencies of its executive management and key employees. The Company aims to attract and employ qualified people to ensure the efficiency and quality of business through effective management and proper operation. There is no assurance that the Company can retain the services of its employees. The Company may also need to increase the salaries to ensure the continuity of its employees or attract new staff with appropriate qualifications and expertise. Accordingly, if the Company loses any of the senior executives or qualified employees and is unable to recruit replacements with the same level of experience and qualifications with appropriate cost, the Company's business, results of operations and future prospects will be adversely and materially affected.

2-1-7 Risks related to Equipment, Operational Costs and Work Disruption

The Company has special machinery and equipment used for production of its products, and they are critical for the successful operation of its facilities. Therefore, the Company relies on the efficiency of these equipment, machines and work systems for continuation of its operations in order to achieve its financial goals and prospects. Any unexpected malfunction of machines or equipment or any prolonged maintenance thereof would disrupt the Company's production and weaken its ability to produce sufficient quantities of products on an ongoing basis or to ensure the quality of products in a way that meets the demands of its customers. Such failure may have a negative impact on the Company's business, prospects and results of operations.

Any delay in the repair and maintenance of equipment or any shortage of water or electricity supply would greatly disrupt the Company's operations and this in turn may have a negative impact on the Company's prospects, results of operations and financial condition.

The Company's factories consist of several production lines and machines. There has been no interruption in the Company's business in the past period, and in the event of any sudden malfunction, defect or interruption in the work of these lines, this would negatively affect the Company's production throughout the period of the defect, malfunction or interruption, and thus would adversely affect the Company's business, expectations and results of operations during the period of production interruption.



Accordingly, the Company's business and results are completely dependent on the operations of its factories and their continuity. The occurrence of any issue that adversely affect the Company's business, whether for technical reasons (such as the interruption of electricity, energy or water supplies) or exposure to any accident or emergency that affects, temporary or permanently, the continuity of its business, or the occurrence any of the natural disasters (such as torrential rain) will have a material impact on the Company's operational and financial results.

2-1-8 Risks related to Operating Systems and Information Technology

The Company relies on information technology systems to manage its business and facilities, and that exposes the Company or any of its subsidiaries to the risks of failure of these systems, such as system collapse, failure of protection systems, penetration of Company's systems, electronic viruses, natural disasters, fires, communication errors, or lack of skilled labors necessary to operate and manage these systems. If the Company fails to maintain and develop information technology systems or in the event of any malfunctions in their functions, occurrence of major defect or frequent failure, this will adversely affect the Company's business and its financial and operational results.

The Company uses advanced and expensive technologies and systems to manufacture its products, and to keep pace with the development in the basic industries, it must make frequent improvements to the products and use of advanced technologies. The Company does not guarantee that there would be no disruption of these systems or would be able to quickly provide new technologies and apply their systems to its products in the appropriate time and form. The Company will also incur high costs in this area, which will affect the production of the products required by its customers on the specified dates, and will have a negative impact on the results its operations, financial and operational performance and future prospects.

2-1-9 Risks related to Liquidity

The Company faces liquidity risk when it is unable to provide the funds necessary to meet its financial obligations arising from operating activities and liabilities on time. The Company's liquidity ratio reached (2.76) times as in December 2018G, (4.24) times as in December 2019G, (3.3) times as in December 2020G, and (3.2) times as on March 31, 2021G. There is no guarantee that the Company will be able to meet its obligations on the due dates. The liquidity risk can also result from the Company's inability to sell financial assets quickly and at an amount close to its fair value, which may affect the Company's operational performance and financial condition.

2-1-10 Credit Risks

Credit risks arise when one of the parties is unable to meet its financial obligation to the other party. The Company may face credit risk in several temporary or permanent cases, including the existence of receivables from customers. Although there are guarantees against the obligations of third parties with the Company, such as, but not limited to, promissory notes and bank credits, the Company does not guarantee the other debtor parties to fulfill their obligations towards the Company, and others. (Please refer to the subsection (5-5-2-2-2) of the "Current Assets" section (5-5-2-2) in the "Management's Discussion and Analysis of the Company's Financial Position and Results of its Operations" section of this Prospectus).

The balance of provision for doubtful debts increased by 957.6% to reach SR 2.7 million in 2020G. This is due to hedging due to the obsolescence of some receivable balances and poor collection during the year 2020G due to the Corona pandemic. The balance also increased by 360.1% from SAR 0.4 million in the three-month period ending on March 31, 2020G to SAR 2.0 million in the three-month period ending on March 31, 2021G.

The balance of the Company's net trade receivables amounted to (122.5) million Riyals, (103.9) million Riyals, (76.2) million Riyals and (90.7) million Riyals as on December 31, 2018G, December 31, 2019G, December 31, 2020G and March 31, 2021G, respectively. Receivables with a maturity of more than (90) days represent about (23%), (42%), (40%) and (39%) of the total receivables as on December 31, 2018G, December 31, 2019G, December 31, 2020G and March 31 2021G, respectively. The Company continuously follows up on receivables with its customers and their ability to pay, and accordingly will have the ability to collect receivables. If the Company is not able to reduce its debts or delays in collecting receivables, this will negatively affect the results of its operations, financial condition and future prospects.

The Company cannot assure that the parties with which it deals would meet their obligations. It also cannot predict their future ability to accurately abide by their obligations. In case the creditors do not discharge their obligations towards the Company, its financial condition and results of operations would adversely and significantly affected.

2-1-11 Risks related to Changes in the Accounting Standards or Application of New Standards

The Company's audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the notes attached to them have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the Kingdom of Saudi Arabia and other standards and versions approved by the Saudi Organization for Certified Public Accountants (SOCPA). The Company is obligated in this case to apply amendments or changes to these standards from time to time. Therefore, any changes in these standards or the mandatory application of some new standards could adversely affect the financial statements and, consequently, the Company's financial results and financial condition.



2-1-12 Risks related to Reliance on non-Saudi Employees

The non-Saudi employees as at the date of this Prospectus constitutes about (67.84%) of the total employees in the Company, which may adversely affect the Company's business results, financial condition and operational results if it is not able to maintain its non-Saudi cadres or find replacements for them with the same required skills and expertise or a change occurs to the policies and regulations of the Ministry of Human Resources and Social Development resulting in an increase of the Saudization rate in the sector. Despite the Company's commitment to the required nationalization percentage (please see subsection (9-7) "Government Approvals, Licenses and Certificates" of Section (9) "Legal Information" of this Prospectus), the Company's reliance on a high percentage of non-Saudi employees leads to an increase of Government fees incurred by the Company for each non-Saudi employee for work permits and residence permits, which leads to an increase in the Company's costs in general, and thus adversely affects its business, financial performance and results of operations.

It is worth noting that the total number of the Company's employees reached (423), including (287) foreign employees, as on March 31, 2021G, and the Company relies a lot on non-Saudi employees. It should be noted that the Saudi government has taken stricter measures and procedures to regulate the work of non-Saudi employees in accordance with the labor and residency regulations, and the Ministry of Human Resources and Social Development conducts inspection visits and imposes measures against companies and foreign employees who do not work for the employer who assigns them or do work that does not match with the job title according to their residence permits.

Imposing fines or penalties on the Company in case of non-compliance with the work system and its implementing regulations and the decisions and instructions applied in this regard will have a negative impact on the Company's business, results of operations, financial condition and future prospects. The Company stated that it had no violations in this regard until the date of preparation of this Prospectus.

2-1-13 Risks related to the Management of Capital

When managing the capital, the Company aims to ensure its ability to continue so that it can continue to provide returns to shareholders, and to maintain adequate basic capital to support its business. The Company may be exposed to the risk of capital mismanagement and loss of its ability to continue to provide returns to shareholders and support its business. The Company's management manages the capital by monitoring returns on net assets and monitoring the ratio of the Company's total liabilities to its total assets. It may make adjustments to the capital in proportion to the changes in economic conditions in the future, and for the purpose of preserving or adjusting the capital, the Company may increase its capital in future to ensure achievement of its objectives and strategic plans. In the event that the Company's management is unable to make the necessary capital adjustments, this will adversely affect the Company's business, results of operations, financial condition and future prospects.

2-1-14 Capital Costs for Implementing Future Projects are above the Expected Value

Although the Company has carried out the necessary studies to determine the capital costs of future projects (please refer to Section (6) "Use of the Offering Proceeds" of this Prospectus), it is possible, due to circumstances beyond the Company's control, that these costs may rise above the expected value, which may affect the financial feasibility of these projects and as such adversely affect the profitability of these projects, and consequently affect the Company's profitability and financial condition. If the current projects or future projects of the Company do not achieve the desired results and expected profits, or if they are exposed to losses, this will negatively affect the results of the Company's operations and financial condition.

2-1-15 Lawsuits and Claims

In the course of carrying out its business, the Company is exposed to issues and claims related to its general operations, and to disputes and claims related to its activities. The Company does not guarantee that a dispute will not occur between it and other parties it deals with, or between it and some policyholders, which may lead to cases being filed with the competent judicial authorities, whether by or against the Company. As a result, the Company may be subject to judicial claims from government agencies and departments and to investigations in the Kingdom. Of course, the Company cannot anticipate the results of these claims if they occur, and does not guarantee that these claims will not have a material impact on its business, financial condition and results of operations. Also, the Company cannot accurately anticipate the size of the cost of the lawsuits or judicial procedures that it may institute or may be instituted against it or the final results of these lawsuits or judgments issued on them, and the compensation and penalties they include. Therefore any negative consequences of such cases will adversely affect the Company. However, the Company cannot guarantee that it will not be exposed to any cases or lawsuits in the future. As at the date of this Prospectus, the Company has not filed any cases or claims against third parties except for what is mentioned in this Prospectus (for more details, please refer to subsection (9-9) "Disputes and Lawsuits" of Section 9 "Legal Information").

2-1-16 Risks related to Potential Liabilities

Some potential obligations may arise on the Company, such as costs related to Zakat and taxes, in addition to any other obligations or costs related to the Company's activity such as end-of-service benefits for employees. If such obligations are realized, they will negatively affect the Company's financial condition and position, results of operations and future prospects. During the fiscal year ending on December 31, 2020G, the Company received the Zakat assessments for the years 2017G and



2018G in the amount of eight hundred and seventy-six thousand six hundred and ninety-one (876,691) Saudi Riyals, of which three hundred and eighty-four thousand eight hundred and forty-five (384,845) Saudi Riyals were paid to the General Authority of Zakat and Income. An objection was submitted for the remaining amount during the year 2020G, and the Company reached a final settlement during the year 2021G in the amount of one hundred and seventy-nine thousand and one hundred and seventy (179,170) Saudi Riyals, which was paid in full. Accordingly, the Company obtained a final certificate until 2018G, and it cannot predict whether the Zakat, Tax and Customs Authority will accept its Zakat estimates for the fiscal years 2019G and 2020G. In the event that the Authority asks the Company to pay any future Zakat differences that were greater than the Zakat provision that was formed by the Company, this will expose the Company to paying additional amounts, and thus will negatively affect the Company's profits, results of operations, financial condition and future prospects. For information, the Company has a Zakat provision of (6.1) million Saudi Riyals on March 31, 2021G.

2-1-17 Risks related to Protection of Trademarks and Proprietary Rights

The Company's ability to market its services and products and develop its business depends on the use of its name, logo and trademark, which support its business and its competitive position and give it a clear distinction in the market among customers. The Company has registered its trademark with the competent authorities (please refer to subsection (9-8) "Trademarks and Proprietary Rights" of Section (9) "Legal Information" of this Prospectus). Any breach of the proprietary Rights or unlawful use of the Company's trademark will affect the Company's reputation, may force it to enter into costly court procedures and dedicate efforts of some of its administrative employees for these procedures in order to protect its trademark. If the Company fails to protect its trademark effectively when renewing the registration certificate or track similar marks, this will adversely affect its value, and will negatively affect the Company's business, results of operations, financial condition and future prospects.

2-1-18 Risks of Fluctuation of Interest Rates and Financing Costs

The Company has entered into several facilities at a variable interest rate. The high rates of profits, whether fixed or variable (i.e. profits taken from inter-bank borrowing as a basis for calculating it, or what is known as "SAIBOR"), which are due to the Company's financing parties, will lead to an increase in the financing cost that the Company needs to finance its business, which will adversely affect its profitability and financial results.

2-1-19 Risks of Penalties, Fines and Business Suspension by the Competent Authorities

Since the Company's business is subject to many regulations and instructions issued by the Capital Market Authority and a number of other government agencies, the Company is subject to penalties and fines in the event of non-compliance with or delay in fulfilling any of these systems, regulations and instructions or not keeping pace with the new ones by the Company. The Company may be exposed to a number of penalties and violations by the Capital Market Authority, including suspending some or all of its business or trading on its shares, which will adversely and fundamentally affect its business, financial condition and future prospects. Accordingly, in the event that one of the competent authorities conducted inspection visits and detected any violations or failure to implement the rules and regulations to which the Company is subject, the Company may be subject to violations and fines, and it will incur operating expenses that will materially affect its business, results of operations, financial condition and future prospects.

2-1-20 Risks related to the Company's Reputation

The reputation of the Company is very important to attract new clients, retain them and establish a strong relationship with counterparties. The Company's reputation can be harmed in future as a result of several factors, including but not limited to, reviewing or amending its financial results, legal or regulatory actions against the Company, or behavior any of its employees, who may cause the Company to violate the applicable legal requirements. The damage to the Company's reputation will adversely affect its business, financial condition, results of operations, profitability of share and future prospects.

2-1-21 Adequacy of Appropriate Insurance Coverage

The Company has comprehensive insurance agreements covering property, machinery, marine freight, general liability, money and leadership errors. Saudi Marsh has been appointed as an intermediary between the Company and AXA Cooperative Insurance.

The business of the Company, its branches or its industrial facilities may be exposed to many accidents that are out of its control and that could affect the functioning of its business, including natural disasters, accidents, terrorist acts and war-related events for which there is insufficient insurance coverage or that are not available on reasonable commercial terms. In addition, the recurrence of various other events such as sudden accidents, work interruptions or possible damage to the Company's facilities, property and equipment caused by bad conditions, human error, pollution, labor disputes or natural disasters, all of which will lead to the Company incurring significant losses.

In some cases, the Company may be exposed to additional financial obligations that are not covered by the insurance policy and related to the damaged property. Similarly, if any assessment is made against the Company beyond any insurance coverage it maintains, its assets may be subject to seizure or confiscation under various judicial procedures. Any of these accidents will have a negative impact on the future business of the Company, its affiliated industrial facilities and its production capacity. Therefore, the Company does not provide guarantees to investors that none of these events will occur that could result in



damages that lead to material losses that the Company will not be able to compensate in part or in full due to the absence of any appropriate insurance coverage, which will adversely affect the Company's operations and its ability to bear the amounts resulting from losses, in addition to stopping its operations temporarily and that will affect its financial results and profits.

The Company insured its employees and their families through the health insurance policy on 01/04/2021G, which ends on 31/03/2022G, signed with Bupa Arabia for Cooperative Insurance. The Company's insurance contract includes deductible amounts and factors excluded from the insurance coverage, in addition to other restrictions related to the insurance coverage which are negotiated with the insurance companies. Also, the Company's ability to obtain the compensation due to it by the relevant insurance company depends on its financial solvency and ability to meet the value of this compensation. So, the insurance may not cover all the losses incurred by the Company and no guarantee is given that the Company will not incur losses that exceed the limits of the insurance policies or are outside the scope of the coverage contained in these policies. It is possible that cases may arise in which the value of the claim exceeds the value of the insurance held by the Company, or that the compensation claim submitted by the Company to the relevant insurance company will be rejected, or the claim and compensation period may be prolonged, which will adversely affect the Company's business, future prospects, results of operations and financial condition.

2-1-22 Risks Related to Contracts with Third Parties

The Company has entered into a number of contracts and agreements (please refer to Subsection (9-7-4) "Summary of Material Contracts" of Section (9) "Legal Information" of this Prospectus). The Company's business plan is based on rescheduling its debts to enhance the Company's financial and operational position. Accordingly, the Company is exposed to the risk of inability or unwillingness of the contracting parties to fulfill their contractual obligations. They may violate their obligations for any reason, including consequences of bankruptcy, lack of financial solvency, or disruption of its operations. The risks arising from dealing with these parties become more acute in light of difficult market conditions. It is also not possible to confirm that these parties will be up to the Company's aspirations. In the event that the Company or the contracting parties are unable to adhere to the terms of these contracts, or in the event of any future disputes or issues, and the Company loses these disputes, this will adversely and substantially affect the Company's financial condition, results of operations and future prospects.

2-1-23 The Company's Operations are Subject to Environmental, Health and Safety Regulations and Rules

The Company's business of all kinds requires compliance with the legislation and instructions issued by the Royal Commission for Jubail and Yanbu and Modon, and the environmental regulations and instructions applied in the Kingdom of Saudi Arabia. The Company, in its quest to reduce these risks, follows the highest standards of safety and industrial security with regard to storage and transportation of products. For this purpose, the Company undertakes continuous training of workers in the fields of safety and industrial security, in addition to insuring all its assets and businesses, and adhering to environmental regulations, including environmental, health and occupational standards, and safety of industrial facilities and their employees. For example, the Company's operations may result in a number of waste materials and emitted polluting materials that, if not properly controlled and managed, can lead to an environmental pollution risk, which will result in harm to the environment and human health.

Failure to fully comply with legislation and environmental regulations may lead to the closure of the Company's industrial facilities and will expose the Company to violations, fines or penalties that may be imposed by the regulatory authorities, which will adversely affect its operations, limit the growth of its revenues or suspend its work or licenses. This will affect its ability to conduct its business, and thus negatively affect its financial results and profitability.

2-1-24 Risks related to the Companies Law and Corporate Governance Regulations

In its management and conduct of various business and activities, the Company is subject to the provisions of the Companies Law issued on 28/01/1437H (corresponding to 11/11/2015G), as amended by Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G). The CMA's Board, pursuant to Resolution No. (8-127-2016) dated 16/1/1438H (corresponding to 17/10/2016G), issued the regulatory controls and procedures issued in implementation of the Companies Law for Listed Joint Stock Companies and amended by the CMA's Board Resolution No. (2019-57-3) dated 15/09/1440H (corresponding to 20/05/2019G). In addition, the Authority's Board issued, pursuant to Resolution No. (2017-16-8) dated 16/5/1438H (corresponding to 13/2/2017G), the Corporate Governance Regulations, as amended by the CMA's Board Resolution No. (1-7-2021) dated 01/06/1442H (corresponding to 14/01/2021G). The Companies Law and Corporate Governance Regulations impose some new requirements related to organization and corporate governance that the Company must comply with. The Companies Law has also imposed stricter penalties for violating its provisions and rules, which are mandatory for all companies, and therefore it is possible for the Company or members of its Board of Directors or executive management to be subjected to such penalties of financial fines or imprisonment or both (for example, the Companies Law stipulates that any manager, official, member of the Board of Directors, auditor, or liquidator records false or misleading data, will be punished by imprisonment for a period not exceeding 5 years and a fine not exceeding five million Saudi Riyals) in the event that it does not adhere to these provisions and rules.

The Company's corporate governance guide was updated and approved by the Extraordinary General Assembly in its meeting held on 17/10/1440H (corresponding to 20/06/2019G). In the event that the Company is unable to comply with the Corporate Governance Regulations, it may be subject to penalties, which will adversely affect its business, results of operations and



future prospects.

In the event that the Company fails to abide by all the articles of the Corporate Governance regulation and all its mandatory articles in the future, or if some or all of the indicative articles in the Corporate Governance Regulation become mandatory, and the Company has not implemented and adhered to them, it will be exposed to penalties and statutory fines, and that will have negative and material impact on the Company's business, results of operations, financial condition and future prospects.

2-1-25 Risks of Having Some Assets on Leased Lands

The Company relies on sites, most of which are rented, where 99% of the total Company sites are rented. (Please refer to subsection (9-7-4-1) "Agreements and Transactions of Related Parties" of section (9) the "Legal Information" of this Prospectus). Some of them are leased from the Saudi Authority for Industrial Cities and Technology Zones "Modon", and the others are leased from the Royal Commission for Jubail and Yanbu. The lease contracts for these sites are fixed-term contracts in nature, as it cannot be guaranteed that sovereign decisions, or from government agencies or lessors will not be issued to amend the terms and conditions related to the leasing of lands, especially those related to the rent due, whether during their validity period or upon renewal, which have impact on the Company's position in terms of costs. In the event that unexpected additional costs are imposed by the lessor to be incurred by the Company, this will have a negative impact on the Company's business, results of operations and financial condition. In addition, the Company may not be able to renew the leases of the leased sites at all or to renew them but on terms that are not preferential to the Company compared to the existing terms of the lease contracts. These contracts are also subject to changes in the purpose of the property and in case the Company decides or is forced to move to another location as a result of not renewing the lease contracts as described above, the Company does not guarantee that it will be able to move its facilities to the new locations within a short or appropriate period. Also, such transfer process will lead to incurring unexpected capital expenditures by the Company, which will adversely affect its business continuity, results of operations and financial condition.

2-1-26 Risks related to Non-compliance with Quality Standards and Specifications Required by Customers

The Company seeks to maintain the satisfaction of its customers by continuing to provide the same level of quality of its products and services. However, in the event of the inability to continue providing its products and services at the same level of quality, this will negatively affect its reputation among its customers and consequently make them reluctant to deal with it, which will adversely affect the Company's sales and accordingly its financial and operational results.

2-1-27 Risks related to Value-added Tax (VAT)

The Kingdom issued a VAT system, which came into effect on January 1, 2018G. This system imposes an added value of (5%) on a number of products and services. The Saudi government decided to increase the VAT rate from (5%) to (15%), which began to be applied from 1 July 2020G. Accordingly, the Company must adapt to the changes resulting from the application of the VAT and the increase in that. However, any violation or wrong application of the tax system by the Company's management or by its subsidiaries will expose them to fines, penalties or damage to their reputation. This will also increase costs and operating expenses, which could reduce the competitive position of the Company and its subsidiaries and the level of demand for their products, which will have a negative and material impact on the Company's financial condition, results of operations and future prospects.

2-1-28 Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates

The Company is required to obtain and maintain the various regulatory permits, licenses and approvals regarding its activities. These licenses include, but not limited to, the Company registration certificates issued by the Ministry of Commerce, Chamber of Commerce membership certificates, Trademark registration certificates, Saudization certificates, Zakat certificates and VAT registration certificates. (For more details about the licenses and certificates obtained by the Company, please refer to the subsection (9-7-1) "Schedule of Approvals and Licenses" (9-7) of Section (9) "Legal Information" of this Prospectus).

The inability of the Company to renew its current licenses, permits and certificates, or to obtain any licenses necessary for its business, or if any of its licenses are suspended or expired, or if any of those licenses were renewed on conditions that are not appropriate for the Company, or in the event that the Company is unable to obtain the additional licenses, permits and certificates that may be required of it in the future, this may expose the Company to stoppage and inability to carry out its work such as closing the Company or freezing all services provided by the supervisory authorities to them (such as renewing licenses and certificates, issuing visas, residence permits, and transferring sponsorships ... etc). This will result in disruption of the Company's operations and incurring additional costs and financial penalties according to the relevant regulations, and consequently, will adversely affect the Company's business, results of operations, financial condition and future prospects.



2-1-29 Risks related to Occurrence of Natural Disasters

Damages caused to the Company's facilities as a result of natural disasters, such as floods, fires, earthquakes, and other nature accidents, which may not have adequate insurance coverage, may lead to incurring large and huge costs by the Company, and severely affect its ability to perform its operations, and as such reduce its operational results and compliance with the requirements of its customers. In the event that natural disasters occur and damage the Company's facilities and assets and do not have adequate insurance coverage, this will have a negative and material impact on the Company's business, results of operations, financial condition and future prospects.

2-1-30 Risks related to the Outbreak of Corona Virus Pandemic (COVID-19)

Corona virus (COVID-19) swept the world during the year 2020G, and its negative effects, with its high costs, ravaged most business sectors around the world. With the outbreak of the virus, many countries of the world have taken precautionary measures to limit its rapid spread. The government of the Kingdom of Saudi Arabia was proactive in taking several precautionary measures to prevent the spread of the virus. Accordingly, most activities in the Kingdom of Saudi Arabia and the countries of the world were affected by these precautionary measures, including, but not limited to, partial and complete closure, quarantine, travel restriction or prevention, difficulty of movement, and infection of employees with the Corona virus, resulting in recession of the global economy in various sectors which negatively affected the movement of global trading in general. Because of that the volume of the Company's sales to most countries of the world was affected, and the prices of many of the Company's main products were dropped during that period, which negatively affected its business and results. During the third quarter, product prices began to improve in addition to an increase in demand, as a result of the economic improvement that gradually began to recover after the tendency to lift restrictions on the movement of trade between countries. However, the Company's business results remained affected until the fourth quarter of the year 2020G, with the rise in provisions for doubtful debts, as well as the slow-moving stock. The Company's performance has developed during the first quarter of 2021G, with the development of the demand and the lifting of restrictions on the movement of trade between countries, which led to the increase of the Company's revenues by 38%. The Company's revenues amounted to sixty-five million (65 million) Saudi Riyals, compared to forty-seven million (47 million) Saudi Riyals in the fourth quarter of 2020G. There is no guarantee of the extent and impact of the pandemic, and it may require the application of more precautionary measures. Therefore, if any matter occurred that would affect the continuity of the Company's business, this would adversely affect the Company's business, results of operations, financial condition and future prospects.

2-1-31 Risks related to the Export of the Company's Products

The Company's exports outside the Kingdom of Saudi Arabia reached about 77.4%, 55.6%, 42.2%, 54.9% and 51.9% of the total revenues in 2018G, 2019G and 2020G and the two three-month periods ending on March 31, 2020G and 2021G, respectively. The Company exports concentrated on the Gulf countries in particular. The following table shows the percentage of exports by countries:

| State | 2018G | 2019G | 2020G | 31 March 2021G |
|-----------------|-------|-------|-------|----------------|
| UAE | 54% | 57% | 47% | 80% |
| Kuwait | 16% | 18% | 15% | 4% |
| USA | 14% | 4% | 14% | 0 |
| Bahrain | 6% | 10% | 7% | 6% |
| Egypt | 4% | 6% | 9% | 4% |
| Other Countries | 6% | 5% | 7% | 6% |

Export revenues also decreased by 40.6% to reach 86.8 million Saudi Riyals in 2020G due to the closure and precautionary measures to limit the spread of the Corona virus and the suspension of most projects. Export revenue also decreased by 22.4% from SAR 43.7 million in the three-month period ending March 31, 2020G to SAR 33.9 million in the three-month period ending March 31, 2021G. This is mainly due to the lack of sales to the USA market during the first quarter of 2021G. Any change in the laws of any other country to which the Company exports or any change in the local laws and regulations in the Kingdom of Saudi Arabia regarding the export of the Company's products will affect the Company's ability to provide its products to its customers in those countries and thus raise the cost of its products and affect the net profit margins, which will have a negative and material effects on the Company's future business, financial results, prospects and financial condition.

2-1-32 Risks related to Incentives Provided to Support the Industrial Sector

The Company benefited from the services of the industrial facilities located in the Royal Commission for Jubail, Yanbu and Modon to provide the appropriate facilities for it at a lower cost in terms of annual rent compared to those provided to industrial facilities outside them. The Company also obtained exemptions from customs duties for importing the Company's main raw materials (iron wire coils) and some machines and spare parts for a period of five (5) years ending at the end of 2021G. The Company also benefited from Cabinet Resolution No. (74) dated (25/01/1441) to exempt industrial establishments from the financial consideration for a period of five years, starting from 01 October 2019G. There is no guarantee that the



Royal Commission for Jubail and Yanbu and Modon will continue to provide these incentives to industrial establishments in terms of the value of the rents they provide (Please refer to subsection (9-7-4-2) "Material Contracts" of section (9) "Legal Information" of this Prospectus). The Company cannot guarantee the continuation of exemptions for customs duties and financial consideration, which may adversely affect the Company's business, results of operations and financial condition.

2-1-33 Risks of Obtaining Financing

The financing needs of the Company depend on its capital, its financial condition, results of operations, cash flows, and the financing it obtains from the bodies and banks that finance it. The Company does not guarantee obtaining the necessary financing in a timely manner on acceptable terms if it needs to do so, which will adversely affect the implementation of its business (please refer to subsection (5-5-2-3) "Non-current liabilities" of Section (5) "Management's Discussion and Analysis of the Company's Financial Position and Results of its Operations".

The Company does not guarantee obtaining the necessary financing in a timely manner on acceptable terms if it needs that, which will negatively affect the implementation of its business.

It is also possible for the Company to incur capital expenditures to carry out continuous maintenance and improvement of its assets and equipment, either in order to comply with any new legal or regulatory requirements that require carrying out these works, or in order to comply with new standards of production approved by the Company's management.

In the event of failure to obtain or delay in securing this financing when needed, or if financing is available, but on terms that are not suitable for the Company's situation, this will adversely affect the implementation of its projects, financial performance and results of operations.

2-1-34 Risks related to the Company's Losses

The Company's accumulated losses amounted to forty million one hundred and fifty-six thousand nine hundred and ninety-two (40,156,992) Saudi Riyals as on December 31, 2020G, and amounted to fifty-four million six hundred and twenty-four thousand four hundred and fifty-seven (54,624,457) Saudi Riyals on June 30, 2021G, and the following table shows the time development for the accumulated losses and their causes:

| Period | Net Loss | Accumulated Loss | The ratio of accumulated losses to the capital | The reason for the increase/decrease of accumulated losses |
|-------------------|---------------|------------------|--|---|
| 1st Quarter 2020G | 7.46 million | 7.25 million | 2.58% | The reasons for the increase in losses are due to the decrease in sales due to the decrease in the quantities sold, the decrease in the average selling prices of some products, the increase in selling and distribution expenses as a result of the increase in transportation costs, the recording of a provision for doubtful debts and the decrease in other revenues. |
| 2nd Quarter 2020G | 7.71 million | 14.95 million | 5.32% | The reasons for the increase in losses are due to the decrease in sales as a result of the Corona pandemic (Covid-19), the measures taken to limit the spread of the virus, the increase in general and administrative expenses and the increase in selling and distribution expenses due to the increase in shipping costs to the United States market and the increase of provision for doubtful debts and the decrease in other income. |
| 3rd Quarter 2020G | 5.86 million | 20.81 million | 7.40% | The reasons for the decrease in losses are due to the increase in sales as a result of improved demand, the decrease in the some production inputs costs, the decrease in selling and distribution expenses as a result of a decrease in transportation costs and the collection of part of the provision for doubtful debts, the decrease in financial burdens and the increase in other revenues. This is in addition to recording losses in the value of goodwill amounting to 40.1 million Riyals during the same period of the previous year. |
| 4th Quarter 2020G | 19.34 million | 40.16 million | 14.28% | The reasons for the increase in losses are due to the decrease in sales as a result of the Corona pandemic and the precautions that were put in place to limit the spread of the virus, as well as to make provisions for doubtful debts and a slow-moving stock of 12.1 million Saudi Riyals compared to 2.7 million Saudi Riyals during the past year. |
| 1st Quarter 2021G | 7.08 million | 47.24 million | 16.8% | The reasons for losses are due to the decrease in sales and the low levels of factory operation with stability of fixed costs, despite the improvement in sales during the first quarter of 2021G compared to the average sales of a quarter during the past year. However, the realized sales are lower than the levels which achieve the break-even point, due to the decline in demand for the Company's basic products which are related to infrastructure projects, building and construction. This is primarily due to the continuation of the effects of the Corona pandemic, and also forming a provision for doubtful debts in the amount of 2 million Riyals, which is one of the causes of losses during the first quarter of 2021G. The reasons for the decrease in losses are also due to the decrease in selling and distribution expenses, general and administrative expenses and the cost of financing. |



| | | | | |
|----------------------|--------------|---------------|--------|---|
| 2nd Quarter 2021G | 7.38 million | 54.62 million | 19.43% | The reasons for the losses are due to the decrease in sales, the increase in general and administrative expenses and the increase in other expenses as a result of forming a provision for doubtful debts and a slight increase in financial burdens. |
|----------------------|--------------|---------------|--------|---|

On 02/02/2021H (corresponding to 02/02/2021G), the extraordinary general assembly agreed to reduce the capital from (281,120,890) two hundred eighty one million one hundred twenty thousand eight hundred and ninety Saudi Riyals to (234,000,000) two hundred and thirty-four million Saudi Riyals, thus reducing the number of the Company shares from (28,112,089) twenty-eight million, one hundred and twelve thousand and eighty-nine shares to (23,400,000) twenty-three million and four hundred thousand ordinary shares by canceling (4,712,089) four million seven hundred twelve thousand and eighty-nine shares, with a capital reduction rate of about (16.76%), and at a rate of one share reduction for every (5.966) shares. Incurring additional losses in the future by the Company will affect the availability of the liquidity necessary for the Company's business and expansion plans and will adversely affect its results of operations and financial condition.

2-1-35 Risks related to Transactions of Related Parties

In the course of its normal business, the Company deals with related parties represented by one of the Substantial Shareholders (the National Industrialization Company). The volume of transactions with the related party amounted to about (76,200) Saudi Riyals as on December 31, 2018G, and (3,189,946) Saudi Riyals as on 31 December 2019G, and (2,769,768) Saudi Riyals as on December 31, 2020G. (Please refer to the subsection (9-7-4-1) of the "Agreements and Transactions of Related Parties" section (9-7) of the "Legal Information" section of this Prospectus.

All commercial transactions with related parties are subject to the approval of the general assembly of the Company's shareholders. In the event that it does not approve these transactions, the Company will have to search for other unrelated parties to deal with them to carry out the work, and the Company's relevant interests may be interrupted in this regard until the agreements are completed. In addition, if dealings with related parties are not conducted in the future on purely commercial basis, this will be considered a violation of the provisions of the Companies Law and Governance Regulations, which will adversely and substantially affect the Company's business, financial condition, results of operations and prospects.

2-2 Risks Related to Market and Industry

2-2-1 Fluctuations in the Prices of Raw Materials

The Company does not control the factors that affect the prices of basic commodities. Therefore, the actual changes in supply and demand, market instability, speculation by market traders, and political conditions may affect prices or the accuracy of assumptions or prospects. Accordingly, any increase in the prices of the raw materials will result in the Company incurring additional production costs which will have a negative impact on the Company future prospects, business, results of operations and financial condition in general.

2-2-2 Risks related to non-Compliance with Existing Regulations and Laws and/or Issuance of New Regulations and Laws

The Company is subject to the supervision of a number of government agencies in the Kingdom, and therefore the Company is subject to the risks of changes in the laws, regulations, circulars and policies in the Kingdom. The legislative and regulatory environment in the Kingdom is witnessing the issuance of many laws and regulations, which are continuously developed and improved. The costs of complying with these regulations are high. In the event of changes to the existing laws or regulations or the issuance of new laws or regulations, this will lead to the Company incurring additional unexpected financial expenses for the purposes of complying with those regulations and meeting the requirements of these laws, or it may be subject to penalties and fines imposed by the competent supervisory authorities in the event of non-compliance with these regulations and systems on an ongoing basis. This will adversely affect the Company's business, results of operations, financial condition and future prospects.

2-2-3 Risks of Fluctuations in Supply and Demand in Local and Regional Markets

The fluctuations of economic conditions in the Kingdom and neighboring countries are a major factor for fluctuations in the levels of supply and demand in the Company's field of work. The construction and infrastructure sector, transportation, mining and other sectors that constitute a major factor in increasing the level of demand for the manufacturing Company products have been affected. This will affect the Company's production and sales volume in the event of a decrease in the demand for construction and infrastructure materials, which would limit the expansion of these sectors in establishing new sales or distribution points that need storage and warehouse equipment such as shelves or even expanding the capacity of the existing stores and warehouses.

2-2-4 Risks related to the Economic Performance of the Kingdom

The Company's future performance depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, inflation factors, GDP growth, average per capita income, and so on. The Kingdom's macro and micro economic depends mainly on oil and oil industries, which still control a large share of the GDP. Accordingly, any unfavorable fluctuations that occur in oil prices will have direct and substantial impact on the plans and growth of the



Kingdom's economy in general and on the government spending rates, which would adversely affect the Company's financial performance as it works within the Kingdom's economic system and it is affected by the government spending rates.

The continued growth of the Kingdom's economy also depends on several other factors, including the continued growth of the population and investments of the public and private sectors in the infrastructure. Therefore, any negative change in any of these factors will have a significant impact on the economy and thus will adversely and substantially affect the Company's business, financial results and future prospects.

2-2-5 Risks related to Political and Economic Instability in the Middle East

The tense political situation in the Middle East and Africa may negatively affect the Kingdom's economy, and consequently the ability of the Company's customers to renew their relationship with it, and its inability to obtain new customers, and thus negatively affect its revenues, profits and results of operations. These risks would have a negative impact on the financial markets and thus would have a material negative impact on the Company's share price and lead to the investor's loss of all or part of the value of his investment. The Company's sales to the Middle East and Africa amounted to (62%), (50%), (33%) and (49%) of the total sales for the years 2018G, 2019G and 2020G and the three-month period ending on March 31, 2021G, respectively.

Many countries in the Middle East suffer from political or security instability at the present time. There are no guarantees that the economic and political conditions in those countries or any other countries will not have a negative impact on the Kingdom's economy and thus on the ability of the Company's clients to renew their relationship with it and the inability of the Company to obtain new clients. This will adversely affect the Company's business, results of operations, financial condition and future prospects.

2-2-6 Risk of Currency Exchange Rate

The risk of currency exchange rate is represented in the fluctuation of the foreign exchange rate, which the companies mostly face when they have business relationships with international parties that require them to deal with them in their currency. The Company's external suppliers are dealt with in foreign currencies. Thus, the Company faces the risk of foreign exchange rate, and any unexpected large fluctuations in exchange rates will affect the costs of imported materials, which in turn will adversely affect the Company's financial performance.

2-2-7 Risks of Price Adjustment of Energy, Electricity, Water and Related Services Products

The Council of Ministers issued its decision on December 28, 2015G to raise energy prices (including fuel), electricity consumption tariffs, water sales pricing, and upgrading sanitation services for the residential, commercial and industrial sectors, as part of the policies related to raising the efficiency of government support in the Kingdom, which affected the related operating expenses of the Company. There are no guarantees that there will not be decisions related to raising prices again, which will negatively affect production costs, the Company's business, financial condition, results of operations and future prospects.

2-2-8 Risks related to Environmental Regulations and Standards

The Company's business of all kinds require compliance with the legislation and instructions issued by the Royal Commission for Jubail and Yanbu and Modon, and the environmental regulations and instructions applied in the Kingdom of Saudi Arabia. The Company, in its quest to reduce these risks, follows the highest standards of safety and industrial security with regard to storage and transportation of products. For this purpose, the Company undertakes continuous training of workers in the fields of safety and industrial security, in addition to insuring all its assets and businesses, and commitment to environmental regulations, including environmental, health and occupational standards and the safety of industrial facilities and their employees. For example, the Company's operations may result in a number of waste materials and emitted polluting materials that, if not properly controlled and managed, can lead to an environmental pollution risk, which will result in harming the environment and human health.

Failure to fully comply with legislation and environmental regulations may lead to the closure of the Company's industrial facilities and will expose the Company to violations, fines or penalties that may be imposed by the regulatory authorities, which will adversely affect its operations, limit the growth of its revenues, suspend its work or licenses. This will affect its ability to conduct its business, and thus adversely affect its financial results and profitability.



2-3 Risks related to the Offered Securities

2-3-1 Risks related to the Distribution of Dividends to Shareholders

The future dividends depend on a number of factors, including the Company's future profits, financial position, capital needs, its distributable reserves, the credit strength available to the Company, general economic conditions and other factors that the members of the Company's Board of Directors consider from time to time to be of great importance. Although the Company intends to distribute annual dividends to its shareholders in the event of profits, it does not guarantee that any dividends on the shares will be actually distributed, nor does it provide any guarantee regarding the amount that will be distributed in any particular year. The distribution of dividends is subject to certain restrictions and conditions stipulated in the Company's Articles of Association.

2-3-2 Risks related to Future Data

Some of the data contained in this Prospectus constitute forward-looking data, but they are not a guarantee of what the future performance will be. These future data involve known and unknown risks and other factors that may affect the actual results and thus the Company's performance and achievements. There are many factors that may affect the actual performance, achievements or results achieved by the Company and lead to a significant difference from what was explicitly or implicitly expected in the aforementioned data. If one or more of these risks or uncertainties are realized or any of the assumptions relied upon are proven to be inaccurate, the actual results may differ materially from those described in this Prospectus.

2-3-3 Selling a Large Number of Shares in the Market after the Offering Process

The sale of a large number of shares in the market after the completion of the Offering process, or if there is a belief or perception that such sale will occur, this may adversely affect the price of the shares in the market. The founders will be subject to a lock-up period starting from the date of starting shares trading in the market. During this period, they will be prohibited from disposing of any of the shares owned by them. In the event that the founding shareholders sell a large number of their shares after the expiry of the lock-up period, this will negatively affect the share price in the market.

2-3-4 Risks related to the Potential Fluctuation in the Price of the Rights Issue

The market price of the priority Rights may be subject to significant fluctuations due to the change in the factors affecting the Company's stock. This fluctuation may be large due to the difference between the allowable daily fluctuation percentage (which is represented by (10%) up and down from the closing price of the previous day) for Rights, compared to the allowed daily fluctuation percentage for the Company's shares. The Rights trading price depends on the trading price of the Company's shares and the market's view of the fair price of the Rights. These factors may adversely affect the trading price of the Rights.

2-3-5 Risks related to Potential Fluctuations in the Share price

The market price of the Rights during the Trading Period may not be an indication of the market price of the Company's shares after the Offering. Also, the Company's share price may not be stable and may be affected significantly due to fluctuations resulting from market conditions related to the Company's current Rights or shares. These fluctuations may also result from many factors, including but not limited to, stock market conditions, poor performance of the Company, inability to implement the Company's future plans, entry of new competitors to the market, change in the vision or estimates of experts and analysts of the stock market, and any announcement of the Company or any other of its competitors related to mergers and acquisitions or strategic alliances.

The sale of large quantities of shares by the shareholders or the belief that such sale is likely to occur will adversely affect the price of the Company's shares in the market. In addition, shareholders may not be able to sell their shares in the market without negatively affecting the share price. There is no guarantee that the market price of the Company's shares will not be lower than the Offering price, and if this happens after investors have subscribed to the New Shares, the subscription cannot be canceled or modified. Therefore, investors may incur losses as a result. In addition to the foregoing, there is no guarantee that the shareholder will be able to sell his shares at a price equal to or greater than the offer price after subscribing to the New Shares.

2-3-6 Risks related to Unprofitability or Sale of Rights

There is no guarantee of profit per share by trading it at a higher price. In addition to that, it is not guaranteed that it will be able to be sold from the ground up, which indicates that there is no guarantee of sufficient demand in the market to exercise the priority Rights or receive compensation from the Company, bearing in mind that the investor who does not subscribe or sells his Rights, and the holders of fractional shares may not receive any consideration if the sale takes place during the Rump up period at the Offering price.



2-3-7 Risks related to Future Data

The future results and performance data of the Company cannot be actually predicted and may differ from what is contained in this Prospectus. As the Company's achievements and ability of development determine the actual and unpredictable outcomes. The inaccuracy of data and results is one of the risks that the shareholder must identify so as not to affect his investment decision as in case the future results and performance statement are fundamentally different from what is mentioned in this Prospectus, this will lead to the shareholders losing part or all of their investments in the Company's shares.

2-3-8 Risks related to the Possibility of Issuing New Shares

In the event that the Company decides to issue New Shares (other than the priority Rights shares mentioned in this Prospectus), and the existing shareholders do not exercise their Rights when issuing new Rights, the ownership of the shares will decrease proportionately in addition to the right to vote and the right to receive profits, which will affect the share market price.

2-3-9 Risks of Lack of Demand for the Company's Priority Rights and Shares

There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading Period, in order to enable the holder of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights and realize a profit, or enable him to sell these Rights at all. There is also no guarantee that there will be sufficient demand for the Rump Shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the holders of unexercised Rights or holders of fractional shares. Moreover, there can be no assurance that there will be sufficient market demand for the shares obtained by a subscriber either through exercise of the Rights, during the Rump Offering or in the open market.

2-3-10 Risks related to Potential Dilution of Ownership

If the Rights holders do not subscribe fully to the New Shares, their ownership and voting Rights will be reduced. There is also no guarantee that in case the Rights holder is restricted to sell his Rights during the Trading Period, the proceeds he receives will be sufficient to compensate him in full for the decrease in his ownership in the capital of the Company as a result of increasing its capital. There is also no guarantee that there will be a compensation amount distributed to the eligible shareholders who have not exercised their right to subscribe or to the holders of fractional shares in the event that the Investment Institutions during the Rump period do not submit a higher price offers for the remaining shares, or that the compensation amount (if any) is sufficient to compensate the decrease in the percentage of ownership in the Company's capital.

2-3-11 Risks related to Not Exercising the Priority Rights in a Timely Manner

The Subscription Period starts on 02/02/2024H (corresponding to 02/02/2024G) and ends on 02/02/2024H (corresponding to 02/02/2024G). The Right holders and the financial brokers representing them must take appropriate measure to follow all necessary instructions before the Subscription Period expires. If the eligible shareholders are not able to properly exercise the subscription Rights by the end of the Subscription Period, based on their priority Rights, there is no guarantee that there will be a compensation amount distributed to the deserving shareholders who have not subscribed or who have not properly performed the procedures for practicing the subscription, or holders of the fractional shares.

2-3-12 Risks related to Speculation in Priority Rights

Speculation in the priority Rights is subject to risks that could cause material losses. The permissible daily fluctuation range for the priority Rights trading price exceeds the permissible daily fluctuation range for the market price (which is represented by (10%) up and down from the previous day's closing price). There is also a direct relationship between the Company's share price and the right's indicative value. Accordingly, the daily price limits (i.e. the daily fluctuation range) for Rights trading will be affected by the daily price limits for stock trading. In the event that the shareholder does not sell the Rights before the end of the Trading Period, then he will have two options either to exercise these Rights to subscribe to the New Shares before the end of the Subscription Period, or not to exercise. In the event that the Rights are not exercised, the investor may be subject to a loss or decrease in the value of his investment portfolio, or a profit in the event that shares are sold during the rump period at a price higher than the Offering Price. Therefore, investors should review the full details of the listing and trading mechanism of new Rights and shares and how they operate, and should be familiar with all the factors affecting them, in order to ensure that any investment decision is based on full knowledge and awareness. (Please refer to Section (12) "Subscription Terms and Condition" of this Prospectus).

2-3-13 Risks related to Non-publication of Financial Statements and Information

According to Article 63 of the Rules on Offering Securities and Continuing Obligations: The issuer must prepare and examine its preliminary financial statements in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), and disclose them to the public within a period not exceeding 30 days from the end of the financial period covered by those statements. The issuer must also prepare and review its annual financial statements in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), and disclose them to the public within a period not exceeding three months from the end of the annual financial period covered by those statements. The issuer must disclose these financial statements within a period of not less than 21 calendar days prior to the date of the issuer's annual general assembly meeting. As per Article 36 of the listing



rules, the Saudi Stock Exchange may suspend the trading of the issuer's securities when the issuer does not comply with the deadlines specified for disclosing its periodic financial information in accordance with the relevant implementing regulations and if the suspension of the trading of securities continues for a period of (6) months without the issuer taking any measures appropriate to correct that suspension, then the CMA may cancel the listing of the securities. In the event that trading in the issuer's securities is suspended, this will negatively affect the completion of the Offering process and, consequently, affect the Company's financial position and future prospects.



3- Company Background and Nature of Business

3-1 Company Overview

The National Metal Manufacturing & Casting Company (“Maadaniyah” or “the Company”) is a Saudi joint stock company, established pursuant to Ministerial Resolution No. (253) dated 13/03/1411H (corresponding to 02/10/1990G) and with Commercial Registration No. (2055002251) issued at Jubail City on 16/05/1411H (corresponding to 03/12/1990G). On 28/06/1421H (corresponding to 26/09/2000G), the Company’s shares were listed on the Saudi Stock Exchange (Tadawul - the main market).

The Company’s current capital is two hundred and thirty-four million (234,000,000) Saudi Riyals divided into twenty-three million and four hundred thousand (23,400,000) ordinary shares with a nominal value of ten (10) Riyals per share, fully paid.

The Company has only one major shareholder: the National Industrialization Company, who owns eight million two hundred and ninety-seven thousand six hundred and forty (8,297,640)* shares, i.e. (35.46%) before the Offering.

*The number of shares after the capital reduction process

3-2 History of the Company and the most significant developments in its capital structure

- The Company was established as a Saudi joint stock company under Ministerial Resolution No. (253) dated 13/03/1411H (corresponding to 02/10/1990G) and with Commercial Registration No. (2055002251) issued in Jubail on 16/05/1411H (corresponding to 04/12/1990G)
- Listing and trading of the Company’s shares in the Saudi Stock Exchange (Tadawul) on 28/06/1421H (corresponding to 26/09/2000G), with a capital of one hundred million (100,000,000) Saudi Riyals divided into (2,000,000) shares with a nominal value of fifty (50) Saudi Riyals per share
- On 10/04/1425H (corresponding to 29/05/2004G), the Company increased its capital from (100,000,000) one hundred million Riyals, divided into (2,000,000) two million ordinary shares to (125,000,000) one hundred and twenty-five million Riyals, divided into (2,500,000) Two million five hundred thousand ordinary shares by way of Rights Issue. The Company also increased its capital on 11/05/1427H (corresponding to 07/06/2006G) from (125,000,000) one hundred and twenty-five million Saudi Riyals to (163,561,250) one hundred and sixty-three million and five hundred sixty thousand two hundred and fifty Saudi Riyals divided into (16,356,125) Sixteen million shares, three hundred fifty-six thousand and one hundred and twenty-five shares, by issuing shares to acquire the Arab Company for Axles, Foundries and Spare Parts
- On 01/04/1429H (corresponding to 07/04/2008G, the Company increased its capital from (163,561,250) one hundred and sixty-three million five hundred sixty thousand two hundred and fifty Saudi Riyals to (204,451,560) two hundred and four million four hundred fifty-one thousand five hundred and sixty Saudi Riyals divided into (20,445,156) shares in return for issuing bonus shares (one share for every four shares)
- On 01/05/1430H (corresponding to 26/04/2009G), the Company increased its capital from (204,451,560) two hundred and four million four hundred fifty-one thousand five hundred and sixty Saudi Riyals to (255,564,450) two hundred and fifty-five million five hundred and sixty-four thousand four hundred and fifty Saudi Riyals divided into (25,556,445) twenty-five million five hundred fifty-six thousand four hundred and forty-five shares by issuing bonus shares (one share for every four shares)
- On 03/06/1433H (corresponding to 24/04/2012G), the Company raised its capital from (255,564,450) two hundred fifty-five million five hundred and sixty-four thousand four hundred and fifty Saudi Riyals to (281,120,890) two hundred eighty-one million one hundred and twenty thousand eight hundred and ninety Saudi Riyals divided into (28,112,089) twenty-eight million, one hundred and twelve thousand and eighty-nine shares in return for issuing bonus shares (one share for every ten shares)
- On 02/06/1435H (corresponding to 02/06/2014G), the Company’s Extraordinary General Assembly approved the Company’s Board of Directors’ recommendation to reduce the Company’s capital from two hundred eighty one million one hundred and twenty thousand eight hundred and ninety Saudi Riyals (281,120,890) Saudi Riyals to two hundred and thirty-four million Saudi Riyals (234,000,000) Saudi Riyals, by canceling (4,712,089) four million, seven hundred and twelve thousand and eighty-nine shares, with a capital reduction rate of about (16.76%), and at a reduction rate of one share for every (5,966) shares. The number of shares became twenty-three million four hundred thousand (23,400,000) shares.



3-3 Vision, Mission and Strategy

Company's Vision

To be pioneers in our industrial field, achieve competitive efficiency, continuous growth, leadership in the local market, and presence in global markets.

Company's Mission

Commitment to the best professional practices, providing integrated products and services that satisfy our customers, and achieving the desired results for stakeholders.

Company's Strategy

The Company's strategy aims to focus on expanding its business and enhancing its leading position in the regional market, as well as diversifying into more profitable sectors through acquisitions, building strategic alliances, partnerships and joint ventures. The Company's strategy during the next five years focuses on the following main objectives:

- Achieve market leadership for our existing products
- Raise production capacity to keep pace with the growth in the market
- Expansion of new value-added products
- Explore opportunities for horizontal and vertical expansion
- Sustainable growth for all business requirements
- The integrated view of all the Company's activities to achieve the Company's vision

3-4 Company's Branches

This part provides a summary of the branches of the Company that are subsidiaries of the Company under an industrial license or commercial registry or both, so that they are 100% owned by the Company. These branches do not have a legal entity separate from the legal entity of the Company, nor do they have capital or debt instruments issued by them:

| Branch Name | Activity | Establishment Place/Country |
|--|---|--|
| Wire drawing and Related Products Factory (Aslak) | Production and sale of pre-stressed wires for concrete, production of spring wires and spring structures | Jubail Industrial - Saudi Arabia |
| Axles, Foundries and Spare Parts Factory | Production and sale of non-precious metal castings, manufacturing the axles, spare parts for trucks and spare parts for military vehicles | Dammam Second Industrial City - Saudi Arabia |
| Branch of the National Metal Manufacturing and Casting Company | Sale of trailer axles and spare parts | Industrial Area (Al-Sulay) - Riyadh - Saudi Arabia |
| Gulf Bass Industry Company | Production of oil, gas and petrochemical valves-Project | King Salman Energy City - Dammam - Saudi Arabia |

3-5 Subsidiaries

The Company does not own any stakes directly or indirectly in subsidiaries.

3-6 Substantial Shareholders of the Company

The following table shows the Company's Substantial Shareholders (shareholders who own 5% or more of the Company's shares) as on the date of this Prospectus:

Table No.(1): Substantial Shareholders of the Company

| Number | Name | Percentage of Direct Ownership Approx.* | Shares to Direct Ownership** | Nominal Value (SAR) |
|--------|------------------------------------|---|------------------------------|---------------------|
| 1 | National Industrialization Company | 35.46% | 8,297,640 | 82,976,400 |

* Substantial Shareholders do not have indirect shares in the Company

**After reducing the capital



3-7 Company's Activity

The Company is engaged in the production and marketing of stranded wires, spring wires for pre-stressed concrete, cable reinforcement wires, twisted reinforcement wires for carrying electrical conductors, welding wires, various bolts and nuts, reinforced steel nails and screws of various shapes, bases for trucks, trailers, military vehicles and metal castings (other than precious) through (3) specialized factories owned by the Company. The Company also has future expansion plans, as the Company signed a memorandum of understanding with IGL Group - a joint venture - to establish an aluminum casting factory. The production capacity of the factory is six thousand (6,000) metric tons annually, and that the installation of the factory will be completed, and commercial production will begin at the beginning of 2023G. The Company is also working on the establishment of a factory for the production of high-pressure valves, which are used in oil, gas and petrochemical projects. A land has been allocated for the project with an area of 21,408 square meters in King Salman Energy City. It is expected that the production capacity of the factory will reach 14,000 valves annually, and the factory will be completed, and commercial production will begin at the beginning of 2023G. In addition, the Company contributed 10% of the capital of Sanam Vehicles Industry Company, a company specialized in the manufacture and assembly of cars, which was established in cooperation with the Korean Ssang Yung Company. A land has been allocated for the establishment of the factory in Jubail Industrial City on an area of (84,174) square meters, and work is currently underway to obtain the approval of the financing authorities to finance part of the project cost. The project is considered one of the strategic projects that aims to transfer and localize technology in the Kingdom of Saudi Arabia.

3-7-1 Company's Factories and Production Capacity

Table No.(2): The Company's factories and their production capacity

| Factory Name | Activity | Annual Production Capacity |
|-----------------------|--|----------------------------|
| Aslak Factory | Production and marketing of stranded wires for pre-stressed concrete, spring wires, cable reinforcement wires, twisted reinforcement wires for carrying electrical conductors, welding wires, various bolts and nuts, reinforced steel nails and nails of various shapes | 110,000 tons per year |
| Arabian Axles Factory | Production bases for trucks, trailers, military vehicles and spare parts | 7,000 units per year |
| Masabik Factory | Specializing in non-precious metals casting | 7,000 tons per year |

Table No.(3): Company Sales by Factory

| Factory Name | Annual Sales - in Saudi Riyals | | | |
|-----------------------|--------------------------------|--------------------|--------------------|--|
| | 2018G | 2019G | 2020G | Three-month period ending on March 31, 2021G |
| Aslak Factory | 346,006,771 | 194,779,772 | 136,249,651 | 48,180,673 |
| Arabian Axles Factory | 19,744,992 | 30,095,499 | 36,543,703 | 10,534,401 |
| Masabik Factory | 25,418,445 | 38,373,095 | 33,168,748 | 6,541,204 |
| Total | 391,170,208 | 263,248,366 | 205,962,102 | 65,256,278 |

3-7-2 Geographical Analysis of the Company's Sales

Table No.(4): The Company's products and their percentage of sales

| Product Type | Percentage of Sales | | | |
|---|---------------------|-------------|-------------|--|
| | 2018G | 2019G | 2020G | Three-month period ending on March 31, 2021G |
| Stranded Wire for pre-stressed Concrete | 85% | 69% | 60% | 69% |
| Spring Wires | 4% | 5% | 6% | 5% |
| Trucks and Trailers Bases and Spare Parts | 5% | 11% | 18% | 16% |
| Metal Castings | 6% | 15% | 16% | 10% |
| Total | 100% | 100% | 100% | 100% |

**Table No.(5): Geographical analysis of the Company's sales**

| # | Region/ Country | 2018G | 2019G | 2020G | Three-month period ending on March 31, 2021G |
|---|--------------------------|-------|-------|-------|--|
| 1 | Saudi Arabia | 23% | 44% | 58% | 48% |
| 2 | GCC countries | 61% | 48% | 30% | 50% |
| 3 | Middle East | 4% | 5% | 5% | 2% |
| 4 | United States of America | 11% | 2% | 6% | 0 |
| 5 | Other countries | 1% | 1% | 1% | 0 |

3-8 Competitive Advantages

- The Company owns three (3) factories specialized in metallurgical industries
- The Company is one of the leading companies in the production of prefabricated stranded wires
- The Company produces bases for trucks, trailers and military vehicles through the Arab Axles Factory, which is the only factory in the Middle East.
- The Company also has great operational and technical experience in this sector, as the Company owns a well-established marketing and distribution network through which it reaches a customer base in more than 14 countries, and this helps the Company to develop its strategy periodically to match the requirements and trends of the market and to explore new products and addition business opportunities that have a positive impact on the Company's performance.

3-9 Business Interruption

There has been no interruption in the Company's business that could affect or have had a noticeable impact on the financial situation during the last three years, except for some scheduled maintenance procedures that take place on a regular basis.

3-10 Employees and Saudization

The number of employees reached (136) Saudis and (287) non-Saudis as of March 31, 2021G, and the Saudization rate of the National Metal Manufacturing and Casting Company reached (32.16%), and it is classified within the (high green) range of the Nitaqat program issued by the Ministry of Human Resources and Social Development.

3-11 Employee Stock Program

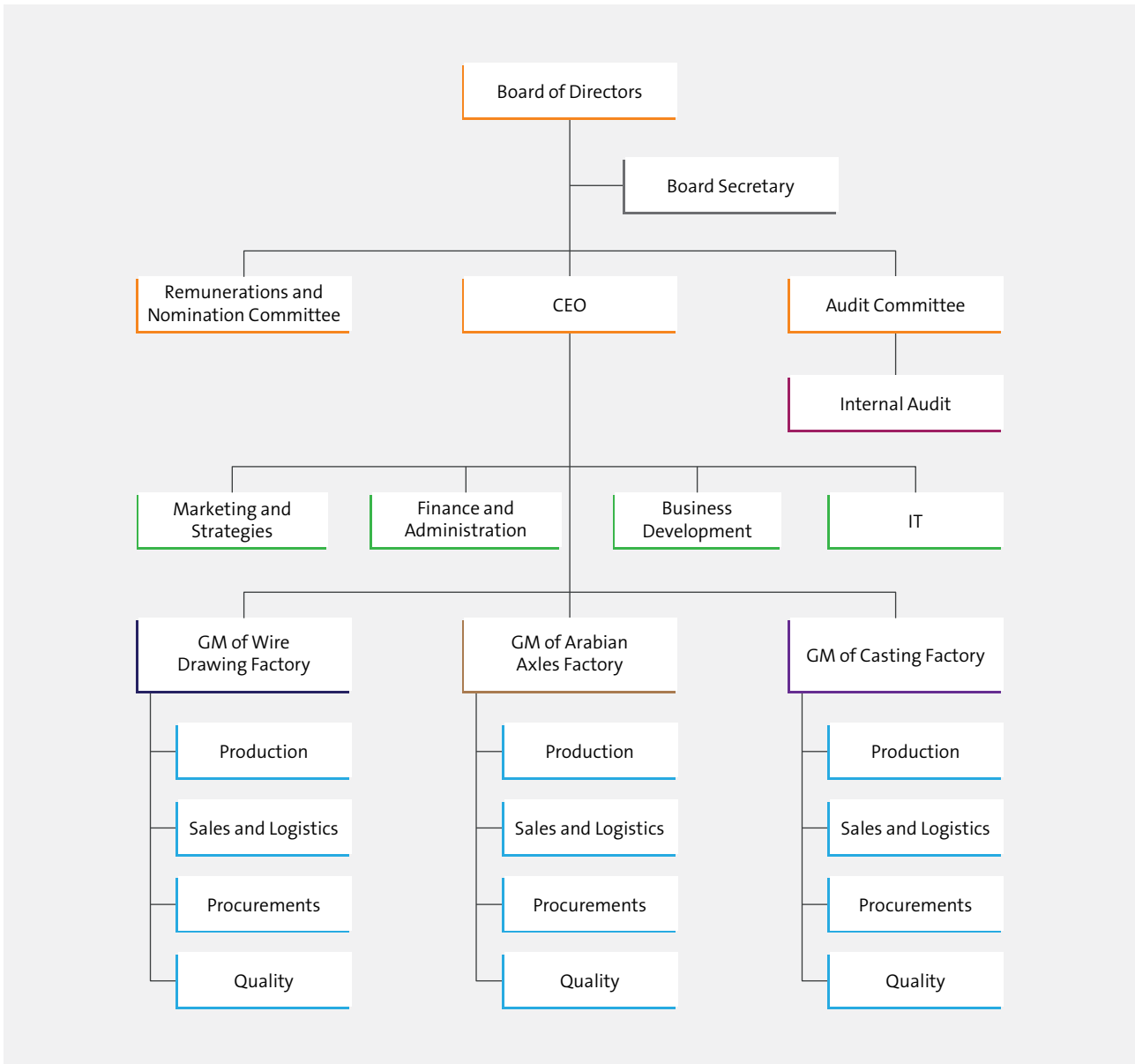
As at the date of publication of this Prospectus, the Company does not have any employee stock programs or any other arrangements involving employees in the capital of the Company.



4- The Organizational Structure of the Company

4-1 Organizational Structure

The following figure shows the organizational structure of the Company:





4-2 Board of Directors

In its meeting held on 19/10/1441H corresponding to 11/06/2020G, the Ordinary General Assembly approved the appointment of (9) members of the Board of Directors, provided that the appointment would take effect on 11/06/2020G for a period of three years ending on 24/05/2023G. The following table shows the members of the Board of Directors as on the date of this Prospectus:

Table No.(6): Board Members

| Name | Position | Rep. of | Nationality | Independence | Capacity | Shares owned as of the date of the Prospectus ^{*, **} | | Membership date |
|------------------------------------|----------------|---------|-------------|-----------------|---------------|--|-----------|-----------------|
| | | | | | | Direct ^{***} | Ratio | |
| Eng. Mutlaq bin Hamad Al-Moraished | Chairman | - | Saudi | Independent | Non-Executive | 0 | 0 | 11/06/2020G |
| Eng. Shaker bin Nafel Al-Otaibi | Vice President | - | Saudi | Non-Independent | Executive | 832 | 0.0035571 | 11/06/2020G |
| Eng. Rayan bin Waddah Trabzoni | Member | - | Saudi | Independent | Independent | 83 | 0.0003557 | 11/06/2020G |
| Mr. Asim bin Abdul Wahhab Al-Issa | Member | - | Saudi | Independent | Independent | 83 | 0.0003557 | 11/06/2020G |
| Mr. Talal bin Abdul Karim Al-Nafi' | Member | - | Saudi | Independent | Non-Executive | 0 | 0 | 11/06/2020G |
| Eng. Omar bin Khaled Al-Bilali | Member | - | Saudi | Independent | Non-Executive | 0 | 0 | 11/06/2020G |

Source: Company Management

* Means the shares owned by members of the Board of Directors indirectly in the Company through their ownership in companies owning shares in the Company, or the shares owned by relatives of the members of the Board of Directors, either directly or through their ownership in companies owning shares in the Company

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

*** Shares owned after reducing the capital in case the members of the Board of Directors subscribed to the full percentage of their eligibility in the New Shares.

The number of board meetings in the last three years

| Administrative Dept | 2018G | 2019G | 2020G |
|---------------------|-------|-------|-------|
| Board Members | 3 | 3 | 3 |

Source: Company Management

4-3 Compensation and Remuneration of Board Members and Senior Executives

The responsibility for proposing compensation and remuneration to members of the Board of Directors and Senior Executives falls under the duties of the Remuneration and Nomination Committee. The following table shows the value of salaries, bonuses and allowances received by members of the Board of Directors during the past three years:

Table No.(7): Compensation and Remuneration of Board Members and Senior Executives

| Thousands of Saudi Riyals | 2018G | 2019G | 2020G |
|---------------------------|-------|-------|-------|
| Board Members | 1,360 | 1,319 | 101 |
| Senior Executives | 5,056 | 4,806 | 4,833 |

Source: Company Management



4-4 Board Committees

The Board has formed a number of specialized committees, in accordance with the requirements of the Companies Law and the Capital Market Authority Law and their Implementing Regulations, to assist the Board in managing its tasks more effectively. They are as follows:

4-4-1 Audit Committee

The Board of Directors formed the Audit Committee in accordance with the requirements of the Companies Law and the Corporate Governance Regulations. The audit committee is responsible for the following:

- Monitoring the Company's business and activities to verify the fairness and integrity of the financial reports and the Company's internal and financial control systems.
- Studying the Company's initial and annual financial statements before presenting them to the Board of Directors and making recommendations in this regard to ensure their integrity, fairness and transparency.
- Researching any issues raised by the financial manager or the auditor.
- Overseeing the Company's internal audit unit and recommending to the Board of Directors the appointment of an internal audit officer.
- Studying internal audit reports and following up on the implementation of corrective actions.
- Recommending the Board of Directors to nominate and dismiss the auditors, determine their fees, verify their independence, and evaluate their performance.
- Studying the accounting policies followed by the Company and expressing an opinion and recommendation to the Board of Directors in this regard.
- Verifying the Company's compliance with relevant laws and regulations.
- Reviewing the reports of the regulatory authorities and verifying that the Company has taken the necessary measures in this regard.
- Reviewing the committee's work regulations, evaluating tasks and controls from time to time, recommending any changes to the Board of Directors for study and recommending the shareholders' General Assembly to approve the amendment.

Table No.(8): Members of the Audit Committee

| Name | Position | Membership Date |
|----------------------------|----------|-----------------|
| Talal Abdul Karim Al Nafea | Chairman | 11/06/2020G |
| Ryan Waddah Trabzoni | Member | 11/06/2020G |
| Abdulaziz Saif Al-Ardhi | Member | 11/06/2020G |

Source: Company Management

The number of Committee meetings in the last three years

| Administrative Dept | 2018G | 2019G | 2020G |
|---------------------|-------|-------|-------|
| Audit Committee | 4 | 4 | 5 |

Source: Company Management

4-4-2 Remuneration and Nominations Committee

The Nominations and Remunerations Committee was formed in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority. The tasks of the Nominations and Remunerations Committee include the following:

- Recommending the Board of Directors to nominate for membership of the Board in accordance with the approved policies and standards.
- Reviewing the appropriate skills, capabilities and qualifications required for the membership of the Board of Directors, including determining the time allotted for the work of the Board of Directors.
- Reviewing the structure of the Board of Directors and making recommendations to the Board regarding changes that can be made.
- Determining the weaknesses and strengths of the Board of Directors and provide suggestion to address them in line with the Company's interest.



- Ensuring on an annual basis the independence of the independent members, and the absence of any conflict of interest if the member is a board member of another company.
- Setting clear policies for the compensation and remuneration of members of the Board of Directors and senior executives.
- Submitting suggestions related to the members of the Board who will be appointed in each committee of the Board.
- Reviewing the Corporate governance annually and suggesting any amendments.
- Reviewing the laws and procedures that must be followed in evaluating the performance of each member of the Board or committee and submitting related suggestions to the Board.
- Reviewing and suggesting appropriate changes to compensation policy and procedures.
- Evaluating the effectiveness of the Company's compensation procedures in achieving strategic goals.
- Determining and approving the CEO's compensation.
- Evaluating the CEO's performance based on set goals and objectives.
- Approving the compensation specified by the CEO to Executive Management.
- Submitting the results and recommendations of the committee's work to the Board of Directors.

Table No.(9): Members of the Remuneration and Nominations Committee

| Name | Position | Membership Date |
|---------------------------|----------|-----------------|
| Ryan Waddah Trabzoni | Chairman | 11/06/2020G |
| Asim bin Ibrahim Al-Issa | Member | 11/06/2020G |
| Omar bin Khaled Al-Bilali | Member | 11/06/2020G |

Source: Company Management

The number of Committee meetings in the last three years

| Administrative Dept | 2018G | 2019G | 2020G |
|---|-------|-------|-------|
| The Nominations and Remunerations Committee | 1 | 2 | 2 |

Source: Company Management

4-5 Executive Management

The following table shows Executive Management Details* for the Company:

Table No.(10): The Company's Executive Management

| Name | Position | Qualification | Nationality | Date of Appointment |
|--------------------------------|---|--|-------------|---------------------|
| Shaker Bin Nafel Al Otaibi | CEO | Bachelor of Engineering | Saudi | 03/12/2005G |
| Fateh Al-Rahman Abdullah Osman | Financial Manager | Bachelor of Economy and Administrative Sciences - Accounting | Sudanese | 05/06/1990G |
| Faisal bin Dakhil Al-Dakhil | General Manager of Masabik Factory | Bachelor of Engineering | Saudi | 01/04/2015G |
| Ziauddin Saty | (Acting) Manager of Axles and Spare Parts Factory | Bachelor of Engineering | Sudanese | 16/05/1999G |
| Abdulhadi bin Awad Al Haddad | Manager, Aslak Factory | Bachelor of Engineering | Saudi | 29/10/1990G |

Source: Company Management

* The Executive Management or the staff has no ownership in the Company, either directly or indirectly



5- Management's Discussion and Analysis of the Company's Financial Position and Results of its Operations

5-1 Introduction

The following discussion and analysis of the financial position and results of operations are based on the Company's audited financial statements and the notes attached thereto for the financial years ending on December 31, 2018G, 2019G and 2020G, in addition to the three-month period ending on March 31, 2021G, which were reviewed and audited by Dr. Mohamed Al-Amari & Company – Certified Public Accountants and Advisors).

The Company has prepared its financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the three-month period ending on March 31, 2021G, in accordance with International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA).

Neither Dr. Mohamed Al-Amari & Company – Certified Public Accountants and Advisors) nor any of its subsidiaries or sister companies have any share or interest of any kind in the Company, and it has given its written consent and has not retracted it regarding the publication of its name, logo and statements in this Prospectus as an auditor of the Company for the above-mentioned years.

Please note that the numbers shown in the tables of this section are in Saudi Riyals, unless otherwise stated, and the percentages are rounded to the nearest decimal, so calculating the percentage increase/decrease using the numbers in the tables (shown in thousands of Riyals and rounded to the nearest whole number) may not exactly match the percentages mentioned in the tables.

5-2 Directors' Declarations Regarding the Financial Information

The members of the Company's Board of Directors acknowledge the following:

- 1- That all material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents or facts that if they were omitted or ignored, the data contained in this Prospectus would become misleading.
- 2- That the financial information contained in this Prospectus has been extracted from the audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the three-month period ending on March 31, 2021G, and the notes attached to them without any material change to them, and that they include financial information provided on a consolidated basis in a form that is consistent with the financial statements approved by the Company annually in accordance with International Financial Reporting Standards (IFRS).
- 3- That the Company incurred losses during the years ending on December 31, 2019G and 2020G and the three-month period ending on March 31, 2021G, and with the exception of what was disclosed in this Prospectus, there was no material negative change in the financial and commercial position of the Company during the three financial years ending on 31 December 2018G, 2019G and 2020G and the three-month period ending on March 31, 2021G immediately preceding the date of submitting an application for registration and Offering of securities subject to this Prospectus, in addition to the end of the period covered by the chartered accountant's report until the approval of the Prospectus.
- 4- That the Company has no information about any governmental, economic, financial, monetary or political policies or any other factors that have affected or could materially (directly or indirectly) affect the Company's operations except as disclosed in Section (2) "**Risk Factors**" of this Prospectus.
- 5- Except as disclosed in this Prospectus, no commissions, discounts, brokerage fees or non-cash compensation have been granted by the Company to any of the members of the Board of Directors, senior executives, offerors or Offerings of securities or experts during the three financial years ending on December 31, 2018G, 2019G and 2020G, in addition to the three-month period ending on March 31, 2021G which immediately preceded the date of submitting the application for the issuance of the priority Rights shares subject to this Prospectus.
- 6- The Company does not have any holdings in contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to ascertain, which may negatively affect the assessment of the financial position.
- 7- The Company has no contingent liabilities, guarantees, or any significant fixed assets that it intends to purchase or lease, other than what has been disclosed in the section ("**Contingencies and Obligations**").
- 8- That the Company does not have any loans or other indebtedness other than what is disclosed in Section ("**Long-Term Loans**") and Section ("**Short-Term Loans**"), and they acknowledge that they do not have any security obligations (including personal or not included in personal guarantees secured by a mortgage, or unsecured by a mortgage) or obligations under acceptance, acceptance credit, or lease purchase obligations except as disclosed in the Loans section.



- 9- As far as we know, there are no mortgages, Rights, or any burdens or costs on the Company's property, except for what has been disclosed in this section and the "Legal Information" section of this Prospectus.
- 10- That the Company does not have any capital covered by an option right as of the date of this Prospectus.
- 11- The Company has not witnessed any capital adjustments during the three years immediately preceding the date of submitting the application for registration and offering the securities subject to this Prospectus.
- 12- The Company is not aware of any seasonal factors or economic cycles related to the activity that may have an impact on the business and the financial position of the Company, with the exception of what was disclosed in Section (2) "Risk Factors" of this Prospectus.
- 13- Except for what was disclosed in the section ("Long-Term Loans"), the Company does not have any issued or existing debt instruments, mortgages, Rights or burdens on the Company's property, as on the date of the current Prospectus.

5-3 Important Accounting Policies

The following are the most important accounting policies that have been adopted and applied to prepare the Company's financial statements.

5-3-1 Property, plant and equipment

Property, plant and equipment are listed at cost net of accumulated depreciation and/or accumulated impairment losses (if any). Cost includes all expenditures that are directly attributable to the creation or purchase of an item of property, plant and equipment. Such cost includes the cost of replacement parts of property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as single assets with definite useful lives and therefore depreciates these assets. All repair and maintenance costs are recognized in profit or loss as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized. Projects under construction are stated at cost and are not depreciated and transferred to property, plant and equipment when the assets are available for their intended use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated on the basis of their useful life or the lease term, whichever is less.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss resulting from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss upon derecognition of the asset.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each financial year and adjusted prospectively, if necessary.

The estimated useful lives of assets for calculating depreciation are as follows:

| | |
|--|---------------------|
| Buildings and improvements to the lease | 33 years |
| Plant, machinery and equipment | 25 years - 33 years |
| Furniture, fixtures and office equipment | 5 years - 10 years |
| Cars, Forklifts & Trailers | 4 years - 8 years |
| Tools and others | 3 years - 13 years |

5-3-2 Right-of-Use Assets and Lease Liabilities

At the inception of the contract, the Company assesses whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if the contract confers the right to control the use of a specified asset for a period of time in exchange for monetary compensation. To assess whether the contract conveys the right to control the use of a specific asset, the Company uses the definition of a lease in IFRS 16. Currently, the Company does not have a lease in which it is a lessor.

At the commencement or upon modification of a contract containing a lease component, the Company allocates the financial compensation in the contract to each lease component on the basis of their respective stand-alone relative prices. Currently, the Company does not have a lease agreement that includes a lease and non-lease component.

The Company recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date.

Right-of-use assets are subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use assets shows that the Company will exercise the purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as property, plant and



equipment. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, discounted using the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

The Company determines the incremental borrowing rate by obtaining interest rates from various external sources of financing to reflect the terms of the lease and the type of asset being leased.

Lease payments included in the measurement of lease liabilities consist principally of fixed lease payments.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be paid under the residual value guarantee, if the Company changes its assessment of whether to exercise the option to buy, extend or terminate or if there is an actual fixed and adjusted rent payment.

When the lease liability is remeasured in this way, an adjustment is made to the carrying amount of the right-of-use asset, or recorded in profit or loss if the carrying amount of the right-of-use asset is reduced to zero.

Short-Term Leases and Leases of Low-Value Assets

The Company has elected not to recognize right-of-use assets and lease liabilities for low-value assets and short-term lease contracts. The Company recognizes lease payments associated with these leases as an expense on a consistent basis over the term of the lease.

5-3-3 Investment Properties

Investment property is property (land, building, part of a building, or both) that is held to earn rents or for capital appreciation or both instead of:

- a. For use in the production or supply of goods or the provision of services or for administrative purposes.
- b. Selling in the ordinary course of business.

Investment property is initially measured at cost, including transaction costs. Following initial recognition, the Company measures its investment property using a cost model, i.e. cost less accumulated depreciation and accumulated impairment, if any. The useful life of the investment property is 33 years.

An investment property is derecognized either when it has either been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the year of derecognition.

5-3-4 Intangible Assets

Electronic Software

Electronic software is measured at cost less accumulated amortization and accumulated impairment losses, if any, and is amortized on a straight-line basis over its estimated useful life of 5 years. Subsequent expenditures are capitalized only if it is probable that future benefits associated with the expenditures will flow to the Company and the amount can be measured reliably. Software residual values, useful lives and depreciation indicators are reviewed at the end of each fiscal year and adjusted prospectively if deemed necessary.

5-3-5 Impairment of Non-Financial Assets

At the date of each report, the Company reviews the book values of its non-financial assets (other than inventory) to determine whether there is any indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into smaller groups that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or other cash generating units.

Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the value of the utility value or the fair value less costs to sell, whichever is higher. The value of the benefit is based on the estimated future cash flows discounted to its present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the



asset or cash-generating unit. An impairment loss is recognized if the carrying amount of the asset or the cash-generating unit exceeds the recoverable amount of each.

Impairment losses are recognized in the statement of profit or loss and are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of other assets on a proportional basis. The loss of goodwill is not reversed. As for other assets, the impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the book value that is determined in net after depreciation or amortization if no impairment loss is recognized.

5-3-6 Financial Instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that results in a financial asset for one entity and a financial liability or equity instrument for another entity.

Financial Assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

- **Initial Recognition and Measurement**

On initial recognition, the Company measures the financial asset at its fair value plus, in the event that the financial asset is not at fair value through profit or loss, transaction costs are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets at fair value through profit or loss are charged as an expense in the statement of profit or loss and other comprehensive income when incurred.

- **Post-measurement**

Financial assets are classified into the following measurement categories for subsequent measurement purposes:

- a. those that will subsequently be measured at fair value (either through other comprehensive income, or through the statement of profit or loss), and
- b. that will be measured at amortized cost.

For assets measured at fair value, gains and losses are recognized either in the statement of profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Company has made an irrevocable selection at the time of initial recognition to account for the investment at fair value through other comprehensive income.

The subsequent measurement of financial assets at amortized cost depends on the Company's business model for managing the assets and the cash flow characteristics of the asset. The Company classifies financial assets at amortized cost based on the following:

- a. the asset is held within a business model in order to collect contractual cash flows, and
- b. The contractual terms give the right on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate method. Shares' loans to joint ventures are carried at amortized cost.

The Company's financial assets valued at amortized cost include investment in equity instruments measured at fair value through other comprehensive income and other receivables, cash and cash equivalents.

Trade receivables are carried at amortized cost, which is generally equal to nominal value (original invoice amount) and bears no interest, and generally has a period of 60 to 90 days, less any impairment. An allowance for doubtful debts is made based on the Company's best estimate of the expected credit losses related to these receivables. Such an estimate is based on the clients' financial condition and historical write-off experience. Account balances are written off against this provision after all means of collection have been exhausted and the possibility of recovery is remote. Bad debts are recognized in the statement of profit or loss when incurred.



- **Derecognition of Financial Assets**

The Company derecognizes financial assets when the contractual Rights to the cash flows from the assets expire, or when the Company transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Company recognizes its retained interest in the associated assets and liabilities for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the financial assets and also recognizes a secured borrowing for the proceeds received.

- **Impairment of Financial Assets**

The Company applies the expected credit loss model to measure and prove the impairment loss for financial assets and exposure to credit risk, which are debt instruments and are measured at amortized cost.

Expected credit loss is an estimate of the likely probability of credit loss (ie, the present value of the cash shortfall) over the expected useful life of the financial asset. The cash shortfall is the difference between the cash flows due in accordance with the contract and the cash flows the Company expects to receive.

Expected credit losses take into account the amount and timing of the repayments, and then the credit loss arises even if the Company expects to receive the repayments in full but later than the contractually due date. The expected credit loss method requires an assessment of the credit risk, default and time to collection since initial recognition. This requires a provision for expected credit losses to be recognized in the statement of profit or loss and other comprehensive income even for newly created or acquired receivables.

Impairment of financial assets is measured as either 12-month Expected Credit Losses (ECL) or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. '12-month ECL' is the expected credit loss arising from possible insolvency events within 12 months after the reporting date. Lifetime ECL is the expected credit loss that results from all possible insolvency events over the expected life of the financial asset.

Trade receivables are for a short period, usually less than 12 months, so the loss allowance measured as lifetime ECL is no different from that measured as 12-month ECL. The Company applies a simplified approach to measure the expected credit losses of trade receivables using a provisioning schedule that is broken down based on the aging of receivables.

- **Financial Liabilities**

The Company determines the classification of its financial liabilities upon initial recognition.

All financial liabilities are initially recognized at fair value. Financial liabilities that are carried at amortized cost such as loans are calculated at fair value on the basis of the effective interest rate method after taking into account direct transaction costs.

Financial liabilities are classified into the following measurement categories:

- a. those measured as financial liabilities at fair value through profit or loss, and
- b. those measured at amortized cost.

The Company classifies all financial liabilities that are subsequently measured at amortized cost, except for those financial liabilities measured at fair value through profit or loss. Those liabilities, including derivatives that are liabilities, are measured at fair value.

The effective interest rate method calculates the amortized cost of a debt instrument by allocating an interest fee over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, when appropriate, over a shorter period, to the net carrying amount on initial recognition. This category generally applies to commercial borrowings and payables.

The Company's financial liabilities include trade and other payables, and borrowings. The Company measures its financial liabilities at amortized cost.

A financial liability is derecognized when the obligation is discharged, canceled or expired. When an existing financial liability is replaced elsewhere by the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in List of profit or loss.

The Company's financial liabilities include trade and other payables, and borrowings. The Company measures its financial liabilities at amortized cost.



A financial liability is derecognized when the obligation is discharged, canceled or expired. When an existing financial liability is replaced elsewhere by the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of profit or loss.

Compensation for Financial Assets and Financial Liabilities

Financial assets and financial liabilities are compensated, and the net amount is disclosed in the statement of financial position when there is a legally enforceable right to compensate the recognized amounts, and there is an intention to settle them on a net basis, or to realize the assets and pay the liabilities simultaneously. A legally enforceable right must not be conditional on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparty.

5-3-7 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that a transaction to sell the asset or transfer the liability takes place either:

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

The fair value measurement of a non-financial asset takes into account a market participants' ability to generate economic benefits by using the asset in a better and more profitable manner or by selling it to another market participant who will use the asset in the best and most profitable manner possible.

All assets and liabilities whose fair value has been measured or disclosed in the financial statements are categorized within the fair value hierarchy described below based on the lowest level inputs that are significant to the fair value measurement as a whole.

- Level one: quoted market prices (unadjusted) in active markets for similar assets and liabilities.
- Level Two: Technical valuation techniques in which the lowest and significant level inputs to the fair value measurement are directly or indirectly observable.
- Level Three: technical valuation techniques in which the lowest and significant level inputs to the fair value measurement are unobservable.

Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

5-3-8 Inventory

Inventories are stated at cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business, less any costs to complete the sale. Cost is determined using the weighted average method. The cost of inventory includes purchase cost, conversion costs and other costs incurred in bringing the inventory to its present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognized as an expense in the year in which the related revenue is recognized. The amount of any write-down of inventories to their net realizable value and all inventory losses are recognized as an expense in the year in which the write-down occurs or the loss occurs. When there are no circumstances that previously caused the inventory value to be written below cost, or there is clear evidence that the net realizable value has increased due to changing economic conditions, the write down amount is reversed (the reversal is limited to the underlying write amount), so that the carrying amount is the cost and the adjusted net realizable value, whichever is lower.

5-3-9 Cash and Cash Equivalent

Cash and cash equivalents include cash in hand and in banks and other short-term liquid investments with maturities of three months or less from the date of purchase. It also includes overdrafts, which are an integral part of the Company's cash management, and may fluctuate between overdrafts to positive balances.



5-3-10 Obligations of Employees' End of Service Benefits

End of service benefits are payable to all working employees in accordance with the terms and conditions of the labor law applied in the Company upon termination of their employment contracts. The Company's liability in respect of a defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior years and discounting that amount to reach the present value.

The Company makes the assumptions that are used to determine the key elements of meeting those future obligations. These assumptions are developed after consultation with the Company's actuaries and include those used to determine the normal regular service costs as well as the financing components of the liabilities. The defined benefit obligation is calculated by a qualified actuary using the projected unit credit method.

Remeasurement of the defined benefit obligation, which consists of actuarial gains and losses, is recognized directly in the statement of other comprehensive income. The Company determines the net interest expense on the defined benefit obligation for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit obligation, taking into account any change in the net defined benefit obligation during the year as a result of contributions and benefit payments. The net interest expense and other expenses relating to defined benefit plans are recognized in profit or loss.

5-3-11 Revenue Recognition

The Company recognizes revenue when controlling the products sold and transfers to customers after considering the applicable shipping terms.

Revenue is measured at the fair value of the monetary compensation received or receivable, taking into account contractually defined terms of payment and excluding taxes or fees.

5-3-12 Cost of Borrowing

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a year to become ready for its intended use or sale are capitalized as part of the cost of the relevant asset. All other borrowing costs are charged as expenses in the year in which they occur. Borrowing costs consist of interest and other costs that a company incurs in connection with the borrowing of funds.

5-3-13 Expenses

Expenses are classified according to their function as part of cost of sales, cost of selling and distribution, or administrative expenses. Production costs and direct manufacturing costs are classified as cost of sales. Selling and distribution expenses mainly consist of costs incurred in distributing and selling the Company's products. All other expenses are classified as general and administrative expenses. General and administrative expenses include direct and indirect costs that are not directly part of costs of sales. Items are allocated between general and administrative expenses and cost of sales when required on a consistent basis.

5-3-14 Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into the functional currency of the Company for each individual transaction at the rates prevailing on the date of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rates prevailing when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rates ruling at the date of the transaction. Foreign currency differences are generally recognized in the statement of profit or loss.

5-3-15 Zakat

The Company is governed by the General Authority of Zakat and Tax in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis and charged to the statement of profit or loss. Zakat is calculated on the Zakat base or adjusted net income, whichever is higher. Any difference in the estimate is recorded when the final assessment is approved, at which point the provision is settled.

5-3-16 Operational Sector

The operational sector is a component of the Company that is associated with business activities from which the Company may earn revenue and incur expenses, including revenue and expenses relating to transactions with any of the other components of the Company. The results of operations of all operating segments are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to evaluate its performance, for which distinct financial information is available. Segment results that are reported to the Company's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.



5-3-17 Dividends

The Company recognizes the obligation to distribute cash dividends upon approval of the distribution and that the distribution is no longer dependent on the Company's discretion. In accordance with the laws relating to companies in the Kingdom of Saudi Arabia, the distribution was approved upon approval by the shareholders. A similar amount is recognized directly in equity. Interim dividends, if any, are included when approved by the Company's Board of Directors.

Standards, Amendments and Interpretations to Existing Standards

New standards, amendments and interpretations applicable to existing standards

The following are the new amendments and interpretations to standards in force in the current year that either do not lead to material changes or are not applicable to the Company's accounting policies:

| Standard Number | Standard Name | Standard Effective Date |
|--|---|-------------------------|
| International Accounting Standard No. 1 | Business Combinations - Modifications to Clarify the Definition of Business | January 1, 2020G |
| | Presentation of financial statements – adjustments related to the definition of materiality | January 1, 2020G |
| IAS 41 | Agriculture – The amendment removes the requirement for entities to exclude tax cash flows when measuring the fair value of a biological asset using present value technique. This will include compliance with the requirements of IFRS 13 | January 1, 2020G |
| IAS 8 | Accounting policies and changes in accounting estimates and errors | January 1, 2020G |
| IFRS 9 and | | January 1, 2020G |
| International Accounting Standard No. 39 and | | January 1, 2020G |
| IFRS 7 | Reference Interest Rate adjustments | January 1, 2020G |
| IFRS 16 | Amendments - to give tenants an exemption from assessing whether a rental concession related to (Covid 19) is an amendment to the lease | June 1, 2020G |
| | Revised Conceptual Framework for Financial Reporting | January 1, 2020G |

New International Financial Reporting Standards and amendments not yet effective

There are a number of standards and amendments to standards and interpretations issued by the International Accounting Standards Board that are valid for future accounting periods that the Company decided not to adopt early. New standards, interpretations and amendments that are not yet effective are as follows:

| Standard Number | Standard Name | Standard Effective Date |
|--|--|-------------------------|
| IFRS 3 | Business Combinations - update revisions to the conceptual framework reference | January 1, 2022G |
| International Accounting Standard No. 1 | Presentation of financial statements - adjustments related to the classification of liabilities | January 1, 2022G |
| IAS 16 | Property, plant and equipment – adjustments that prevent the Company from deducting amounts received from the sale of items produced as samples from the cost of property, plant and equipment while the Company is preparing the asset for its intended use | January 1, 2022G |
| International Accounting Standard No. 37 | Provisions, Contingent Liabilities and Contingent Assets - Adjustments for costs to be incurred by an entity when assessing whether a contract is onerous or not | January 1, 2022G |
| IFRS 4 | Insurance contracts - modifications related to the expiration date of the deferred policy | January 1, 2023G |
| IFRS 9 | Amendments relating to the overlap between IFRS 4 and IFRS 9 | January 1, 2023G |
| IFRS 17 | Insurance contracts – amendments to address concerns and implementation challenges identified after IFRS 17 | January 1, 2023G |



5-4 Key Performance Indicators

The following table shows the Company's key performance indicators for the financial years ending on December 31, 2018G, 2019G and 2020G and the three-month period ending on March 31, 2021G.

Table No.(11): Key Performance Indicators

| | Display unit | Fiscal year ended on 31 December | | | Three-month period ended on March 31 |
|---|--------------|----------------------------------|---------------|---------------|--------------------------------------|
| | | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Unaudited |
| Revenue growth rate | % | 33.30% | (32.70%) | (21.80%) | (18.00%) |
| Net Profit / (Loss) Growth Rate | % | N/A | (1537.60%) | (37.30%) | (5.10%) |
| Gross Profit Margin | % | 12.20% | 6.60% | 5.50% | 5.60% |
| Net Profit / (Loss) Margin | % | 1.20% | (24.70%) | (19.80%) | (10.90%) |
| Selling and marketing expenses as a percentage of the revenue | % | (4.30%) | (5.00%) | (6.20%) | (5.20%) |
| General and administrative expenses as a percentage of revenues | % | (4.60%) | (6.60%) | (9.10%) | (5.70%) |
| Return on assets | % | 0.80% | (14.40%) | (9.80%) | (1.80%) |
| Return on equity | % | 1.20% | (21.10%) | (15.20%) | (2.70%) |
| Current assets / current liabilities | Once | 2.8 | 4.2 | 3.3 | 3.2 |
| Total assets / total liabilities | Once | 2.8 | 3.1 | 2.8 | 2.9 |
| Debt to total equity ratio | Once | 0.6 | 0.5 | 0.5 | 0.5 |

Source: Management Information

5-5 Results of Operations

5-5-1 Statement of Income

The following table shows the Company's statement of income for the financial years ended December 31, 2018G, 2019G and 2020G and the three-month period ended March 31, 2020G and 2021G.

Table No.(12): Income Statement

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|-------------------------------------|----------------------------------|-----------------|-----------------|--------------------------------------|---------------------|---------------------|-----------------|----------------|-----------------|
| | 2018G (Audited) | 2019G (Audited) | 2020G (Audited) | 2020G (Non-Audited) | 2021G (Non-Audited) | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Revenue | 391,170 | 263,248 | 205,962 | 79,549 | 65,256 | (32.70%) | (21.80%) | (18.00%) | (27.40%) |
| Cost of revenue | (343,262) | (246,005) | (194,559) | (75,923) | (61,633) | (28.30%) | (20.90%) | (18.80%) | (24.70%) |
| Gross profit | 47,908 | 17,243 | 11,403 | 3,625 | 3,624 | (64.00%) | (33.90%) | (0.10%) | (51.20%) |
| Selling and marketing expenses | (16,726) | (13,292) | (12,775) | (5,141) | (3,376) | (20.50%) | (3.90%) | (34.30%) | (12.60%) |
| General and administrative expenses | (18,036) | (17,316) | (18,790) | (3,786) | (3,741) | (4.00%) | 8.50% | (1.20%) | 2.10% |
| Other expenses | (466) | (42,785) | (12,136) | (429) | (1,973) | 9073.90% | (71.60%) | 360.10% | 410.10% |
| Other income | 2,146 | 1,442 | 797 | 218 | 183 | (32.80%) | (44.70%) | (15.90%) | (39.10%) |
| Operating profit/(loss) | 14,826 | (54,708) | (31,502) | (5,513) | (5,283) | (469.00%) | (42.40%) | (4.20%) | N/A |
| Financing cost | (4,481) | (4,910) | (3,634) | (849) | (701) | 9.60% | (26.00%) | (17.40%) | (9.90%) |
| Profit/(loss) before Zakat | 10,346 | (59,618) | (35,136) | (6,362) | (5,985) | (676.30%) | (41.10%) | (5.90%) | N/A |
| Zakat | (5,816) | (5,491) | (5,679) | (1,100) | (1,100) | (5.60%) | 3.40% | - | (1.20%) |
| Net profit (loss) | 4,529 | (65,109) | (40,815) | (7,462) | (7,085) | (1537.60%) | (37.30%) | (5.10%) | N/A |

Source: financial statements and management information



The Company generates its revenue from drawn wire products as well as axles, foundries and spare parts. The revenue generated from drawn wire products accounted for 88.5%, 74.0% and 66.2% of the total revenue in 2018G, 2019G and 2020G, respectively. The Company's revenues decreased by 32.7% from SAR 391.2 million in 2018G to SAR 263.2 million in 2019G, due to a decrease in drawn wire products by SAR 151.2 million between 2018G and 2019G. Revenues decreased by 21.8% from SAR 263.2 million in 2019G to SAR 206.0 million in 2020G, which mainly resulted in a decrease in revenue from drawn wire products by SAR 58.5 million. Revenues decreased by 18.0% from SAR 79.5 million in the three-month period ending on March 31, 2020G, to SAR 65.3 million in the three-month period ending on March 31, 2021G. This is mainly due to a decrease in revenue from wire drawn products by SAR 8.6 million and a decrease in revenue from axles, foundries and spare parts by SAR 5.7 million.

Cost of revenue mainly includes raw material costs, direct labor costs, maintenance and repair costs and other costs. The cost of revenue decreased by 28.3% from SAR 343.3 million in 2018G to SAR 246.0 million in 2019G, and the cost of revenues also decreased by 20.9% to reach SAR 194.6 million in 2020G. The decline in 2019G and 2020G came in line with the decline in revenues during the same mentioned years. The cost of revenue decreased by 18.8% from SAR 75.9 million in the three-month period ending on March 31, 2020G to SAR 61.6 million in the corresponding period of 2021G. This is mainly due to the decrease in revenues during the same period.

Selling and distribution expenses include costs related to personnel, transportation and distribution expenses, depreciation, rental expenses, insurance and other expenses. Selling and distribution expenses decreased by 20.5% from SAR 16.7 million in 2018G to SAR 13.3 million in 2019G. This is mainly due to the decrease in transportation, distribution and rental expenses from 2018G to 2019G. Selling and distribution expenses did not witness substantial fluctuations between 2019G and 2020G. Selling and distribution expenses decreased by 34.3% from SAR 5.1 million in the three-month period ending March 31, 2020G to SAR 3.4 million in the three-month period ending March 31, 2021G. This is due to a decrease in transportation and distribution expenses by SAR 1.8 million.

General and administrative expenses consist of staff related costs, professional fees, depreciation and amortization, repair and maintenance expenses, travel expenses in addition to other expenses. General and administrative expenses did not witness a fundamental change between 2018G and 2019G. Administrative and general expenses increased by 8.5% from SAR 17.3 million in 2019G to SAR 18.8 million in 2020G, due to the increase in professional fees costs by 112.7% in 2020G. General and administrative expenses did not witness material fluctuations in the three-month period ending on March 31, 2021G, compared to the same period of 2020G.

Other expenses include provision for slow moving inventories, adjustments to net realizable value of inventories, impairment of goodwill as well as impairment of trade receivables. Other expenses increased from 0.5 million SAR in 2018G to 42.8 million SAR in 2019G, and other expenses decreased by 71.6% from SAR 42.8 million as in 2019G to SAR 12.1 million as in 2020G. The increase in 2019G and the decrease in 2020G is due to the recording of a decline in goodwill by SAR 40.1 million in 2019G due to the reassessment of the recoverable value of the cash-generating units of the goodwill (manufacturers of Arab axles, foundries and spare parts) due to incurring continuous operating losses, by conducting an impairment assessment that resulted in a decrease of SAR 40.1 million, which was recognized as an impairment of the goodwill in full and recorded in the income statement in 2019G. Other expenses increased by 360.1% from SAR 0.4 million in the three-month period ending on March 31, 2020G to SAR 2.0 million in the three-month period ending on March 31, 2021G due to a decrease in trade receivables by SAR 2.0 million during the three-month period ending on March 31, 2021G.

Other income includes scrap sales, rental income, gain or loss on foreign exchange conversion, compensation from suppliers and payment of insurance claims, as well as other income. Other income decreased by 32.8% from SAR 2.1 million in 2018G to SAR 1.4 million in 2019G. This is due to the decrease in scrap sales in addition to the decrease in the profit from foreign currency conversion. Other income also decreased by 44.7% to reach SAR 0.8 million in 2020G. This resulted in a decrease in scrap sales, in addition to recording a loss of foreign currency conversion by SAR 0.3 million in 2020G. Other income decreased by 15.9% from SAR 218.0 thousand in the three-month period ending on March 31, 2020G to SAR 183.0 thousand in the corresponding period of 2021G. This is primarily due to the recording of a foreign exchange loss in addition to a decrease in other income.

The financing cost increased by 9.6% from SAR 4.5 million in 2018G to SAR 4.9 million in 2019G. This is due to the increased use of short-term loans from facilities granted by local banks to refinance documentary credits for importing raw materials. The cost of financing decreased by 26.0% to reach SAR 3.6 million in 2020G. This resulted from a decrease in the use of short-term loans and a decrease in loan balances in general during the year 2020G in order to pay loan installments according to the agreed repayment schedules. The financing cost decreased by 17.4% from SAR 0.8 million in the three-month period ending on March 31, 2020G to SAR 0.7 million in the three-month period ending on March 31, 2021G. This is due to the repayment of installments according to the repayment schedules and the decrease in loan balances.



5-5-1-1 Revenue by product

The following table shows the classification of revenues by product for the financial years ending on December 31, 2018G, 2019G and 2020G, in addition to the three-month periods ending on March 31, 2020G and 2021G.

Table No.(13): Revenue by product

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|--|----------------------------------|----------------|----------------|--------------------------------------|-------------------|---------------------|-----------------|-----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Classification by product | | | | | | | | | |
| Drawn wire products and related products | 346,007 | 194,780 | 136,250 | 56,800 | 48,181 | (43.70%) | (30.00%) | (15.20%) | (37.20%) |
| Axles, foundries and spare parts | 45,163 | 68,469 | 69,712 | 22,749 | 17,076 | 51.60% | 1.80% | (24.90%) | 24.20% |
| Total | 391,170 | 263,248 | 205,962 | 79,549 | 65,256 | (32.70%) | (21.80%) | (18.00%) | (27.40%) |
| As a percentage of total revenue | | | | | | | | | |
| Drawn wire products | 88.50% | 74.00% | 66.20% | 71.40% | 73.80% | | | | |
| Axles, foundries and spare parts | 11.50% | 26.00% | 33.80% | 28.60% | 26.20% | | | | |

Source: financial statements and management information

The Company focuses on drawn wire products, as the revenues generated from these products accounted for 88.5%, 74.0%, 66.2%, 71.4% and 73.8% of the total revenues in 2018G, 2019G and 2020G and the three-month periods ending on March 31, 2020G and 2021G, respectively. Revenues for wire and related products decreased by 43.7% from SAR 346.0 million in 2018G to SAR 194.8 million in 2019G. This is due to the decrease in sales of the wire concrete product in the US market, where sales amounted to about 2 thousand tons in 2019G compared to about 14 thousand tons in 2018G. Revenues from wire products also decreased by 30.0% to reach SAR 136.3 million in 2020G. This is primarily due to the decrease in demand in the local and export markets for the Company's products, due to the suspension of most projects as a result of the measures accompanying the Corona-Covid 19 virus. Revenues of wire and related products decreased by 15.2% from SAR 56.8 million in the three-month period ending on March 31, 2020G to SAR 48.2 million in the three-month period ending on March 31, 2021G. This is mainly due to the revenue achieved from selling the drawn wire product to the United States of America by SAR 12.2 million in the three-month period ending on March 31, 2020G, as the Company did not record sales of the drawn wire product to the United States of America in the three-month period ending on 31 March 2021G.

Revenues for axles, foundries, and spare parts accounted for 11.5%, 26.0%, 33.8%, 28.6% and 26.2% of the total revenue in 2018G, 2019G and 2020G and the three months ended March 31, 2020G and 2021G, respectively. Revenues for axles, foundries and spare parts increased by 51.6% from SAR 45.2 million in 2018G to SAR 64.5 million in 2019G. This is due to the improvement in demand, the increase in the quantities sold and the increase in the average selling prices. Revenues for axles, foundries and spare parts did not witness significant fluctuations between 2019G and 2020G. Revenues for axles decreased by 24.9% from SAR 22.7 million during the period ended March 31, 2020G to SAR 17.1 million during the period ended March 31, 2021G. This is primarily due to declining demand and declining sales of trailer axles, as well as declining demand for foundry products.

5-5-1-2 Revenue by geographic regions

The following table shows the Company's revenues by geographic areas for the financial years ended December 31, 2017G, 2018G, 2019G and the nine-month periods ended September 30, 2019G and 2020G.

Table No.(14): Revenues by Geographic Regions

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|--|----------------------------------|----------------|----------------|--------------------------------------|-------------------|---------------------|-----------------|-----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Classification by geographic area | | | | | | | | | |
| local | 88,311 | 116,983 | 119,142 | 35,888 | 31,381 | 32.50% | 1.80% | (12.60%) | 16.20% |
| Export | 302,860 | 146,265 | 86,820 | 43,661 | 33,875 | (51.70%) | (40.60%) | (22.40%) | (46.50%) |
| Total | 391,170 | 263,248 | 205,962 | 79,549 | 65,256 | (32.70%) | (21.80%) | (18.00%) | (27.40%) |
| As a percentage of total revenue | | | | | | | | | |
| local | 22.60% | 44.40% | 57.80% | 45.10% | 48.10% | | | | |
| Export | 77.40% | 55.60% | 42.20% | 54.90% | 51.90% | | | | |

Source: financial statements and management information



The Company achieves its revenues by marketing its products in the local market and exporting, as local revenues accounted for 22.6%, 44.4%, 57.8%, 45.1% and 48.1% of the total revenues in 2018G, 2019G and 2020G and the three-month periods ending on March 31, 2020G and 2021G, respectively. While export revenues accounted for 77.4%, 55.6%, 42.2%, 54.9% and 51.9% of the total revenues in 2018G, 2019G and 2020G and the three-month periods ending on March 31, 2020G and 2021G, respectively.

Domestic revenues increased by 32.5% from SAR 88.3 million in 2018G to SAR 117.0 million in 2019G. This is due to the improvement in demand, the increase in the quantities sold and the increase in the average selling prices of axles and foundries products, in addition to the increase in the sales of wire products by 9%. Domestic revenues did not witness substantial fluctuations between 2019G and 2020G. Domestic revenues decreased by 12.6% from SAR 35.9 million in the three-month period ending on March 31, 2020G, to SAR 31.4 million in the three-month period ending on March 31, 2021G. This is due to the decrease in the sales of trailer axles, as well as the decrease in the sales of the foundry factory in the local market.

Export revenue decreased by 51.7% from SAR 302.9 million in 2018G to SAR 146.3 million in 2019G. The decline was driven by the decrease in sales in the United States market, where the decline amounted to about 86% from 14 thousand tons in 2018G to 2 thousand tons in 2019G. Export revenues also decreased by 40.6% to reach SAR 86.8 million in 2020G due to the closure and precautionary measures to limit the spread of the Corona virus and the suspension of most projects. Export revenue also decreased by 22.4% from SAR 43.7 million in the three-month period ended March 31, 2020G to SAR 33.9 million in the three-month period ended March 31, 2021G. This is mainly due to the lack of sales to the US market during the first quarter of 2021G.

5-5-1-3 Sales and Marketing Expenses

The following table details sales and marketing expenses for the financial years ended December 31, 2018G, 2019G, 2020G and the three-month periods ended March 31, 2020G and 2021G.

Table No.(15): Sales and Marketing Expenses

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|-------------------------------|----------------------------------|---------------|---------------|--------------------------------------|-------------------|---------------------|----------------|-----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Employees related costs | 5,485 | 5,285 | 5,043 | 1,387 | 1,359 | (3.60%) | (4.60%) | (2.00%) | (4.10%) |
| Transmission and distribution | 8,862 | 5,849 | 5,991 | 3,207 | 1,365 | (34.00%) | 2.40% | (57.40%) | (17.80%) |
| Depreciation | 375 | 301 | 269 | 66 | 67 | (19.80%) | (10.70%) | 1.10% | (15.40%) |
| Rent | 387 | 153 | 134 | 25 | 34 | (60.50%) | (12.10%) | 37.00% | (41.10%) |
| Insurance | 290 | 270 | 270 | 97 | 57 | (6.60%) | 0.00% | (41.20%) | (3.40%) |
| Benefits | 73 | 59 | 56 | 15 | 15 | (19.60%) | (4.30%) | (3.10%) | (12.30%) |
| Advertising | 350 | 213 | 73 | 120 | 6 | (39.20%) | (65.90%) | (95.20%) | (54.40%) |
| Travel | 294 | 217 | 140 | 67 | 35 | (26.10%) | (35.50%) | (47.30%) | (31.00%) |
| Other | 611 | 945 | 799 | 157 | 438 | 54.80% | (15.50%) | 179.50% | 14.40% |
| Total | 16,726 | 13,292 | 12,775 | 5,141 | 3,376 | (20.50%) | (3.90%) | (34.30%) | (12.60%) |

Source: financial statements and management information

Staff-related costs are associated with salaries, allowances, bonuses, and other staff-related expenses. The costs related to staff did not witness material fluctuations between 2018G and 2020G and the three-month period ending on March 31, 2021G (the period under analysis).

Transportation and distribution expenses relate to the cost of shipping sales to the Company's customers as per the terms of sale. Transportation and distribution expenses decreased by 34.0% from SAR 8.9 million in 2018G to SAR 5.8 million in 2019G. This is due to the decrease in the quantities sold during the year 2019G. Transportation and distribution expenses did not witness substantial fluctuations between 2019G and 2020G. Transmission and distribution expenses decreased by 57.4% from SAR 3.2 million in the three-month period ending on March 31, 2020G to SAR 1.4 million in the three-month period ending on March 31, 2021G. This is due to the decrease in sales in foreign markets, especially the USA market.

Depreciation expense for selling and distribution expenses was associated with depreciation of assets from cars, office furniture and other assets associated with the selling and distribution departments. Depreciation expense decreased by 19.8% from SAR 0.4 million in 2018G to SAR 0.3 million in 2019G, and depreciation expense also decreased by 10.7% in 2020G. This is due to the annual depreciation of cars. Depreciation expense did not witness material fluctuations in the three-month period ending on March 31, 2021G, compared to the same period of 2020G.



Rental expenses relate to the lease expenses of land on which factories and workers' housing are built, which is charged to selling expenses. Rental expenses decreased from SAR 0.4 million in 2018G to SAR 0.1 million in 2020G. This is due to the transformation of the policy from recording rent as a rental expense to depreciating right-of-use assets and charging them to the cost of sales. Rental expenses increased by 37.0% in the three-month period ending on March 31, 2021G, compared to the same period in 2020G. This is due to the rent of a sales office in the central region.

Insurance expenses are linked to insurance expenses on assets from cars and others used by sales departments and insurance sales during transportation. Insurance expenses did not witness substantial fluctuations between 2018G and 2020G. Insurance expenses decreased by 41.2% from SAR 97.0 thousand in the three-month period ending on March 31, 2020G to SAR 57.0 thousand in the three-month period ending on March 31, 2021G. This is due to a decrease in insurance sales during transportation, driven by a decrease in revenues during the first quarter of 2021G compared to the revenues of the first quarter of 2020G.

Utility charges include telephone, fax and postage charges. Benefit expenses decreased by 19.6% from SAR 73 thousand in 2018G to SAR 59 thousand in 2019G. This is due to lower telephone and postage charges. Benefit expenses did not witness significant fluctuations between 2019G and 2020G. These expenses also did not witness material fluctuations in the three-month period ending on March 31, compared to the same period of 2020G.

Advertising expenses decreased by 39.2% from SAR 0.4 million in 2018G to SAR 0.2 million in 2019G. Advertising expenses also decreased by 65.9% to reach SAR 0.1 million in 2020G. This is due to the low costs of participating in local and foreign exhibitions. Advertising expenses decreased by 95.2% from SAR 0.1 million in the three-month period ending on March 31, 2020G to SAR 6.0 thousand in the three-month period ending on March 31, 2021G. This is due to the lack of participation in advertising campaigns during the first quarter of 2021G.

Travel expenses relate to allowances and tickets for internal and external business missions. Travel expenses decreased from SAR 0.3 million in 2018G to SAR 0.1 million in 2020G, primarily due to the lack of movement and travel during the year 2020G, as a result of the precautions imposed to limit the spread of the Corona virus. Travel expenses decreased by 47.3% from SAR 67.0 thousand in the three-month period ending on March 31, 2020G to SAR 35.0 thousand in the three-month period ending on March 31, 2021G. This is mainly due to a decrease in travel and transportation during the period ending on March 31, 2021G.

Other expenses include maintenance expenses, consulting fees, fuel, stationery, publications, subscription fees, other government expenses, packaging and safety expenses, hospitality expenses and other expenses. Other expenses increased by 54.8% from SAR 0.6 million in 2018G to SAR 0.9 million in 2019G. This is mainly due to the increase in consultancy fees and maintenance expenses in 2019G. Other expenses decreased by 15.5% to reach SAR 0.8 million in 2020G due to the decrease in consulting fees during the year 2020G. Other expenses increased by 179.5% from SAR 0.2 million in the three-month period ending on March 31, 2020G to SAR 0.4 million in the three-month period ending on March 31, 2021G. The rise was mainly related to the increase in consultancy expenses and professional fees for marketing the iron castings product in the United States market.

5-5-1-4 General and Administrative Expenses

The following table details general and administrative expenses for the financial years ended December 31, 2018G, 2019G and 2020G and the three months ended March 31, 2020G and 2021G.

Table No.(16): General and Administrative Expenses

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|-----------------------------|----------------------------------|---------------|---------------|--------------------------------------|-------------------|---------------------|----------------|-------------|-------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Employees related costs | 9,740 | 10,650 | 10,992 | 2,297 | 2,636 | 9.30% | 3.20% | 14.80% | 6.20% |
| Professional fees | 766 | 814 | 1,732 | 165 | 253 | 6.20% | 112.70% | 53.20% | 50.30% |
| Depreciation | 1,102 | 965 | 898 | 232 | 222 | (12.40%) | (7.00%) | (4.50%) | (9.70%) |
| Amortizations | 576 | 606 | 606 | 151 | 151 | 5.20% | - | - | 2.60% |
| Repair and maintenance | 291 | 273 | 274 | 40 | 32 | (6.10%) | 0.30% | (20.20%) | (2.90%) |
| Travel expenses | 400 | 311 | 153 | 72 | 25 | (22.30%) | (50.90%) | (65.30%) | (38.20%) |
| Telephone and utilities | 431 | 357 | 291 | 49 | 49 | (17.20%) | (18.40%) | (0.80%) | (17.80%) |
| Insurance | 136 | 152 | 138 | 36 | 34 | 11.90% | (8.70%) | (6.50%) | 1.10% |
| Security and guarding | 405 | 412 | 406 | 141 | 151 | 1.80% | (1.50%) | 7.10% | 0.20% |
| Board of Directors expenses | 1,437 | 1,341 | 1,479 | 57 | 48 | (6.60%) | 10.20% | (15.10%) | 1.40% |



| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|-------------------------------------|----------------------------------|---------------|---------------|--------------------------------------|-------------------|---------------------|----------------|----------------|--------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| IT expenses | 1,084 | 1,056 | 1,111 | 394 | 86 | (2.60%) | 5.30% | (78.30%) | 1.30% |
| Provision for slow moving inventory | 456 | - | - | - | - | (100.00%) | - | - | (100.00%) |
| Rent | 448 | - | - | - | - | (100.00%) | - | - | (100.00%) |
| Other | 764 | 379 | 710 | 152 | 55 | (50.40%) | 87.20% | (64.10%) | (3.60%) |
| Total | 18,036 | 17,316 | 18,790 | 3,786 | 3,741 | (4.00%) | 8.50% | (1.20%) | 2.10% |

Source: financial statements and management information

Staff related costs increased by 9.3% from SAR 9.7 million in 2018G to SAR 10.7 million in 2019G. This is due to annual increases in salaries, allowances and medical insurance. The costs related to staff did not witness a fundamental change between the years 2019G and 2020G. Staff related costs increased by 14.8% from SAR 2.3 million in the three-month period ending on March 31, 2020G to SAR 2.6 million in the three-month period ending on March 31, 2021G due to the annual increase in employee salaries.

Professional fees did not witness substantial fluctuations between 2018G and 2019G. Professional fees increased by 112.7% from SAR 0.8 million in 2019G to SAR 1.7 million in 2020G, primarily due to the increase in legal advisory fees and fees for preparing feasibility studies for future projects. Professional fees increased by 53.2% from SAR 0.2 million in the three-month period ending March 31, 2020G, to SAR 0.3 million in the three-month period ending March 31, 2021G. This is due to the recording of professional fees for internal auditing, after assigning an external auditor to carry out the internal audit.

Depreciation expense relates to the depreciation of assets such as buildings, cars, office furniture and other assets related to the financial and administrative affairs departments. Depreciation expense decreased by 12.4% from SAR 1.1 million in 2018G to SAR 1.0 million in 2019G. Depreciation expense also decreased by 7.0% to reach SAR 0.9 million in 2020G. The decrease in depreciation expense in 2019G and 2020G is due to the annual depreciation of assets. Depreciation expense did not witness material fluctuations in the three-month period ending on March 31, 2021G, compared to the same period of 2020G.

Expenses associated with the amortization of electronic software. The amortization expenses did not witness significant fluctuations between 2018G and 2020G. Amortization expenses remained constant in the period ending on March 31, 2021G, compared to the same period in 2020G.

Repair and maintenance expenses include expenses for maintaining buildings, vehicles, and office equipment. These expenses did not witness substantial fluctuations between 2018G and 2020G. Repair and maintenance expenses decreased by 20.3% in the three-month period ending on March 31, 2021G, compared to the same period in 2020G. This is due to the low maintenance of cars.

Travel expenses related to allowances and tickets for internal and external work assignments for the Office of the Director General of Administrative and Financial Affairs. Travel expenses decreased by 22.3% from SAR 0.4 million in 2018G to SAR 0.3 million in 2019G. This is due to lower travel requirements in the normal course of business. Travel expenses also decreased by 50.9% to reach SAR 0.2 million in 2020G. This is due to the inability to move and travel during the year 2020G as a result of the precautions imposed to limit the spread of the Corona virus. Travel expenses decreased by 65.3% from SAR 0.1 million in the three-month period ending on March 31, 2020G to SAR 25.0 thousand in the corresponding period of 2021G. The decrease was driven by the lack of travel and movement for internal and external work assignments.

Telephone and utilities expenses were associated with telephone, fax and postage charges. Phone and utilities expenses decreased by 17.2% from SAR 0.4 million in 2018G to SAR 0.3 million in 2020G. This is due to lower telephone and postage charges in the normal course of business. These expenses remained constant in the three-month period ending on March 31, 2021G, compared to the same period in 2020G.

Insurance expenses were linked to insurance expenses on assets related to the Office of the Director General of Administrative and Financial Affairs. Insurance expenses increased by 11.9% from SAR 136 thousand in 2018G to SAR 152 thousand and then decreased by 8.7% to reach SAR 138 thousand in 2020G. The fluctuation in insurance expenses between 2018G and 2020G is attributed to the decrease in car insurance expenses due to the decrease in the number of insured cars. Insurance expenses did not witness material fluctuations in the three-month period ending on March 31, 2021G, compared to the three-month period ending on March 31, 2020G.

The expenses of guarding security are related to the value of contracts with security guard companies that provide labor to guard the Company's facilities. These expenses did not witness material fluctuations during the period under analysis.

The expenses of the Board of Directors include the allowances and expenses of the members of the Board of Directors and the affiliated committees for attending the meetings of the Board of Directors and the annual remuneration for the members



of the Board and the committees. The Board of Directors' expenses decreased by 15.1% from SAR 57.0 thousand in the three-month period ended March 31, 2020G to SAR 48.0 thousand in the three-month period ending March 31, 2021G. This resulted in a decrease in the number of board committee meetings in the first quarter of 2021G compared to the number of meetings that took place during the first quarter of 2020G.

Technical and information expenses include computer expenses, programs, etc. Technology and information expenses did not witness substantial fluctuations between 2018G and 2020G. Information technology expenses decreased by 78.3% from SAR 0.4 million during the period ended March 31, 2020G to SAR 0.1 million during the period ended March 31, 2021G. This is primarily due to the non-recording of expenses for some computer system services because the service provider's invoice was not received.

A provision for slow moving inventories was recorded in the amount of SAR 0.5 million in 2018G, and the provision was reclassified to other expenses by the external auditor during the year 2020G.

The Company recorded rental expenses of SAR 0.4 million in 2018G, which is related to the annual rent of factory lands that are charged to administrative affairs.

Other expenses include publications expenses, computer consumables, cleaning, fuel, hospitality, subscription fees, government fees and certifications, value added tax, tax on non-resident entities, publishing and advertising expenses, and others. Other expenses decreased by 50.4% from SAR 0.8 million in 2018G to SAR 0.4 million in 2019G due to a reversal of previous years' expense of SAR 0.3 million. Other expenses increased by 87.2% to reach SAR 0.8 million in 2020G. This is due to the recording of value-added tax differences upon tax reassessment from the General Authority for Zakat and Income, in addition to an increase in tax on non-resident entities. Other expenses decreased by 64.1% from SAR 0.2 million in the three-month period ended March 31, 2020G to SAR 0.1 million in the three-month period ended March 31, 2021G. This is due to the decrease in fuel expenses, the refund of value-added tax, and the decrease in government fees and attestations (approvals).

5-5-1-5 Other expenses

The following table shows the Company's other expenses for the financial years ending on December 31, 2018G, 2019G and 2020G, in addition to the three-month periods ended on March 31, 2020G and 2021G.

Table No.(17): Other expenses

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|--|----------------------------------|---------------|---------------|--------------------------------------|-------------------|---------------------|-----------------|----------------|----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Provision for slow moving inventories | - | 2,441 | 6,969 | - | - | N/A | 185.50% | - | N/A |
| Adjustments to net realizable value of inventories | - | - | 2,432 | - | - | - | N/A | - | N/A |
| Goodwill decline | - | 40,085 | - | - | - | N/A | (100.00%) | - | N/A |
| Trade receivables decline | 466 | 259 | 2,736 | 429 | 1,973 | (44.50%) | 957.60% | 360.10% | 142.20% |
| Total | 466 | 42,785 | 12,136 | 429 | 1,973 | 9073.90% | (71.60%) | 360.10% | 410.10% |

Source: financial statements and management information

The provision for slow moving inventories increased by 185.5% from SAR 2.4 million in 2019G to SAR 7.0 million in 2020G due to the formation of an additional provision for slow moving inventory due to obsolescence of some inventory components.

Adjustments to the net realizable value of inventories amounting to SAR 2.4 million in 2020G relate to reducing the cost of complete production in stores to the realizable value (the expected selling price).

The Company recorded a decline in goodwill by SAR 40.1 million in 2019G due to the reassessment of the recoverable value of the cash-generating units of the goodwill (manufacturers of Arab axles, foundries and spare parts) due to the incurring of continuous operating losses, through conducting a impairment assessment, which resulted in a decrease in the amount of SAR 40.1 million which was recognized as an impairment of the goodwill in full.

The decline in accounts receivable balance decreased by 44.5% from SAR 0.5 million in 2018G to SAR 0.3 million in 2019G as a result of the collection of some accounts receivable after evaluating the balances of accounts receivable using expected credit losses rates during the year 2019G. The balance increased by 957.6% to reach SAR 2.7 million in 2020G. This is due to hedging due to the obsolescence of some receivable balances and poor collection during the year 2020G due to the Corona pandemic. The balance also increased by 360.1% from SAR 0.4 million in the three-month period ending on March 31, 2020G to SAR 2.0 million in the three-month period ending on March 31, 2021G due to the increase in the provision for expected losses according to the policy adopted using the credit loss rate.



5-5-1-6 Other income

The following table shows the Company's other revenues for the financial years ending on December 31, 2018G, 2019G and 2020G, in addition to the three-month periods ending on March 31, 2020G and 2021G.

Table No.(18): Other income

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|---|----------------------------------|---------------|---------------|--------------------------------------|-------------------|---------------------|-----------------|-----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Scrap sales | 1,180 | 874 | 364 | 96 | 129 | (25.90%) | (58.40%) | 34.20% | (44.50%) |
| Rental income | 239 | 303 | 295 | 92 | 71 | 26.40% | (2.70%) | (23.40%) | 10.90% |
| Foreign exchange gain/(Loss) | 363 | 43 | (263) | (3) | (18) | (88.30%) | (717.70%) | 499.90% | N/A |
| Compensation from suppliers and payment of insurance claims | 44 | 7 | - | - | - | (83.60%) | (100.00%) | - | (100.00%) |
| Gain/(Loss) on disposal / write-off of Property Plant and equipment | 0 | 38 | (13) | - | - | N/A | (134.20%) | - | 604.50% |
| Other | 320 | 178 | 414 | 32 | 1 | (44.60%) | 133.20% | (96.70%) | 13.70% |
| Total | 2,146 | 1,442 | 797 | 218 | 183 | (32.80%) | (44.70%) | (15.90%) | (39.10%) |

Source: financial statements and management information

Scrap sales decreased by 25.9% from SAR 1.2 million in 2018G to SAR 0.9 million in 2019G. Scrap sales also decreased by 58.4% to reach SAR 0.4 million in 2020G. The decrease in scrap sales in 2019G and 2020G came in line with the decrease in production, as scrap represents production waste. Scrap sales increased by 34.2% from SAR 96.0 thousand in the three-month period ending on March 31, 2020G to SAR 129.0 thousand in the three-month period ending on March 31, 2021G. This is due to the high quantities and selling price of scrap.

The Company recorded rental income of SAR 0.2 million, SAR 0.3 million, SAR 0.3 million and SAR 71.0 thousand in 2018G, 2019G, 2020G and the three-month period ending on March 31, 2021G, respectively. The rental income during the years and period mentioned is related to the value of the rent of apartments owned by the Company that are leased to others.

The gain and loss on foreign currency conversion relates to the gain and loss after the foreign currency rate changed during the period under analysis.

The Company recorded compensation from suppliers and payment of insurance claims amounting to SAR 44.0 thousand and SAR 7.0 thousand in 2018G and 2019G, respectively. These compensations were linked to the value of the compensations collected on claims from insurance companies according to the terms of insurance policies.

Gains and losses on disposal or write-off of minor Property Plant and equipment were recognized during the period under analysis.

Other income mainly includes profits from deposits, Murabaha, settlement and write-off of advance payment balances from non-moving customers. Other income decreased by 44.6% from SAR 0.3 million in 2018G to SAR 0.2 million in 2019G due to a decrease in deposit profits and a decrease in the write-off of non-moving customer advance payments balances. Other revenues increased by 133.2% to reach SAR 0.4 million in 2020G. This is due to an increase in writing off non-moving credit balances and collecting an amount from clients that was previously written off. Other income decreased by 96.7% in the three-month period ending on March 31, 2021G, compared to the corresponding period of 2020G, due to the Company receiving an amount from a customer during the first quarter of 2020G that was recorded among bad debts.

5-5-1-7 Financing cost

The financing cost increased by 9.6% from SAR 4.5 million in 2018G to SAR 4.9 million in 2019G. This is due to the increased use of short-term loans from facilities granted by local banks to refinance documentary credits for importing raw materials. The cost of financing decreased by 26.0% to reach SAR 3.6 million in 2020G. This resulted from a decrease in the use of short-term loans and a decrease in loan balances in general during the year 2020G to repay loan installments according to the agreed repayment schedules. The financing cost decreased by 17.4% from SAR 0.8 million in the three-month period ending on March 31, 2020G to SAR 0.7 million in the three-month period ending on March 31, 2021G. This is due to lower loan balances.



5-5-1-8 Zakat

Zakat Assessment Position

The Company submitted its Zakat returns until the year ended December 31, 2019G and obtained the required certificates and official receipts. The Company also completed its Zakat assessments with the Zakat, Tax and Customs Authority until 2018G. During 2020G, the Company received the assessments for the years 2017G and 2018G in the amount of SAR 876,691, of which SAR 384,845 were paid to the Zakat, Tax and Customs Authority. For the remaining amount, an objection was submitted in 2020G, and in 2021G the Company agreed with the General Authority of Zakat and Income to a final settlement of SAR 179,170, which was paid in full, and these amounts that were accepted and paid by the Company were included in the Zakat expense for the year.

5-5-2 Statement Of Financial Position

The following table provides a statement of the Company's financial position as of December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(19): Statement of financial position

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|--|----------------------------------|----------------|----------------|--------------------------------------|---------------------|-----------------|----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Non-current assets | | | | | | | | |
| Property, Plant and equipment | 194,491 | 184,102 | 178,135 | 174,828 | (5.30%) | (3.20%) | (1.90%) | (4.30%) |
| Right-of-use assets | - | 4,712 | 3,961 | 3,774 | - | (15.90%) | (4.70%) | N/A |
| Intangible assets | 46,380 | 4,812 | 2,931 | 2,461 | (89.60%) | (39.10%) | (16.00%) | (74.90%) |
| Investment property | 2,436 | 2,235 | 2,034 | 1,984 | (8.30%) | (9.00%) | (2.50%) | (8.60%) |
| Equity investments designated at fair value through other comprehensive income | - | 3,750 | 3,750 | 3,750 | - | - | - | N/A |
| Total non-current assets | 243,307 | 199,612 | 190,811 | 186,797 | (18.00%) | (4.40%) | (2.10%) | (11.40%) |
| Current assets | | | | | | | | |
| Inventory | 172,267 | 121,933 | 105,575 | 87,384 | (29.20%) | (13.40%) | (17.20%) | (21.70%) |
| Trade receivables | 122,527 | 103,968 | 76,213 | 90,693 | (15.10%) | (26.70%) | 19.00% | (21.10%) |
| Advance payments and other receivables | 7,021 | 7,146 | 5,365 | 7,876 | 1.80% | (24.90%) | 46.80% | (12.60%) |
| Cash and cash equivalents | 38,311 | 19,696 | 36,592 | 27,526 | (48.60%) | 85.80% | (24.80%) | (2.30%) |
| Total current assets | 340,126 | 252,744 | 223,745 | 213,479 | (25.70%) | (11.50%) | (4.60%) | (18.90%) |
| Total assets | 583,434 | 452,356 | 414,556 | 400,275 | (22.50%) | (8.40%) | (3.40%) | (15.70%) |
| Equity | | | | | | | | |
| Capital | 281,121 | 281,121 | 281,121 | 281,121 | - | - | - | - |
| Legal reserve | 27,173 | 27,173 | 27,173 | 27,173 | - | - | - | - |
| (Accumulated losses) \ Retained earnings | 64,472 | 217 | (40,157) | (47,242) | (99.70%) | N/A | 17.60% | N/A |
| Total Equity | 372,767 | 308,511 | 268,137 | 261,052 | (17.20%) | (13.10%) | (2.60%) | (15.20%) |
| Non-current liabilities | | | | | | | | |
| Lease obligations | - | 4,035 | 3,557 | 3,598 | N/A | (11.80%) | 1.10% | N/A |
| Long term loans | 62,354 | 53,324 | 47,167 | 40,079 | (14.50%) | (11.50%) | (15.00%) | (13.00%) |
| Employees' end of service benefits obligations | 25,298 | 26,865 | 28,016 | 29,567 | 6.20% | 4.30% | 5.50% | 5.20% |
| Total non-current liabilities | 87,652 | 84,224 | 78,740 | 73,244 | (3.90%) | (6.50%) | (7.00%) | (5.20%) |
| Current liabilities | | | | | | | | |
| Trade payables and other liabilities | 67,529 | 13,955 | 23,816 | 22,433 | (79.30%) | 70.70% | (5.80%) | (40.60%) |
| Lease obligations - current portion | - | 547 | 573 | 587 | - | 4.70% | 2.30% | N/A |
| Long-term loans - current portion | 11,200 | 13,450 | 16,700 | 17,500 | 20.10% | 24.20% | 4.80% | 22.10% |
| Short term loans | 24,704 | 13,244 | 5,000 | 3,282 | (46.40%) | (62.20%) | (34.40%) | (55.00%) |
| Accruals and other liabilities | 13,482 | 12,875 | 16,410 | 16,077 | (4.50%) | 27.50% | (2.00%) | 10.30% |
| Zakat provision | 6,100 | 5,550 | 5,180 | 6,101 | (9.00%) | (6.70%) | 17.80% | (7.80%) |



| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|--|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|-------------|-------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Total current liabilities | 123,015 | 59,621 | 67,679 | 65,979 | (51.50%) | 13.50% | (2.50%) | (25.80%) |
| Total Liabilities | 210,667 | 143,845 | 146,419 | 139,223 | (31.70%) | 1.80% | (4.90%) | (16.60%) |
| Total shareholders' equity and liabilities | 583,434 | 452,356 | 414,556 | 400,275 | (22.50%) | (8.40%) | (3.40%) | (15.70%) |

Source: financial statements and management information

Total non-current assets decreased by 18.0% from SAR 234.3 million as of December 31, 2018G to SAR 199.6 million as of December 31, 2019G. The total non-current assets also decreased by 4.4% to reach SAR 190.8 million as on December 31, 2020G. This is mainly due to a decrease in the net book value of Property Plant and equipment in addition to a decrease in the net book value of intangible assets. Total non-current assets decreased by 2.1% from SAR 190.8 million as on December 31, 2020G to SAR 186.8 million as on March 31, 2021G. This is due to a decrease in the net book value of Property Plant and equipment.

Total current assets decreased by 25.7% from SAR 340.1 million as of December 31, 2018G to SAR 252.7 million as of December 31, 2019G. Total current assets also decreased by 11.5% to reach SAR 223.7 million as of December 31, 2020G. The decrease as of December 31, 2019G and 2020G is attributable to a decrease in inventory and trade receivables. Total current assets also decreased by 4.6% to reach SAR 213.5 million as on March 31, 2021G. This is due to a decrease in net inventory, cash and cash equivalent.

Total equity decreased by 17.2% from SAR 372.8 million as on December 31, 2018G to SAR 308.5 million as on December 31, 2019G due to a decrease in retained earnings. Total equity decreased by 13.1% from SAR 308.5 million as on December 31, 2019G to SAR 268.1 million as on December 31, 2020G, and total equity decreased by 2.6% to SAR 261.1 million as on March 31, 2021G. This is due to recording accumulated losses of SAR 40.2 million and SAR 47.2 million as on December 31, 2020G and March 31, 2021G, respectively.

Total non-current liabilities decreased by 3.9% from SAR 87.7 million as of December 31, 2018G to SAR 84.2 million as of December 31, 2019G. This is due to lower lease obligations. Total non-current liabilities decreased by 6.5% from SAR 84.2 million as of December 31, 2019G to SAR 78.7 million as of December 31, 2020G. This is due to a decrease in the obligations of lease contracts and long-term loans. Total non-current liabilities decreased by 7.0% to reach SAR 73.2 million as on March 31, 2021G. This is due to a decrease in the balance of long-term loans.

Total current liabilities decreased by 51.5% from SAR 123.0 million as of December 31, 2018G to SAR 59.6 million as of December 31, 2019G. This is primarily due to a decrease in trade payables and other liabilities. Total current liabilities increased by 13.5% to reach SAR 67.7 million as of December 31, 2020G. This is due to an increase in trade payables and other liabilities, an increase in the current portion of long-term loans, in addition to an increase in receivables and other liabilities. Total current liabilities decreased by 2.5% from SAR 67.7 million as on December 31, 2020G to SAR 66.0 million as on March 31, 2021G due to a decrease in payables and other liabilities and a decrease in the balance of short-term loans.

5-5-2-1 Non-Current Assets

The following table provides a summary of non-current assets as of December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(20): Non-Current Assets

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|--|----------------------------------|----------------|----------------|--------------------------------------|---------------------|----------------|----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Property Plant and equipment | 194,491 | 184,102 | 178,135 | 174,828 | (5.30%) | (3.20%) | (1.90%) | (4.30%) |
| Right-of-use assets | - | 4,712 | 3,961 | 3,774 | - | (15.90%) | (4.70%) | N/A |
| Intangible assets | 46,380 | 4,812 | 2,931 | 2,461 | (89.60%) | (39.10%) | (16.00%) | (74.90%) |
| Investment property | 2,436 | 2,235 | 2,034 | 1,984 | (8.30%) | (9.00%) | (2.50%) | (8.60%) |
| Equity investments designated at fair value through other comprehensive income | - | 3,750 | 3,750 | 3,750 | - | - | - | N/A |
| Total non-current assets | 243,307 | 199,612 | 190,811 | 186,797 | (18.00%) | (4.40%) | (2.10%) | (11.40%) |

Source: financial statements and management information

Property, plant and equipment constituted 79.9%, 92.2%, 93.4% and 93.6% of the total non-current assets as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G, respectively.



5-5-2-1-1 Property, plant and equipment

The following table provides a summary of the net book value of the Company's Property Plant and equipment as on December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(21): Plant, property and equipment

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|--|----------------------------------|----------------|----------------|--------------------------------------|---------------------|----------------|----------------|----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Buildings and leasehold improvements | 43,484 | 41,774 | 38,823 | 37,574 | (3.90%) | (7.10%) | (3.20%) | (5.50%) |
| Property Plant and equipment | 142,889 | 134,722 | 124,633 | 122,436 | (5.70%) | (7.50%) | (1.80%) | (6.60%) |
| Furniture, fixtures and office equipment | 848 | 677 | 743 | 706 | (20.20%) | 9.90% | (5.00%) | (6.40%) |
| Cars, Forklifts & Trailers | 1,737 | 1,690 | 1,302 | 1,197 | (2.70%) | (23.00%) | (8.10%) | (13.40%) |
| Tools and equipment | 2,941 | 2,076 | 1,338 | 1,184 | (29.40%) | (35.50%) | (11.50%) | (32.50%) |
| Capital work in progress | 2,593 | 3,163 | 11,295 | 11,731 | 22.00% | 257.10% | 3.90% | 108.70% |
| Net book value | 194,491 | 184,102 | 178,135 | 174,828 | (5.30%) | (3.20%) | (1.90%) | (4.30%) |

Source: financial statements and management information

Buildings and leasehold improvements include factory buildings and affiliated facilities. The net book value of buildings and leasehold improvements decreased by 3.9% from SAR 43.5 million as of December 31, 2018G to SAR 41.8 million as of December 31, 2019G. The net book value of buildings and leasehold improvements also decreased by 7.1% to reach SAR 38.8 million as of December 31, 2020G, primarily due to annual depreciation. The net book value of buildings and leasehold improvements did not witness material fluctuations between December 31, 2020G and March 31, 2021G.

Plant, machinery and equipment includes production lines in plants and other equipment associated with production. The net book value of plant, machinery and equipment decreased by 5.7% from SAR 142.9 million as of December 31, 2018G to SAR 134.7 million as of December 31, 2019G. This is due to the annual depreciation. The net book value of the plant, machinery and equipment also decreased by 7.5% to reach SAR 124.6 million as of December 31, 2020G. This is due to annual depreciation. The net book value of the plant, machinery and equipment did not witness material fluctuations between December 31, 2020G and March 31, 2021G.

The net book value of furniture, fixtures and office equipment decreased by 20.2% from SAR 0.8 million as of December 31, 2018G to SAR 0.7 million as of December 31, 2019G. This is due to annual depreciation. The net book value of furniture, fixtures and office equipment increased by 9.9% to reach SAR 0.7 million as of December 31, 2020G. The rise was driven by additions related to improvements in central air conditioners and exhaust fans. The decrease in the net book value of furniture, fixtures and office equipment by 5.0% as on March 31, 2021G is due to depreciation for the three-month period ending on March 31, 2021G.

The net book value of cars, forklifts and trailers did not witness substantial fluctuations between December 31, 2018G and 2019G, despite the annual depreciation due to the presence of additions to cars and forklifts during 2019G. The net book value of cars, forklifts and trailers decreased by 23.0% from SAR 1.7 million as of December 31, 2019G to SAR 1.3 million as of December 31, 2020G. This is due to the annual depreciation. The net book value of cars, forklifts and trailers decreased by 8.1% from SAR 1.3 million as of December 31, 2020G to SAR 1.2 million as of March 31, 2021G. This is due to depreciation for the three-month period ending on March 31, 2021G.

Tools and equipment consist of capital spare parts and tools used in production services. The net book value of tools and equipment decreased by 29.4% from SAR 2.9 million as on December 31, 2018G to SAR 2.1 million as on December 31, 2019G due to annual depreciation. The net book value of tools and equipment also decreased by 35.5% from SAR 2.1 million as on December 31, 2019G to SAR 1.3 million as on December 31, 2020G, and the net book value of tools and equipment also decreased by 11.5% to reach SAR 1.2 million as on December 31, March 2021G. The decrease in the net book value of tools and equipment as on December 31, 2020G and March 31, 2021G is due to annual depreciation.

Capital work-in-progress represents payments made by the Company against construction-in-progress to expand factories and develop production lines.



5-5-2-1-2 Right-of-use assets

The following table provides a summary of the right-of-use assets as of December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(22): Right-of-use assets

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|----------------------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|-----------------|----------------|-------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Balance on January 1 | - | 5,463 | 4,712 | 3,961 | N/A | (13.70%) | (15.90%) | N/A |
| Depreciation | - | (751) | (751) | (187) | N/A | - | (75.10%) | N/A |
| Balance as of December 31 | - | 4,712 | 3,961 | 3,774 | N/A | (15.90%) | (4.70%) | N/A |

Source: financial statements and management information

The Company applied IFRS 16 during the year 2019G. The Company recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date. Right-of-use assets are subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use assets shows that the Company will exercise the purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as property, plant and equipment. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company leases lands, as the lease term on various lease contracts ranges from 10 to 23 years.

5-5-2-1-3 Intangible Assets

The following table provides a summary of net book value of intangible assets as of December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(23): Intangible Assets

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-------------------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|-----------------|-----------------|----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Cost | | | | | | | | |
| Balance on January 1 | 10,357 | 10,357 | 10,714 | 9,406 | - | 3.4% | (12.2%) | 1.7% |
| Additions | - | 303 | - | - | N/A | (100.0%) | - | N/A |
| Write offs | - | - | (1,308) | - | N/A | - | - | N/A |
| Transfers | - | 53 | - | - | N/A | (100.0%) | - | N/A |
| Balance on December 31 | 10,357 | 10,714 | 9,406 | 9,406 | N/A | (12.20%) | 0.00% | (4.70%) |
| Amortization | | | | | | | | |
| Balance on January 1 | 2,252 | 4,062 | 5,902 | 6,475 | 80.40% | 45.30% | 9.70% | 61.90% |
| Charged during the year | 1,810 | 1,840 | 1,881 | 470 | 1.70% | 2.20% | (75.00%) | 2.00% |
| Write offs | - | - | (1,308) | - | - | - | - | N/A |
| Balance on December 31 | 4,062 | 5,902 | 6,475 | 6,945 | 45.30% | 9.70% | 7.30% | N/A |
| Net book value | 6,295 | 4,812 | 2,931 | 2,461 | (23.60%) | (39.10%) | (16.00%) | N/A |

Source: financial statements and management information

Intangible assets mainly include electronic software and the cost of distinguished production software. The net book value of intangible assets decreased by 23.6% from SAR 6.2 million as of December 31, 2018G to SAR 4.8 million as of December 31, 2019G. This resulted in recording an amortization during the year by SAR 1.8 million, which was related to the annual amortization of the computer program and the cost of the distinguished production program. The net book value of intangible assets also decreased by 39.1% to reach SAR 2.9 million as of December 31, 2020G, due to the amortization of SAR 1.9 million in addition to recording write-offs by SAR 1.3 million, as the write-offs were related to a computer program that was amortized fully. The net book value of intangible assets decreased by 16.0% from SAR 2.9 million as of December 31, 2020G to SAR 2.5 million as of March 31, 2021G. This is due to the amortization for the three-month period ending on March 31, 2021G.



5-5-2-1-4 Investment properties

The following table provides a summary of the investment properties as of December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(24): investment property

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|---------------------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|----------------|----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| At the beginning of the year | 6,784 | 6,784 | 6,784 | 6,784 | - | - | - | - |
| Accumulated depreciation | | | | | | | | |
| At the beginning of the year | 4,146 | 4,347 | 4,549 | 4,750 | 4.90% | 4.60% | 4.40% | 4.70% |
| Charged during the year | 201 | 201 | 201 | 50 | - | - | (75.00%) | - |
| At the end of the year | 4,347 | 4,549 | 4,750 | 4,800 | 4.60% | 4.40% | 1.10% | 4.50% |
| Net book value | 2,436 | 2,235 | 2,034 | 1,984 | (8.30%) | (9.00%) | (2.50%) | (8.60%) |

Source: financial statements and management information

Investment property includes residential buildings that are leased to others. The net book value of investment properties decreased by 8.3% from SAR 2.4 million as on December 31, 2018G to SAR 2.2 million as on December 31, 2019G due to annual depreciation. The net book value of investment properties also decreased by 9.0% to reach SAR 2.0 million as on December 31, 2020G. This is due to the annual depreciation of this property. The net book value of the investment properties did not witness material fluctuations between December 31, 2020G and March 31, 2021G.

Noteworthy, the Company conducted an independent evaluation of its investment properties as of December 31, 2020G, and determined the fair value of the investment properties at SAR 9.8 million. The valuation was carried out by an independent valuer, Mr. Hamad Abdulaziz Ahmed Al-Hamoud, who was licensed by the Saudi Authority for Accredited Valuers (Taqeem) to determine the fair value of investment properties as on December 31, 2020G.

5-5-2-1-5 Equity Investments Designated at Fair Value Through Other Comprehensive Income

In 2019G, the Company's Board of Directors decided at its meeting held on October 27, 2019G to invest 10% in the capital of the National Industrial Vehicles Company, the investee company, at an amount of SAR 3.8 million. The initial capital of the National Industrial Vehicles Company was SAR 0.1 million, which was later increased to SAR 37.5 million by its shareholders in 2019G. The name of the Company was later changed to Sanam Vehicles for Industry.

The Company classified this investment at fair value through other comprehensive income upon initial recognition, due to the fact that the National Automotive Manufacturing Company is in the formation stage, and the Company believes that the cost is the best estimate of its fair value and therefore recorded this investment at cost.

5-5-2-2 Current Assets

The following table provides a summary of current assets as of December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(25): Current Assets

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-----------------------------------|----------------------------------|----------------|----------------|--------------------------------------|---------------------|----------------|---------------|----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Inventory | 172,267 | 121,933 | 105,575 | 87,384 | (29.2%) | (13.4%) | (17.2%) | (21.7%) |
| Trade receivables | 122,527 | 103,968 | 76,213 | 90,693 | (15.1%) | (26.7%) | 19.0% | (21.1%) |
| Prepayments and other receivables | 7,021 | 7,146 | 5,365 | 7,876 | 1.8% | (24.9%) | 46.8% | (12.6%) |
| Cash and cash equivalents | 38,311 | 19,696 | 36,592 | 27,526 | (48.6%) | 85.8% | (24.8%) | (2.3%) |
| Total current assets | 340,126 | 252,744 | 223,745 | 213,479 | (25.7%) | (11.5%) | (4.6%) | (18.9%) |

Source: financial statements and management information

Inventories and trade receivables accounted for 86.7%, 89.4%, 81.2% and 83.4% of the total current assets as on December 31, 2018G, 2019G and 2020G and as of March 31, 2021G, respectively.



5-5-2-2-1 Inventory

The following table provides a summary of inventory as of December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(26): Inventory

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-------------------------------------|----------------------------------|----------------|----------------|--------------------------------------|---------------------|-----------------|-----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Raw materials | 51,086 | 30,960 | 25,887 | 18,469 | (39.40%) | (16.40%) | (28.70%) | (28.80%) |
| Finished goods | 80,531 | 68,973 | 66,912 | 48,983 | (14.40%) | (3.00%) | (26.80%) | (8.80%) |
| Goods under manufacture | 9,776 | 9,492 | 7,597 | 6,323 | (2.90%) | (20.00%) | (16.80%) | (11.80%) |
| Spare parts | - | 7,746 | 8,914 | 8,743 | N/A | 15.10% | (1.90%) | N/A |
| Other consumables and inventory | 34,079 | 4,837 | 3,308 | 11,330 | (85.80%) | (31.60%) | 242.50% | (68.80%) |
| Total | 175,472 | 122,008 | 112,619 | 93,848 | (30.50%) | (7.70%) | (16.70%) | (19.90%) |
| Provision for slow moving inventory | (3,205) | (75) | (7,044) | (6,464) | (97.70%) | 9326.30% | (8.20%) | 48.30% |
| Net inventory | 172,267 | 121,933 | 105,575 | 87,384 | (29.20%) | (13.40%) | (17.20%) | (21.70%) |

Source: financial statements and management information

The raw material inventory mainly includes Coils of wire rod, Scrap Iron and Beams - the basic raw materials for the Company's products. The balance of raw materials inventory decreased by 39.4% from SAR 51.1 million as of December 31, 2018G to SAR 31.0 million as of December 31, 2019G. The balance of raw materials stocks also decreased by 16.4% to reach SAR 25.9 million as on December 31, 2020G. The decrease in the balance of raw materials as on December 31, 2019G and 2020G was driven by the decrease in iron wire coils. The balance of raw materials inventory decreased by 28.7% from SAR 25.9 million as on December 31, 2020G.

to SAR 18.5 million as on March 31, 2021G. This is mainly due to the low stock of iron wire coils.

The finished goods relate to the products of pre-stressed stranded wire, spring wire, trailer axles, castings and spare parts for sale. The finished goods inventory balance decreased by 14.4% from SAR 80.5 million as on December 31, 2018G to SAR 69.0 million as on December 31, 2019G due to lower production caused by lower sales. The balance of finished goods did not witness substantial fluctuations between December 31, 2019G and 2020G. The finished goods inventory balance decreased by 26.8% from SAR 66.9 million as on December 31, 2020G to SAR 49.0 million as on March 31, 2021G. This is due to lower inventory of the twisted wire product due to lower production compared to the quantities sold during the period.

Goods in process are associated with semi-finished products in the semi-finished stages and are not completely manufactured. The balance of the inventory of goods under manufacturing did not witness significant fluctuations between December 31, 2018G and 2019G. The balance decreased by 20.0% from SAR 9.5 million as of December 31, 2019G to SAR 7.6 million as of December 31, 2020G. This is due to reduced production caused by the Corona pandemic. The balance also decreased by 16.8% from SAR 7.6 million as on December 31, 2020G to SAR 6.3 million as on March 31, 2021G due to a decrease in materials under manufacture at the wire drawing factory due to the unavailability of coils of iron wire caused by the delay in the import shipment beyond the specified period.

Spare parts consist of consumable spare parts that are used in the maintenance of production machinery and equipment. The balance of spare parts inventory increased by 15.1% from SAR 7.7 million as on December 31, 2019G to SAR 8.9 million as on December 31, 2020G. This resulted in the purchase of necessary spare parts that are not available in stores, and the decrease in the operation of factories due to the conditions of the Corona pandemic led to a decrease in the use of spare parts during the year 2020G. The balance of spare parts inventory did not witness substantial fluctuations between December 31, 2020G and March 31, 2021G.

Expendables and other inventory include road goods, auxiliary materials, packaging materials and other consumables used in machinery and production processes. The balance of consumables and other inventory decreased by 85.8% from SAR 34.1 million as of December 31, 2018G to SAR 4.8 million as of December 31, 2019G. This is primarily due to the decrease in the value of goods by road and other materials from SAR 21.6 million in 2018G to SAR 2.0 million in 2019G, in addition to the reclassification of spare parts as a separate item in 2019G. The balance also decreased by 31.6% to reach SAR 3.3 million as on December 31, 2020G. This is due to a decrease in the value of goods on the road in the year 2020G. The balance increased by 242.5% from SAR 3.3 million as on December 31, 2020G to SAR 11.3 million as on March 31, 2021G. This is primarily due to the value of the shipment of coils of iron wire by the road.

The provision for slow moving inventory represents the provision formed to hedge an inventory value falling below its recoverable amount. The provision for slow moving inventory decreased by 97.7% from SAR 3.2 million as of December 31, 2018G



to SAR 0.1 million as of December 31, 2019G. This was mainly due to the use of the provision and write-off of inventory. The provision for slow moving inventory increased from SAR 0.1 million as of December 31, 2019G to SAR 7.1 million as of December 31, 2020G. This rise was driven by the formation of an additional provision for slow-moving complete production inventory as per the approved policy. The provision decreased by 8.2% from SAR 7.0 million as on December 31, 2020G to SAR 6.5 million as on March 31, 2021G due to the sale of some products that previously had a provision and the reversal of the provision.

Movement in provision for slow moving inventory

The following table provides a summary of the movement in the provision for slow moving inventory as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(27): Movement in provision for slow moving inventory

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-------------------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|-----------------|----------------|---------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Balance on January 1 | 2,748 | 3,205 | 75 | 7,044 | 16.60% | (97.70%) | 9326.30% | (83.50%) |
| Charged during the year | 456 | 2,441 | 6,969 | (580) | 434.80% | 185.50% | (108.30%) | 290.80% |
| Write offs | - | (5,571) | - | - | - | (100.00%) | - | N/A |
| Balance on December 31 | 3,205 | 75 | 7,044 | 6,464 | (97.70%) | 9326.30% | (8.20%) | 48.30% |

Source: financial statements and management information

5-5-2-2-2 Trade receivables

The following table provides a summary of trade receivables as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(28): Trade receivables

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-----------------------------|----------------------------------|----------------|---------------|--------------------------------------|---------------------|-----------------|---------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Trade receivables | 135,466 | 117,094 | 92,074 | 108,527 | (13.60%) | (21.40%) | 17.90% | (17.60%) |
| Trade receivables decline | (12,939) | (13,125) | (15,861) | (17,834) | 1.40% | 20.80% | 12.40% | 10.70% |
| Net trade receivable | 122,527 | 103,968 | 76,213 | 90,693 | (15.10%) | (26.70%) | 19.00% | (21.10%) |

Source: financial statements and management information

Trade receivables decreased by 13.6% from SAR 135.5 million as of December 31, 2018G to SAR 117.1 million as of December 31, 2019G. Trade receivables also decreased by 21.4% to reach SAR 92.1 million as of December 31, 2020G. The decrease in trade receivables as on December 31, 2019G and 2020G was driven by the decrease in revenues during the same mentioned years. Trade receivables increased by 17.9% from SAR 92.1 million as on December 31, 2020G to SAR 108.5 million as on March 31, 2021G. The rise was driven by improved sales.



Movement in Receivables Impairment

The following table provides a summary of the movement in the decline in accounts receivable as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(29): Movement in Receivables Impairment

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-------------------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|---------------|---------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Balance on January 1 | 13,087 | 12,939 | 13,125 | 15,861 | (1.10%) | 1.40% | 20.80% | 0.10% |
| Charged during the year | 466 | 259 | 2,736 | 2,075 | (44.50%) | 957.60% | (24.10%) | 142.20% |
| Write-offs / Collection | (614) | (73) | - | (102) | (88.20%) | (100.00%) | N/A | (100.00%) |
| Balance on December 31 | 12,939 | 13,125 | 15,861 | 17,834 | 1.40% | 20.80% | 12.40% | 10.70% |

Source: financial statements and management information

The decline in trade receivables did not witness material fluctuations between December 31, 2018G and 2019G. The balance of the decline in trade receivables increased by 20.8% from SAR 13.1 million as on December 31, 2019G to SAR 15.9 million as on December 31, 2020G due to the increase in the provision using expected loss rates to exceed the balances of some customers for the agreed credit term. The provision increased by 12.4% from SAR 15.9 million as of December 31, 2020G to SAR 17.8 million as on March 31, 2021G. This is due to the increase in the provision for doubtful debts as per the Company's policy.

5-5-2-2-3 Prepayments and Other Receivables

The following table provides a summary of prepayments and other receivables as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(30): Prepayments and Other Receivables

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-----------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|-----------------|---------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Prepayments | 3,068 | 2,333 | 2,268 | 4,354 | (24.00%) | (2.80%) | 92.00% | (14.00%) |
| Payments to suppliers | 2,239 | 4,515 | 2,805 | 2,754 | 101.70% | (37.90%) | (1.80%) | 11.90% |
| Other receivables | 1,714 | 298 | 292 | 768 | (82.60%) | (2.10%) | 162.90% | (58.70%) |
| Total | 7,021 | 7,146 | 5,365 | 7,876 | 1.80% | (24.90%) | 46.80% | (12.60%) |

Source: financial statements and management information

The prepayment balance includes expenses paid in advance before maturity that are settled at maturity. The balance of advance payments decreased by 24.0% from SAR 3.1 million as of December 31, 2018G to SAR 2.3 million as of December 31, 2019G. This is primarily due to the decrease in the prepaid employee housing allowance, as the housing allowance policy for employees was modified to be every 3 months instead of every 6 months, as well as the decrease in the rent paid in advance because the Company abandoned leased sites and converted the paid rent into right-of-use properties. The balance of advance payments did not witness significant fluctuations between December 31, 2019G and 2020G. The balance of advance payments increased by 92.0% from SAR 2.3 million as on December 31, 2020G to SAR 4.4 million as on March 31, 2021G due to the payment of an advance payment for medical insurance for employees.

Payments to suppliers consist of amounts paid to suppliers in advance of the supply of a good or the provision of a service where settlement is made upon completion of the supply or provision of a service. These payments increased by 101.7% from SAR 2.2 million as of December 31, 2018G to SAR 4.5 million as of December 31, 2019G. This is mainly due to advance payments to suppliers to supply machinery and spare parts for the single wire production line. Payments to suppliers decreased by 37.9% to reach SAR 2.8 million as of December 31, 2020G. This is due to the reclassification of the advance payments for the supply of machines and spare parts for the individual wire production line into projects under implementation, in addition to the settlement of the balances of some suppliers for the supply of spare parts. The balance of payments to suppliers did not witness material fluctuations between December 31, 2020G and March 31, 2021G.

Other receivables include value-added tax payable, security refundable, employee advances, and import letters of credit expenses. Other receivables decreased by 82.6% from SAR 1.7 million as of December 31, 2018G to SAR 0.3 million as of December 31, 2019G. The decrease was driven by the absence of a value-added tax balance due at the end of 2019G, compared to SAR 1.5 million in 2018G. Other receivables did not experience material fluctuations between December 31, 2019G and 2020G. The



balance of other receivables increased by 162.9% from SAR 0.3 million as on December 31, 2020G to SAR 0.8 million as on March 31, 2021G. This is mainly due to the payment of land rent for the construction of the Gas Valves Project at King Salman Energy City.

5-5-2-2-4 Cash and Cash Equivalent

The following table provides a summary of cash and cash equivalents as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(31): Cash and Cash Equivalent

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|---------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|-----------------|----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Cash in hand | 7 | 3 | 14 | 61 | (48.40%) | 311.30% | 327.20% | 45.70% |
| Cash at Banks | 11,383 | 8,690 | 21,958 | 26,230 | (23.70%) | 152.70% | 19.50% | 38.90% |
| Term Deposits | 26,922 | 11,003 | 14,620 | 1,234 | (59.10%) | 32.90% | (91.60%) | (26.30%) |
| Total | 38,311 | 19,696 | 36,592 | 27,526 | (48.60%) | 85.80% | (24.80%) | (2.30%) |

Source: financial statements and management information

The increase and decrease in cash in fund during the period under analysis is attributable to the normal course of business of the Company.

Cash in banks decreased by 23.7% from SAR 11.4 million as of December 31, 2018G to SAR 8.7 million as of December 31, 2019G. This resulted in a decrease in revenues and an increase in cash used in investment and financing operations. Cash in banks increased by 152.7% to reach SAR 22.0 million as of December 31, 2020G. This is due to the improvement in cash from operational operations and the decrease in cash used in financing operations. Cash in banks also increased by 19.5% from SAR 22.0 million as on December 31, 2020G to SAR 26.2 million as on March 31, 2021G. This is due to improved sales and collection.

Term deposits represent deposits with local banks with a maturity period of less than three months, and the profit rate ranges from 1.0% to 2.65%. Term deposits decreased by 59.1% from SAR 26.9 million as of December 31, 2018G to SAR 11.0 million as of December 31, 2019G. This is due to the maturity of some deposits. Term deposits increased by 32.9% to reach SAR 14.6 million as of December 31, 2020G. This is due to additional deposits during the year 2020G. Term deposits decreased by 91.6% from SAR 14.6 million as on December 31, 2020G to SAR 1.2 million as on March 31, 2021G due to non-linking of a term deposit during the three-month period ending on March 31, 2021G.

5-5-2-3 Non-current liabilities

The following table provides a summary of the non-current liabilities as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(32): Non-current liabilities

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|--|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|----------------|----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Lease contract obligations | - | 4,035 | 3,557 | 3,598 | N/A | (11.80%) | 1.10% | N/A |
| Long term loans | 62,354 | 53,324 | 47,167 | 40,079 | - | (11.50%) | (15.00%) | (13.00%) |
| Employees end of service benefit obligations | 25,298 | 26,865 | 28,016 | 29,567 | 6.20% | 4.30% | 5.50% | 5.20% |
| Total Non-current liabilities | 87,652 | 84,224 | 78,740 | 73,244 | (3.90%) | (6.50%) | (7.00%) | (5.20%) |

Source: financial statements and management information

Long-term loans and employee end of service benefit obligations constituted 100%, 95.2%, 95.5% and 95.1% of the total non-current liabilities as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G, respectively.



5-5-2-3-1 Lease Contract Obligations

The following table presents the lease obligations as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(33): Lease Contract Obligations

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-------------------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|--------------|-------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Balance on January 1 | - | 5,101 | 4,582 | 4,131 | N/A | (10.20%) | (9.80%) | N/A |
| Interest expense | - | 273 | 245 | 54 | N/A | (10.20%) | (77.90%) | N/A |
| Payments | - | (792) | (697) | - | N/A | (12.10%) | (100.00%) | N/A |
| Balance on December 31 | - | 4,582 | 4,131 | 4,185 | N/A | (9.80%) | 1.30% | N/A |

Source: financial statements and management information

The lease commitments were impaired from SAR 4.6 million as on December 31, 2019G to SAR 4.1 million as on December 31, 2020G and SAR 4.2 million as on March 31, 2021G as a result of the continuous amortization (payment of annual rent payments). It should be noted that the lease contracts related to the obligations disclosed in the above table are lease contracts for lands, factory buildings, and workers' housing that the Company obtained between the year 2019G and the three-month period ending on March 31, 2021G.

The Company applied IFRS 16 during the year 2019G. The Company recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date. Right-of-use assets are subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use assets shows that the Company will exercise the purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as property, plant and equipment. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

5-5-2-3-2 Long-Term Loans

The table provides a summary of the loans granted to the Company as of December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(34): Summary of the loans granted to the Company

| (SAR'000) | Loan type | Total loan | Loan balance as on March 31, 2021G | Security type | Interest rate | Loan starting date | Loan ending date | Loan Purpose | Financial covenants | Status of commitment with covenants |
|-----------------------------------|------------|------------|------------------------------------|--------------------------------------|-------------------|--------------------|--------------------|--|---|-------------------------------------|
| Saudi Industrial Development Fund | Long-term | 26,550 | 24,950 | Pledged assets and undertaking bonds | Upfront fee +1.1% | March 2018G | April 2025G | Financing expansion projects | Commitment to a number of financial covenants | full commitment |
| British Saudi Bank | Long-term | 50,000 | 24,000 | Undertaking bonds | SAIBOR +1.75% | January 7, 2018G | January 7, 2018G | Financing expansion projects | Commitment to a number of financial covenants | full commitment |
| British Saudi Bank | Short term | 10,000 | 2,000 | Undertaking bonds | SAIBOR + 2% | July 19, 2019G | May 19, 2021G | Financing working capital requirements | None | None |
| Saudi National Bank | Long-term | 12,000 | 9,600 | Undertaking bonds | SAIBOR +2.25% | January 24, 2021G | January 4, 2025G | Financing expansion projects | Commitment to a number of financial covenants | full commitment |
| Saudi National Bank | Long-term | 1,282 | 1,282 | Undertaking bonds | SAIBOR +3% | March 9, 2021G | September 9, 2021G | Financing working capital requirements | None | None |

Source: financial statements and management information



The table provides details of the loan balances granted to the Company as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(35): Long Term Loans

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|--|----------------------------------|---------------|---------------|--------------------------------------|---------------------|-----------------|-----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Saudi Industrial Development Fund | 25,420 | 25,750 | 25,150 | 25,150 | 1.30% | (2.30%) | - | (0.50%) |
| Deferred financial charges | (1,979) | (1,531) | (1,083) | (1,045) | (22.60%) | (29.30%) | (3.40%) | (26.00%) |
| Current portion | (800) | (2,050) | (3,300) | (3,100) | 156.30% | 61.00% | (6.10%) | 103.10% |
| Total | 22,641 | 22,169 | 20,767 | 21,005 | (2.10%) | (6.30%) | 1.10% | (4.20%) |
| Other loans from local banks | 50,112 | 42,555 | 39,800 | 33,600 | (15.10%) | (6.50%) | (15.60%) | (10.90%) |
| Current portion | (10,400) | (11,400) | (13,400) | (14,400) | 9.60% | 17.50% | 7.50% | 13.50% |
| Total | 39,712 | 31,155 | 26,400 | 19,200 | (21.50%) | (15.30%) | (27.30%) | (18.50%) |
| Total long-term loans - non-current portion | 62,354 | 53,324 | 47,167 | 40,205 | (14.50%) | (11.50%) | (14.80%) | (13.00%) |
| Total Long-Term Loans - Current portion | 11,200 | 13,450 | 16,700 | 17,500 | 20.10% | 24.20% | 4.80% | 22.10% |

Source: financial statements and management information

Saudi Industrial Development Fund

In 2018G, the Company obtained a loan from the Saudi Industrial Development Fund to finance part of the Company's expansion project. This loan is repayable in unequal semi-annual installments starting from December 2019G. It is secured by promissory notes and a mortgage on some of the Company's property, plant and equipment. The encumbered assets include wire drawing plant assets and products which include buildings and civil works, safety and protection systems, machinery and equipment, transportation - forklifts and mobile cranes for maintenance, furniture and office equipment. The pledged assets also include the assets of the foundry plant, which include the same types of wire drawing plant assets. The loan is fully repayable by April 2025G. Among the amounts of installments due in 2020G, amounted to SAR 2.0 million, the Company paid an amount of SAR 0.6 million in October 2020G, and the remaining amount was rescheduled over the remaining loan period. The loan contains some commitments that require, among other things, the maintenance of certain financial ratios.

Other Loans from Local Banks

These loans were obtained from two banks, the Saudi British Bank and the National Commercial Bank to finance the costs of the Company's expansion project.

In 2018G, the Company obtained a facility in the form of a new loan amounting to SAR 12.0 million from the National Commercial Bank to finance the expansion project of the Company, which was fully utilized as on March 31, 2021G. This loan is subject to a profit margin at the rate of SIBOR plus a margin and is secured by promissory notes. It contains some commitments that require, among other things, the maintenance of certain financial ratios.

The Saudi British Bank loan was provided under the terms of the Murabaha with a limit of SAR 50.0 million, of which SAR 39.0 million was used as on March 31, 2021G. This loan is repayable in semi-annual installments over five years starting from 2018G. This loan is subject to a profit margin at the rate of SIBOR plus a margin and is secured by promissory notes.



Long-Term Loan Maturity

The following table presents the maturity of long-term loans as of December 31, 2020G.

Table No.(36): Maturity of long-term loans

| (SAR'000) | Fiscal year ended on 31 December | | | | | Total |
|---|----------------------------------|---------------|---------------|--------------|--------------|---------------|
| | 2021G | 2022G | 2023G | 2024G | 2025G | |
| Long-term loans from local banks | | | | | | |
| British Saudi Bank | 11,000 | 12,000 | 6,000 | - | - | 29,000 |
| National Commercial Bank | 2,400 | 2,400 | 2,400 | 2,400 | 1,200 | 10,800 |
| Saudi Industrial Development Fund | 3,300 | 4,400 | 5,800 | 7,100 | 4,550 | 25,150 |
| Total | 16,700 | 18,800 | 14,200 | 9,500 | 5,750 | 64,950 |

Source: financial statements and management information

5-5-2-3-3 Employees' benefits obligations

The following table presents Employees' benefits obligations as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(37): Employees' benefits obligations

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|---|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|--------------|--------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Balance on January 1 | 23,346 | 25,298 | 26,865 | 28,016 | 8.40% | 6.20% | 4.30% | 7.30% |
| Charged during the year - profit or loss | 3,218 | 3,595 | 3,397 | 1,692 | 11.70% | (5.50%) | (50.20%) | 2.70% |
| Gain from remeasurement of certain benefit obligations - Other Comprehensive Income | (2,034) | (853) | (441) | - | (58.00%) | (48.30%) | (100.00%) | (53.40%) |
| Payments during the year | 768 | (1,174) | (1,806) | (140) | (252.80%) | 53.90% | (92.20%) | N/A |
| Balance on December 31 | 25,298 | 26,865 | 28,016 | 29,567 | 6.20% | 4.30% | 5.50% | 5.20% |

Source: financial statements and management information

The Company adopts an end-of-service benefits plan for employees in accordance with the applicable Saudi labor regulations. Receivables are determined based on actuarial valuation using the unit accrued amount estimation method, with the obligation to make benefit payments as they fall due. Employee bonus obligations increased by 6.2% from SAR 25.3 million as of December 31, 2018G to SAR 26.9 million as of December 31, 2019G. The employee bonus obligations also increased by 4.2% to reach SAR 28.0 million as of December 31, 2020G. This is primarily due to the annual salary increases of the employees and the increase in the length of service of the employees. Employee bonus obligations increased by 5.5% from SAR 28.0 million as of December 31, 2020G to SAR 29.6 million as of March 31, 2021G. This is due to the increase in the salaries of the employees as well as the length of service of the employees.



5-5-2-4 Current Liabilities

The following table provides a summary of current liabilities as of December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(38): Current Liabilities

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|--------------------------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Trade payables and other liabilities | 67,529 | 13,955 | 23,816 | 22,433 | (79.30%) | 70.70% | (5.80%) | (40.60%) |
| Lease obligations - current portion | - | 547 | 573 | 587 | - | 4.70% | 2.30% | N/A |
| Long-term loans - Current portion | 11,200 | 13,450 | 16,700 | 17,500 | 20.10% | 24.20% | 4.80% | 22.10% |
| Short term loans | 24,704 | 13,244 | 5,000 | 3,282 | (46.40%) | (62.20%) | (34.40%) | (55.00%) |
| Accruals and other liabilities | 13,482 | 12,875 | 16,410 | 16,077 | (4.50%) | 27.50% | (2.00%) | 10.30% |
| Zakat provision | 6,100 | 5,550 | 5,180 | 6,101 | (9.00%) | (6.70%) | 17.80% | (7.80%) |
| Total current liabilities | 123,015 | 59,621 | 67,679 | 65,979 | (51.50%) | 13.50% | (2.50%) | (25.80%) |

Source: financial statements and management information

Accounts payable and other liabilities and the current portion of long-term loans, accruals and other liabilities constituted 75.0%, 67.6%, 84.1% and 84.9% of the total current liabilities as on December 31, 2018G, 2019G and 2020G and as on March 31, 2020G, respectively.

5-5-2-4-1 Trade Payables and Other Liabilities

The following table provides a summary of trade payables and other liabilities as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(39): Trade payables and other liabilities

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|----------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Trade payables | 15,137 | 11,399 | 11,707 | 13,211 | (24.70%) | 2.70% | 12.80% | (12.10%) |
| Payment noted | 52,392 | 2,556 | 12,108 | 9,222 | (95.10%) | 373.80% | (23.80%) | (51.90%) |
| Total | 67,529 | 13,955 | 23,816 | 22,433 | (79.30%) | 70.70% | (5.80%) | (40.60%) |

Source: financial statements and management information

Trade payables decreased by 24.7% from SAR 15.1 million as of December 31, 2018G to SAR 11.4 million as of December 31, 2019G. This is primarily due to reimbursement of suppliers. Trade payables did not witness material fluctuations between December 31, 2019G and 2020G. Trade payables increased by 12.8% from SAR 11.7 million as on December 31, 2020G to SAR 13.2 million as on March 31, 2021G AD due to the registration of medical treatment insurance bills in the suppliers' account and payment is made in agreed installments.

The payment notes include the value of imported raw materials and spare parts under forward documentary credits from local banks. The balance of notes payable decreased by 95.1% from SAR 52.4 million as on December 31, 2018G to SAR 2.6 million as on December 31, 2019G. This is due to the lack of documentary credits for raw materials at the end of 2019G. The balance increased by 373.8% to reach SAR 12.1 million as of December 31, 2020G due to the supply of raw materials with a documentary credit whose payment date to the supplier wasn't due when the accounts for the fiscal year 2020G were closed. The balance of notes payable decreased by 23.8% from SAR 12.1 million as on December 31, 2020G to SAR 9.2 million as on March 31, 2021G, due to the payment of outstanding notes.

5-5-2-4-2 Short-Term Loans

The Company has arranged bank facilities from local banks for working capital requirements in the form of opening letters of credit, refinancing letters of credit and short-term loans. Short-term loans are payable within one year, and these facilities carry an additional amount over cost (SIBOR) plus a certain margin, and are secured by promissory notes. For more information, please refer to Table No. 34 (a summary of the loans granted to the Company).



5-5-2-4-3 Accruals and Other Liabilities

The following table provides a summary of accruals and other liabilities as of December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(40): Accruals and Other Liabilities

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-------------------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|----------------|---------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Dues related to employees | 3,908 | 4,599 | 5,484 | 4,975 | 17.70% | 19.30% | (9.30%) | 18.50% |
| Customs duty payable | 1,822 | 680 | 680 | 680 | (62.70%) | - | - | (38.90%) |
| Due expenses | 4,933 | 3,305 | 4,295 | 4,138 | (33.00%) | 30.00% | (3.70%) | (6.70%) |
| Advance payments from clients | 1,225 | 1,067 | 1,028 | 1,189 | (12.90%) | (3.60%) | 15.60% | (8.40%) |
| Dividend payable | 861 | 760 | 760 | 760 | (11.70%) | - | - | (6.00%) |
| Value added tax | - | 197 | 1,032 | 997 | - | 423.00% | (3.40%) | N/A |
| Other liabilities | 734 | 2,267 | 3,129 | 3,337 | 209.00% | 38.00% | 6.60% | 106.50% |
| Total | 13,482 | 12,875 | 16,410 | 16,077 | (4.50%) | 27.50% | (2.00%) | 10.30% |

Source: financial statements and management information

Dues related to employees increased by 17.7% from SAR 3.9 million as on December 31, 2018G to SAR 4.6 million as on December 31, 2019G due to the increase in employee dues from annual bonuses not paid on the date of closing the accounts. These receivables also increased by 19.3% to reach SAR 5.5 million as on December 31, 2020G. This is due to the increase in the balance of the annual bonuses due for the year 2019G, as well as the increase in the balance of the annual leave due to the employees not benefiting from the annual leave due to the Corona pandemic. Dues related to employees decreased by 9.28% from SAR 5.5 million as on December 31, 2020G to SAR 5.0 million as on March 31, 2021G due to the payment of employee bonuses due.

The customs duties payable relate to customs duties payable on the import of raw materials bound by bank guarantees. Due customs duties decreased by 62.7% from SAR 1.8 million as on December 31, 2018G to SAR 0.7 million as on December 31, 2019G. This is due to the payment of bank guarantees after the due date. The customs duties due remained constant between December 31, 2019G and March 31, 2021G.

Accrued expenses principally represent accrued electricity, water and gas expenses, rent expenses accrued, sales transportation expenses accrued, directors' remuneration accrued, telephone expenses accrued, audit and advisory fees accrued, insurance expenses accrued and banking expenses accrued. The accrued expenses decreased by 33.0% from SAR 4.9 million as on December 31, 2018G to SAR 3.3 million as on December 31, 2019G. The decrease was driven by a decrease in accrued electricity and water expenses and a decrease in accrued bank expenses. The balance of accrued expenses increased by 30.0% to reach SAR 4.3 million as of December 31, 2020G. This is due to the increase in the remuneration balance of the members of the Board of Directors at the end of 2020G to SAR 1.4 million, compared to zero in 2019G. The accrued expenses did not witness material fluctuations between December 31, 2020G and March 31, 2021G.

Payments made by customers decreased by 12.9% from SAR 1.2 million as on December 31, 2018G to SAR 1.1 million as on December 31, 2019G. This refers to shipping goods in return for advance payments and making the necessary adjustments. Payments made by clients did not witness material fluctuations between December 31, 2019G and 2020G. Payments made by customers increased by 15.6% from SAR 1.0 million as on December 31, 2020G to SAR 1.2 million as on March 31, 2021G due to the registration of advance payments from some customers whose requests were not implemented at the closing of the first quarter of 2021G.

Dividends payable in the amount of SAR 0.9 million, SAR 0.8 million, SAR 0.8 million and SAR 0.8 million as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G, respectively relate to dividends in prior years that have not been paid due to insufficient beneficiaries' data in the shareholders register received from Tadawul, and the beneficiaries did not apply to the contracting banks to distribute the dividends.

The value added tax increased by 423.0% from SAR 0.2 million as on December 31, 2019G to SAR 1.0 million as on December 31, 2020G due to the increase in the value-added percentage from 5.0% to 15.0% in addition to the increase in sales subject to value added tax. The value-added tax balance did not witness substantial fluctuations between December 31, 2020G and March 31, 2021G.

Other liabilities include receivables from outstanding suppliers for which invoices have not been submitted and employees' receivables. Other liabilities increased by 209.0% from SAR 0.7 million as of December 31, 2018G to SAR 2.3 million as of December 31, 2019G. This is due to the increase in the outstanding dues to suppliers from SAR 0.5 million in 2018G to SAR 1.8



million in 2019G. Other liabilities also increased by 38.0% to reach SAR 3.1 million as of December 31, 2020G. This is due to the rise in dues to suppliers under settlement to SAR 2.9 million in the year 2020G, as the good or service was supplied and its invoices were not submitted until the closing date of the year. Other liabilities increased by 6.6% from SAR 3.1 million as of December 31, 2020G to SAR 3.3 million as of March 31, 2021G. This is due to the high balances of outstanding suppliers due to the non-presentation of invoices.

5-5-2-4-4 Zakat Provision

The Company submitted its Zakat returns until the year ended December 31, 2019G and obtained the required certificates and official receipts. The Company also completed its Zakat assessments with the Zakat, Tax and Customs Authority until 2018G. During 2020G, the Company received the assessments for the years 2017G and 2018G in the amount of SAR 876,691, of which SAR 384,845 were paid to the Zakat, Tax and Customs Authority. For the remaining amount, an objection was submitted in 2020G, and in 2021G the Company agreed with the Zakat, Tax and Customs Authority on a final settlement of SAR 179,170, which was paid in full, and these amounts that were accepted and paid by the Company were included in the Zakat expense for the year.

5-5-2-4-5 Transactions and Balances with Related Parties

The following table provides a summary of the transactions with key management personnel as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(41): Related parties' transactions and balances

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|-------------------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|-------------|-------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Senior executives | 4,406 | 4,242 | 4,281 | 1,454 | (3.70%) | 0.90% | (66.00%) | (1.40%) |
| Board expenses and allowances | 1,437 | 1,341 | 1,479 | 48 | (6.60%) | 10.20% | (96.80%) | 1.40% |

Source: financial statements and management information

The transactions with the executive management directors mainly include the Company's executive staff expenses of salaries, allowances, bonuses and compensations according to the agreed terms and the approval of the person of authority.

The expenses and allowances of the Board of Directors represent the allowances and expenses of the members of the Board of Directors and its affiliated committees for attending the meetings of the Board of Directors, in addition to the annual remuneration for the members of the Board and its affiliated committees.

5-5-2-5 Equity

The following table provides a summary of the equity as on December 31, 2018G, 2019G and 2020G and as on March 31, 2021G.

Table No.(42): Equity

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|--|----------------------------------|----------------|----------------|--------------------------------------|---------------------|-----------------|----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Capital | 281,121 | 281,121 | 281,121 | 281,121 | - | - | - | - |
| Statutory reserve | 27,173 | 27,173 | 27,173 | 27,173 | - | - | - | - |
| Retained earnings / accumulated losses | 64,472 | 217 | (40,157) | (47,242) | (99.70%) | N/A | 17.60% | N/A |
| Total equity | 372,767 | 308,511 | 268,137 | 261,052 | (17.20%) | (13.10%) | (2.60%) | (15.20%) |

Source: financial statements and management information

5-5-2-5-1 Capital

The issued and paid-up capital is SAR 281.1 million, divided into SAR 28.1 million shares, and the value of each share is SAR 10.

5-5-2-5-2 Statutory Reserve

In accordance with the Company's Articles of Association, the Company has established a statutory reserve allocating 10% of the net income so that this reserve equals 30% of the capital. This reserve is not available for distribution.



5-5-2-5-3 Retained Earnings / (Accumulated Losses)

Retained earnings decreased by 99.7% from SAR 64.5 million as of December 31, 2018G to SAR 0.2 million as of December 31, 2019G. This is mainly due to recording a net loss of SAR 65.1 million in 2019G. The Company recorded accumulated losses of SAR 40.2 million and SAR 47.2 million as on December 31, 2020G and as on March 31, 2021G, respectively, due to a net loss of SAR 40.8 million and SAR 7.1 million in 2020G and in the first quarter of 2021G, respectively.

5-5-3 Statement of Cash Flows

The following table presents a summary of the Company's statement of cash flows for the financial years ending on December 31, 2018G, 2019G and 2020G, in addition to the three-month periods that ended on March 31, 2020G and 2021G.

Table No.(43): Cash Flow Statement

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|--|----------------------------------|-----------------|---------------|--------------------------------------|-------------------|---------------------|------------------|------------------|----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Net cash from / (used in) operating activities | (45,061) | 15,572 | 41,438 | 33,139 | 375 | (134.60%) | 166.10% | (98.90%) | N/A |
| Net cash from / (used in) investing activities | (4,376) | (9,901) | (9,622) | (1,657) | (460) | 126.30% | (2.80%) | (72.20%) | 48.30% |
| Net cash available from / (used in) financing activities | 41,805 | (24,286) | (14,920) | (16,051) | (8,982) | (158.10%) | (38.60%) | (44.00%) | N/A |
| Net change in cash and cash equivalents | (7,632) | (18,615) | 16,896 | 15,432 | (9,067) | 143.90% | (190.80%) | (158.80%) | N/A |
| Cash and the like on January 1 | 45,943 | 38,311 | 19,696 | 19,696 | 36,592 | (16.60%) | (48.60%) | 85.80% | (34.50%) |
| Cash and the like on December 31 | 38,311 | 19,696 | 36,592 | 35,128 | 27,526 | (48.60%) | 85.80% | (21.60%) | (2.30%) |

Source: financial statements and management information

5-5-3-1 Cash flows from Operating Activities

The following table presents a summary of the statement of cash flows from the Company's operating activities for the financial years ending on December 31, 2018G, 2019G and 2020G, and the three-month periods ending on March 31, 2020G and 2021G.

Table No.(44): Statement of cash flows from operating activities

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|---|----------------------------------|---------------|---------------|--------------------------------------|-------------------|---------------------|----------------|-------------|-------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Cash flow from operating operations | | | | | | | | | |
| Net loss before Zakat | 10,346 | (59,618) | (35,136) | (6,362) | (5,985) | (676.20%) | (41.10%) | (5.90%) | N/A |
| Adjustments for non-cash items to match the loss before Zakat to net cash losses | | | | | | | | | |
| Depreciation of property, plant and equipment | 17,445 | 16,220 | 15,577 | 4,034 | 3,767 | (7.00%) | (4.00%) | (6.60%) | (5.50%) |
| Depreciation of right-of-use assets | - | 751 | 751 | 187 | 187 | - | - | - | N/A |
| Depreciation of investment property | 201 | 201 | 201 | 50 | 50 | - | - | - | - |
| Amortization of intangible assets | 1,810 | 1,840 | 1,881 | 470 | 470 | 1.70% | 2.20% | 0.00% | 2.00% |
| Goodwill decline | - | 40,085 | - | - | - | - | (100.00%) | - | N/A |
| Cost of funding | 4,481 | 4,910 | 3,634 | 849 | 701 | 9.60% | (26.00%) | (17.40%) | (9.90%) |
| Provision / (reverse) of slow-moving stock | 456 | 2,441 | 6,969 | - | (580) | 434.80% | 185.50% | N/A | 290.80% |
| Revalue inventory to net realizable value | - | - | 2,432 | - | - | - | - | - | N/A |
| Trade receivables decline | 466 | 259 | 2,736 | 429 | 1,973 | (44.50%) | 957.60% | 360.10% | 142.20% |
| Loss/(profit) on disposal of property, plant and equipment | 0 | (38) | 13 | 5 | - | N/A | (134.20%) | (100.00%) | 604.50% |



| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|--|----------------------------------|---------------|---------------|--------------------------------------|-------------------|---------------------|-----------------|-----------------|-----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Provision for employees' end-of-service benefits obligations | 3,218 | 3,595 | 3,397 | 876 | 1,692 | 11.70% | (5.50%) | 93.00% | 2.70% |
| | 38,424 | 10,646 | 2,455 | 539 | 2,276 | (72.30%) | (76.90%) | 322.20% | (74.70%) |
| Changes in items of working capital | | | | | | | | | |
| Inventory | (64,659) | 47,893 | 6,958 | 23,393 | 18,770 | (174.10%) | (85.50%) | (19.80%) | N/A |
| Trade receivables | (17,467) | 18,300 | 25,020 | (14,321) | (16,453) | (204.80%) | 36.70% | 14.90% | N/A |
| Permanents and trade receivables | (325) | (125) | 1,782 | (1,780) | (2,511) | (61.40%) | (1521.80%) | 41.10% | N/A |
| Trade payables and other liabilities | 13,352 | (53,574) | 9,861 | 22,314 | (1,383) | (501.20%) | (118.40%) | (106.20%) | (14.10%) |
| Receivables and other liabilities | (6,627) | (352) | 3,218 | 3,599 | (5) | (94.70%) | (1015.40%) | (100.10%) | N/A |
| Cash generated from operations | (37,302) | 22,787 | 49,293 | 33,745 | 695 | (161.10%) | 116.30% | (97.90%) | N/A |
| Zakat paid | (5,725) | (6,041) | (6,049) | - | (179) | 5.50% | 0.10% | N/A | 2.80% |
| Paid employees' end of service benefits | (2,034) | (1,174) | (1,806) | (605) | (140) | (42.30%) | 53.90% | (76.80%) | (5.80%) |
| Net cash from/ (used in) operating activities | (45,061) | 15,572 | 41,438 | 33,139 | 375 | (134.60%) | 166.10% | (98.90%) | N/A |

Source: financial statements and management information

Net cash used in operating activities was converted by SAR 45.1 million in 2018G to net cash generated from operating activities by SAR 15.6 million in 2019G. This is primarily due to a decline in goodwill by SAR 40.1 million in addition to a decrease in inventory and trade receivables during 2019G. The net cash generated from operating activities increased by 166.1% from SAR 15.6 million in 2019G to SAR 41.4 million in 2020G. This is primarily due to lower trade receivables and higher trade payables and other liabilities. Cash generated from operating activities decreased by 98.9% from SAR 33.1 million in the three-month period ending on March 31, 2020G to SAR 0.4 million in the three-month period ending on March 31, 2021G. This is primarily due to a decrease in trade payables and other liabilities, in addition to an increase in inventories.

5-5-3-2 Cash Flows from Investing Activities

The following table presents a summary of the statement of cash flows from the Company's investment activities for the financial years ending on December 31, 2018G, 2019G and 2020G, in addition to the three-month periods ending on March 31, 2020G and 2021G.

Table No.(45): Statement of Cash Flows from Investment Activities

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|---|----------------------------------|----------------|----------------|--------------------------------------|-------------------|---------------------|----------------|-----------------|---------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Additions to property, plant and equipment | (4,376) | (5,914) | (9,730) | (1,657) | (460) | 35.20% | 64.50% | (72.20%) | 49.10% |
| Proceeds from disposal of property, plant and equipment | - | 67 | 108 | - | - | - | 61.00% | - | N/A |
| Additions to intangible assets | - | (303) | - | - | - | - | (100.00%) | - | N/A |
| Long-term investment in shares | - | (3,750) | - | - | - | - | (100.00%) | - | N/A |
| Net cash used in investment operations | (4,376) | (9,901) | (9,622) | (1,657) | (460) | 126.30% | (2.80%) | (72.20%) | 48.30% |

Source: financial statements and management information

Net cash used in investment activities increased by 126.3% from SAR 4.4 million in 2018G to SAR 9.9 million in 2019G due to the registration of a long-term investment in shares amounting to SAR 3.8 million in 2019G, which represented an investment of 10% in the capital of SANAM vehicle company for industry. The net cash used in investment activities did not witness substantial fluctuations between 2019G and 2020G. Net cash used in investing activities decreased by 72.2% from SAR 1.7 million in the three-month period ending March 31, 2020G to SAR 0.5 million in the three-month period ending March 31, 2021G due to a decrease in additions to plant property and equipment.



5-5-3-3 Cash Flows from Financing Activities

The following table presents a summary of the statement of cash flows from the Company's financing activities for the financial years ending on December 31, 2018G, 2019G and 2020G, in addition to the three-month periods ending on March 31, 2020G and 2021G.

Table No.(46): Statement of Cash Flows from Financing Activities

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | | Increase (decrease) | | | CAGR |
|---|----------------------------------|-----------------|-----------------|--------------------------------------|-------------------|---------------------|----------------|----------------|-------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2020G Non-Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Pay off short-term loans | (25,000) | (100,735) | (48,761) | (13,244) | (3,000) | 302.9% | (51.6%) | (77.3%) | 39.7% |
| Proceeds from short-term loans | 49,704 | 89,275 | 40,518 | - | 1,282 | 79.6% | (54.6%) | N/A | (9.7%) |
| Pay off long-term loans | (47,579) | (11,200) | (10,800) | (4,000) | (6,288) | (76.5%) | (3.6%) | 57.2% | (52.4%) |
| Proceeds from long-term loans | 75,154 | 3,972 | 7,893 | 2,382 | - | (94.7%) | 98.7% | (100.0%) | (67.6%) |
| Paid financing cost | (3,570) | (4,706) | (3,072) | (1,189) | (976) | 31.8% | (34.7%) | (17.9%) | (7.2%) |
| Payments of lease obligations | - | (792) | (697) | - | - | - | (12.1%) | - | N/A |
| Dividends Paid | (6,905) | (100) | - | - | - | (98.5%) | (100.0%) | - | (100.0%) |
| Net cash generated from / (used) in financing operations | 41,805 | (24,286) | (14,920) | (16,051) | (8,982) | (158.1%) | (38.6%) | (44.0%) | N/A |

Source: financial statements and management information

The net output from financing activities was transformed by SAR 41.8 million in 2018G into net cash used by SAR 24.3 million in 2019G due to the repayment of short-term loans during 2019G. The net cash used in financing activities decreased by 38.6% from SAR 24.3 million in 2019G to SAR 14.9 million in 2020G. This is due to the decrease in the repayment of short-term loans in addition to the increase in receipts from long-term loans during the year 2020G. The net cash used in financing activities decreased by 44.0% from SAR 16.1 million in the three-month period ending on March 31, 2020G to SAR 9.0 million in the three-month period ending on March 31, 2021G. This was mainly due to the decrease in the repayment of short-term loans, and this decline was partially offset by the increase in the repayment of long-term loans during the mentioned period.

5-6 Contingencies and Obligations

The following table presents a summary of emergency events and contingencies as of December 31, 2018G, 2019G and 2020G and as of March 31, 2021G.

Table No.(47): Emergency events and contingences

| (SAR'000) | Fiscal year ended on 31 December | | | Three-month period ended on March 31 | Increase (decrease) | | | CAGR |
|----------------------|----------------------------------|---------------|---------------|--------------------------------------|---------------------|----------------|---------------|----------------|
| | 2018G Audited | 2019G Audited | 2020G Audited | 2021G Non-Audited | December 2019G | December 2020G | March 2021G | 2018G-2020G |
| Letters of credit | 30,500 | 31,576 | 21,843 | 53,280 | 3.5% | (30.8%) | 143.9% | (15.4%) |
| Letters of guarantee | 108 | 56 | 56 | 732 | (48.2%) | - | 1213.6% | (28.1%) |
| Total | 30,608 | 31,632 | 21,899 | 54,012 | 3.3% | (30.8%) | 146.6% | (15.4%) |

Source: financial statements and management information

As on March 31, 2021G, the Company has outstanding capital obligations of SAR 1.2 million related to expansion projects and development of production lines.

The documentary credit amounted to SAR 53.3 million as on March 31, 2021G, as documentary credits from bank facilities with local banks for importing raw materials and capital spare parts. These documentary credits do not follow any particular trend, as their value increased from SAR 30.5 million in 2018G to SAR 31.6 million in 2019G before declining again to SAR 21.8 million in the year 2020G. The movement of these credits is affected by the volume of purchases of raw materials and capital spare parts acquired to support business requirements.

The Company owns letters of guarantee amounting to SAR 0.7 million as on March 31, 2021G, which were linked to a letter of guarantee to Saudi Aramco in return for the supply of gas and a letter of guarantee for customs duties owed. The value of letters of guarantee was relatively low before March 2021G, as its value ranged between SAR 0.1 million in 2018G and SAR 56 thousand in 2020G, when a number of letters of guarantee were issued to the Zakat, Tax and Customs Authority to link customs duties owed on imported materials.



6- Use of the Offering Proceeds

6-1 Net Offering Proceeds

The total proceeds of the Rights Issue are estimated at one hundred and twenty million (120,000,000) Saudi Riyals, of which about five million five hundred thousand Saudi Riyals (5,500,000) will be paid to cover the Offering costs, which include the fees of the Financial Advisor, Lead Manager, Underwriter, Legal Advisor, marketing expenses, and printing, distribution and other expenses related to the subscription.

The net Offering Proceeds will be about (114,500,000) Saudi Riyals, which will be used for the following:

- 1- A factory to produce high-pressure valves with a value of thirty million (30,000,000) Saudi Riyals.

The Company is working to establish a factory for the production of high-pressure valves, which are used in oil, gas and petrochemical projects. A land has been allocated for the project with an area of 21,408 square meters at King Salman Energy City, a subsidiary of Saudi Aramco. The production capacity of the factory is expected to reach 14,000 valves annually. According to the feasibility study, it is expected that the total cost of the project will amount to about (54,000,000) Saudi Riyals, and it is expected that the revenues of the project will reach (39,000,000) Saudi Riyals during the first year after the date of commercial operation. The following table shows the main stages and the expected timetable for the implementation of the project.

Table No.(48): The timetable for the establishment of the high-pressure valves factory.

| | Q4 2021G | Q1 2022G | Q2 2022G | Q3 2022G | Q4 2022G | Q1 2023G | Q2 2023G | Second half 2023G |
|--|--------------------------------|--|--------------------------------|-------------|-------------|-------------|-------------|--|
| Factory for the production of high-pressure valves | Start implementing the project | Completion of construction and supply of machinery | Installation and commissioning | | | | | Start of commercial production started |

- 2- Repayment of loans valued at twenty-five million (25,000,000) Saudi Riyals, where the Company has long-term loans with the Saudi British Bank and the Saudi National Bank, at a value of 29 million and 10.8 million, respectively, as on March 31, 2021G. To reduce the financial burden, the Company plans to pay the installments due after the first quarter of 2022G.
- 3- Financing the working capital by twenty-four million five hundred thousand (24,500,000) Saudi Riyals.
- 4- Stranded wire production line project for pre-stressed concrete with a value of twenty million (20,000,000) Saudi Riyals.

The Company plans to expand its activity by establishing a production line for stranded wires for pre-stressed concrete in the Kingdom of Bahrain, with a production capacity of 22,000 tons per year, for export to the United States market. According to the prepared feasibility study, the project cost is expected to hit (20,000,000) Saudi Riyals. The following table depicts the expected main stages and timeline for implementation of the project.

Table No.(49): The timetable for establishing a pre-concrete stranded wire production line.

| | Q1 2022G | Q2 2022G | Q3 2022G | Q4 2022G | Q1 2023G |
|--|--------------------------------|---|-------------|-------------|------------------------------------|
| Precast concrete stranded wire production line | Start implementing the project | Complete installation of the line and commissioning | | | Beginning of commercial production |

- 5- An aluminum casting factory valued at fifteen million (15,000,000) Saudi Riyals.

As the bases for trailers, trucks, spare parts and metal castings are part of the Company basic products, where the revenues from manufacturing axles and foundries from such products amounted to 45.2, 68.5, 69.7 and 17.1 million Saudi Riyals during the years 2018G, 2019G, 2020G and the three-month period ending on March 31, 2021G, respectively, which is equivalent to 11.5%, 26%, 33.8% and 26.2% of total sales during the same periods. Therefore, the Company decided to expand activities by establishing an aluminum casting factory. Accordingly, the Company signed a memorandum of understanding with IGL Group - a joint venture - to establish an aluminum casting factory with a total ownership percentage of (51%) by Maadaniyah and (49%) by IGL Group. The Company has completed the studies and the designs necessary to establish the project in Jubail Industrial City, and work is underway to allocate a plot of land for construction of the factory. The production capacity of the factory is expected to reach six thousand (6,000) metric tons annually. According to the prepared feasibility study, the total cost of the project is expected to hit (37,500,000) Saudi Riyals, and the project's revenues to be (49,000,000) Saudi Riyals within a year from the date of commercial operation. It was expected that the factory would be completed and commercial production started by the end of 2022G. The procedures for starting the implementation of the project were delayed due to the repercussions of the Corona pandemic. The following table shows the main stages and the expected timetable for the implementation of the project, according to the revised plan.

**Table No.(50): Aluminum Casting Factory**

| | Q4 2021G | Q1 2022G | Q2 2022G | Q3 2022G | Q4 2022G | Q1 2023G |
|------------------------|--------------------------------|--|--------------------------------|-------------|-------------|------------------------------------|
| Aluminum casting plant | Start implementing the project | Completion of construction and supply of machinery | Installation and commissioning | | | Beginning of commercial production |

In the event that there is a difference of 5% or more between the actual use of the Offering Proceeds versus what was disclosed in the Prospectus, it will be disclosed to the public as soon as the Company becomes aware of this.

6-2 Using the Offering Proceeds

The Company has carried out the necessary feasibility studies for those projects, which proved their feasibility of the projects referred to above in paragraph 6-1 "Net Offering Proceeds".

Table No.(51): Using the Offering Proceeds

| (SAR'000) | Q4 2021G | Q1 2022G | Q2 2022G | Q3 2022G | Q4 2022G | Total | % |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------|
| Factory to produce high-pressure valves | 0 | 4,000,000 | 10,000,000 | 10,000,000 | 6,000,000 | 30,000,000 | 25% |
| Repayment of loans | 0 | 25,000,000 | 0 | 0 | 0 | 25,000,000 | 20.8% |
| Working capital | 10,000,000 | 10,000,000 | 4,500,000 | 0 | 0 | 24,500,000 | 20.4% |
| Stranded Wire Production Line Project for Pre-stressed Concrete | 0 | 5,000,000 | 6,000,000 | 6,000,000 | 3,000,000 | 20,000,000 | 16.7% |
| Aluminum casting factory | 0 | 4,000,000 | 4,000,000 | 4,000,000 | 3,000,000 | 15,000,000 | 12.5% |
| Offering expenses | 5,500,000 | 0 | 0 | 0 | 0 | 5,500,000 | 4.6% |
| Total | 15,500,000 | 48,000,000 | 24,500,000 | 20,000,000 | 12,000,000 | 120,000,000 | 100% |

Source: Company Management

It should be noted that the above-mentioned items in the schedule will be financed according to the following schedule:

| Item | Total cost (in Saudi Riyals) | Percentage of its financing from the Offering Proceeds | Clarification |
|---|---------------------------------|---|---|
| Factory to produce high-pressure valves | 54,000,000 | 55.5% | An amount of (30,000,000) Saudi Riyals will be financed from the Offering Proceeds, and the remaining amount of (24,000,000) Saudi Riyals is expected to be financed through loans and bank facilities |
| Repayment of loans | 25,000,000 | 100% | An amount of (25,000,000) Saudi Riyals will be paid exclusively from the Offering Proceeds, in order to repay part of the long-term loans to SABB and the Saudi National Bank. |
| Working capital | 24,500,000 | 100% | An amount of (24,500,000) Saudi Riyals will be paid exclusively from the Offering Proceeds |
| Stranded Wire Production Line Project for Pre-stressed Concrete | 20,00,000 | 100% | An amount of (20,000,000) Saudi Riyals will be paid exclusively from the Offering Proceeds |
| Aluminum casting factory | 37,500,000 | 51% | The share of a Maadaniyah amounting to (51%) from the project is SR 19,125,000, provided that (15,000,000) Saudi Riyals are paid from the Offering Proceeds and the remaining amount is through loans and bank facilities. The remaining (49%) of the project will be financed by IGL |
| Offering expenses | 5,500,000 | 100% | An amount of (5,500,000) Saudi Riyals will be paid exclusively from the Offering Proceeds |



6-3 Total proceeds previously obtained from issuance of shares, their analysis, description and uses

The total proceeds obtained by the Company in the last process of issuing the subscription shares on 10/04/1425H corresponding to 29/05/2004G amounted to twenty-five million (25,000,000) Saudi Riyals. Where the Company increased its capital from (100,000,000) one hundred million Saudi Riyals to (125,000,000) one hundred twenty-five million Saudi Riyals in return for issuing (500,000) five hundred thousand shares with a nominal value of (50) Riyals per share. The proceeds of the subscription were used as follows:

Table No.(52): Using the Offering Proceeds previously obtained in the last share issuance process

| S | Description | Declared amount (SR) | Actual use (SR) | Actual spending percentage to planned spending |
|--------------|----------------------------------|----------------------|-------------------|--|
| 1 | Financing Investment Expansion * | 25,000,000 | 25,000,000 | 100% |
| Total | | 25,000,000 | 25,000,000 | 100% |

Source: Company Management

* A project to expand the production line of stranded wires and springs wires, including the costs of machines, expansions of the infrastructure and warehouses, related to the expansion process.



7- Experts Statement

Written consents have been obtained from the Financial Advisor, Legal Advisor, Underwriter and Lead Manager of the Company whose names appear on page (iv) to include their names, logos and statements in the form contained in this Prospectus. A written approval of the Company's auditors was also obtained to include their names, logos and statements in the form contained in this Prospectus. These approvals have not been withdrawn as on the date of this Prospectus, and none of the aforementioned - who constitute the work team that provides services to the Company - has any shares or interest in the Company as on the date of this Prospectus.



8- Directors Declarations

As on the date of this Prospectus, the Company's Directors declare that:

- There was no interruption in the business of the Company that could affect or have had a significant impact on the financial condition during the last (12) months.
- No commissions, discounts, brokerage fees, or any non-monetary compensation were granted by the Issuer during the three (3) years immediately preceding the date of submitting the application for registration and the Offering of securities in relation to the issuance or Offering of any securities.
- Other than what was stated in sub-paragraph "2-1-32" of Section (2) "**Risk Factors**" regarding the reduction of its capital, there has been no material negative change in the Issuer's financial and commercial position during the three years immediately preceding the date of submitting the registration application and Offering of the securities subject to this Prospectus, in addition to the period covered by the auditor's report until the issuance of the Prospectus.
- Except for what was mentioned on page (iv) of this Prospectus, neither the members of the Board of Directors nor any of their relatives have any shares or interest of any kind in the issuer.
- The Issuer does not keep any Treasury Shares
- The EGM of the Company has not approved the purchase of the Company's shares



9- Legal Information

9-1 Company Name

The Company was registered in the commercial register of joint stock companies in the city of Jubail under the trade name “National Metal Manufacturing and Casting Co. (Maadaniyah) - Joint stock company”.

9-2 Incorporation of the Company and the stages of capital development

- 1- National Metal Manufacturing and Casting Company “Maadaniyah” was established in 1410H (corresponding to 1990G) under license No. 602/5. It is registered in Jubail Industrial City under Commercial Registration No. (2055002251) dated 16/05/1411H (corresponding to 03/02/1990G) as a privately owned Saudi joint stock company with industrial activity in the field of metal industries and it owns the United Wire Factories Company (ASLAK) factory dedicated to the manufacture of wires and its products.
- 2- On 10/04/1425H (corresponding to 29/05/2004G), the Company’s Seventh Extraordinary General Assembly approved a decision to increase the Company’s capital by an amount of (SAR 25 million by issuing (500) thousand ordinary and cash shares, the value of which is SAR (50) Riyals per share. The assembly also decided that the shareholders and those registered in the Company’s records, and the records of the Saudi Stock Registration Company (Tadawul) have the right to subscribe to the shares offered to increase the capital.
- 3- On 29/02/1437H (corresponding to 29/04/2006G), the Capital Market Authority approved the Company’s Prospectus to increase the Company’s capital from SAR (125,000,000) to SAR (163,561,250) for the purpose of buying the partners’ shares in the Arab Company for Axles, Foundries and Spare Parts and merging them into Maadaniyah company;
- 4- On 11/05/1427H (corresponding to 07/06/2006G), the Eighth Extraordinary General Assembly of Maadaniyah and the fifteenth Ordinary General Assembly were held, where the agenda items of the two General Assemblies were approved, including an increase of Maadaniyah capital from SAR (125,000,000) one million Riyals to SAR (163,561,250) by issuing (3,856,125) new shares for the purpose of purchasing the partners’ shares in the Arab Company for Axles, Foundries and Spare Parts and merging them into the Company, amending the two articles related to the Company’s capital and purposes in its Articles of Association in accordance with the decisions of the Assembly.
- 5- The Ninth Extraordinary General Assembly, held on 01/04/1429H (corresponding to 07/04/2008G), agreed to increase the Company’s capital from SAR (163,561,250) to SAR (204,451,560) at a rate of (25%) by granting one free share for every four shares. This will increase the number of shares from (16,356,125) shares to (20,445,156) shares for the shareholders registered in the Company’s records at Tadawul at the end of trading on the day of the meeting, based on the recommendation of the Board of Directors on 03/01/1429H (corresponding to 12/01/2008G), and on the amendment of some Articles of the Company’s Articles of Association to comply with it.
- 6- The Tenth Extraordinary General Assembly, held on 01/05/1430H (corresponding to 26/04/2009G), agreed to increase the Company’s capital from SAR (204,451,560) to SAR (255,564,450) at a rate of 25%, by granting one free share for every four shares, to increase the number of shares from (20,445,156) shares to (25,556,445) shares, provided that SAR (38,334,668) are financed from the item of share premium on and SAR (12,778,222) from the item of retained earnings for shareholders registered in the Company’s records at the Securities Depository Center (Tadawul) at the end of the trading day wherein the meeting of the assembly convened, based on the recommendation of the Board of Directors on 14/02/1430H (corresponding to 09/02/2009G), and on the amendment of some articles of the Company’s Articles of Association to comply with that.
- 7- The Twelfth Extraordinary General Assembly, held on 03/06/1433H (corresponding to 24/04/2012G), agreed to increase the Company’s capital from SAR (255,564,450) to SAR (281,120,890) at a rate of 10% by granting one free share for every ten shares by which the number of capital shares increased from (25,556,445) shares to (28,112,089) shares, provided that an amount of SAR (12,659,755) is covered from the statutory reserve item and an amount of SAR (12,896,685) from the retained earnings (profits) item, for the shareholders registered in the Company’s records at the Securities Depository Center (Tadawul) at the end of trading on the day the assembly meeting convened, based on the recommendation of the Board of Directors on 21/03/1433H (corresponding to 13/02/2012G), and on amending some articles of the Company’s Articles of Association to comply with that.
- 8- On 16/07/1442H (corresponding to 28/02/2021G), the Board of Directors recommended to reduce the Company’s capital and then increase its capital by Offering priority rights shares at a value of SAR (120,000,000) by Offering (12,000,000) priority rights shares. The Board decided on 19/08/1442H (corresponding to 01/04/2021G) to amend the recommendation related to reducing the Company’s capital so that the Company’s capital before the reduction is SAR (281,120,890), and the capital after the reduction is SAR (240,963,900), through decreasing the capital and cancelling (4,015,699) shares of the Company’s shares, and a reduction of (1) share for every (7.001) shares so that the number of shares before the reduction is (28,112,089) shares, and the number of shares after the reduction is (24,096,390) shares. Then, the Board decided on 12/10/1442H (corresponding to 24/05/2021G)



to revise the recommendation related to reducing the Company's capital, so that the Company's capital before the reduction is SAR (281,120,890), and the capital after the reduction is SAR (234,000,000), by reducing the capital of the Company, and cancelling (4,712,089) shares of the Company's shares, and a reduction of (1) share for every (5,966) shares. By doing so, the number of shares before the reduction is (28,112,089) shares, and the number of shares after the reduction is (23,400,000) shares.

9-3 Capital Adjustment

The Company has made several amendments to its Articles of Association after the approval of the shareholders in the extraordinary general assembly, as follows:

- On 10/04/1425H (corresponding to 29/5/2004G), the Seventh Extraordinary General Assembly of the National Metal Manufacturing and Casting Company (Maadaniya) approved a decision to increase the Company's capital by an amount of SAR (25) million by issuing (500) thousand ordinary and cash shares. The value of one share is SAR (50). The assembly also decided that the shareholders and those registered in the Company's records, and the records of the Saudi Stock Registration Company (Tadawul) have the right to subscribe to the shares offered to increase the capital.
- On 29/2/1437H (corresponding to 29/4/2006G), the Capital Market Authority approved the Prospectus for Maadaniya company to increase the Company's capital from SAR (125,000,000) to SAR (163,561,250) for the purpose of buying the partners' shares in the Arab Company for Axles, Foundries and Spare Parts and merging them into Maadaniya company, and to amend the two articles related to the Company's capital and its purposes in the Company's Articles of Association in line with the decisions of the assembly. On 11/5/1427H (corresponding to 7/6/2006G), the Eighth Extraordinary Mineral Society and the Fifteenth Ordinary Society were held, where the items on the agenda of the two societies were approved, including an increase in mineral capital from SAR (125,000,000) to SAR (163,561,250) by issuing (3,856,125) new shares for the purpose of purchasing the partners' shares in the Arab Company for Axles, Foundries and Spare Parts and merging them into Maadaniya company, and amending the two articles related to the Company's capital and its purposes in the Company's Articles of Association in accordance with the decisions of the Assembly.
- The Ninth Extraordinary General Assembly, held on 1/4/1429H (corresponding to 7/4/2008G), agreed to increase the Company's capital from SAR (163,561,250) to SAR (204,451,560) at a rate of (25%) by granting one free share for every four shares, bringing the number of shares from (16,356,125) shares to (20,445,156) shares for shareholders registered in the Company's records at Tadawul at the end of trading on the day of the meeting, based on the recommendation of the Board of Directors on 3/1/1429H (corresponding to 12/1/2008G) and to amend some of the articles of the Company's Articles of Association to comply with that.
- The Tenth Extraordinary General Assembly, held on 1/5/1430H (corresponding to 26/04/2009G), agreed to increase the Company's capital from SAR (204,451,560) to SAR (255,564,450) at a rate of 25% by granting one free share for every four shares, to increase the number of shares from (20,445,156) shares to (25,556,445) shares, provided that SAR (38,334,668) are financed from the issue premium item and SAR (12,778,222) from the retained earnings items for shareholders registered in the Company's records at the Securities Depository Center (Tadawul) at the end of the trading day that the meeting of the assembly convened, based on the recommendation of the Board of Directors on 14/2/1430H (corresponding to 9/2/2009G), and on the amendment of some articles of the Company's Articles of Association to comply with that.
- The Twelfth Extraordinary General Assembly, held on 3/6/1433H (corresponding to 24/04/2012G), agreed to increase the Company's capital from SAR (255,564,450) to SAR (281,120,890) at a rate of 10% by granting one free share for every ten shares by which the number of capital shares increased from (25,556,445) shares to (28,112,089) shares, provided that an amount of SAR (12,659,755) is covered from the item of the statutory reserve and an amount of SAR (12,896,685) from the retained earnings, for the shareholders registered in the Company's records at the Securities Depository Center (Tadawul) at the end of trading on the day the assembly meeting convened, based on the recommendation of the Board of Directors on 21/3/1433H (corresponding to 13/2/2012G), and on the amendment of some articles of the Company's Articles of Association to comply with that.



9-4 Company Objectives

- According to Commercial Registration No. (2055002251) dated 16/05/1411H (corresponding to 03/12/1990G), the Company's activities are:
 - Manufacture of sheets, plates, tape rolls, bars, skewers, angles, wires and sections of all shapes.
 - Manufacture of metal fastening clips, including (nails, pins, nuts and rings of all kinds).
 - Manufacture of faucets, stopcocks, valves and similar devices.
 - Manufacture and assembly of small cars.
 - Manufacture of auto part components and repair parts.
 - Manufacture of land and amphibious military vehicles.
- The Company's activities, as stated in its Articles of Association, are:
 - Production of drawn iron wires, stranded wires for pre-stressed concrete, springs and springs wires, iron frames for mattresses, stranded reinforcing wires for electricity, galvanized reinforcing wires, steel nails, various nails, iron screws and welding wires.
 - Production of commercial and military metal castings of all kinds.
 - Manufacturing and assembling cars and trailers, producing all kinds of axles (various axles), suspension springs of different qualities, spare parts for trucks, vehicles and equipment.
 - Manufacture of military land and amphibious vehicles, spare parts for military vehicles, armoring of military vehicles, and manufacture of mobile military shelters.
 - Manufacture of valves and accessories of all sizes.
 - Wholesale and retail trade in the Company's products, building materials and industrial materials, including their import and export abroad.
 - Ownership of land and real estate and constructing buildings thereon.
 - Ownership of a patent and using it to achieve its industrial purposes inside and outside the Kingdom.
 - Commercial agencies and representation of local or foreign companies inside and outside the Kingdom.
 - Tenders and commercial undertakings.
 - Establishing industrial, service and commercial projects inside and outside the Kingdom of Saudi Arabia.

9-5 Company's Term (Duration)

Article (5) of the Company's Articles of Association stipulates that the Company's term shall be (99) ninety-nine calendar years starting from the date of the issuance of the Minister of Commerce's decision announcing its incorporation. The term of the Company may always be extended by a decision issued by the extraordinary general assembly at least one year before the expiry of its term.



9-6 Board of Directors

9-6-1 Formation of the Board

The Company shall be managed in accordance with Article (17) seventeen of its Articles of Association by a Board of Directors consisting of (6) six members appointed by the ordinary general assembly for a period not exceeding (3) three years. The term of the first Board of Directors may be five years at most, starting from the date of the ministerial decision announcing the establishment of the Company. The Board of Directors for the session mentioned below was formed of the following gentlemen:

Table No.(53): Board Members

| Company Board Members | | | | | | | | | |
|--|----------------------------------|-------------------|----------------|-------------|-----|--------------|------------|----------|------------|
| Company's Board of Directors appointed on 10/19/1441H (corresponding to 11/06/2020G) [*] | | | | | | | | | |
| Name | Position | Membership status | Date of Hiring | Nationality | Age | owned shares | | | |
| | | | | | | Direct | | Indirect | |
| | | | | | | Number | Percentage | Number | Percentage |
| Eng. Mutlaq bin Hamad Al-Morished | Chairman of Board of Directors | non-executive | 11/6/2021G | Saudi | 66 | - | | | |
| Engineer/ Shaker bin Nafel Al-Otaibi | Deputy Chairman of the Board | executive | 11/6/2021G | Saudi | 55 | 1000 | 0.0035571% | - | - |
| Eng. Rayan bin Waddah Trabzoni | Member of the Board of Directors | independent | 11/6/2021G | Saudi | 40 | 100 | 0.0003557% | | |
| Mr. Talal bin Abdul Karim Al-Nafi' | Member of the Board of Directors | non-executive | 11/6/2021G | Saudi | 48 | | | - | - |
| Mr. Asim bin Abdulwahab Al-Issa | Member of the Board of Directors | independent | 11/6/2021G | Saudi | 55 | 100 | 0.0003557% | | |
| Mr. Omar bin Khaled Al-Bilali | board member | non-executive | 11/6/2021G | Saudi | 37 | - | - | | |

Source: The Company

^{*} The Extraordinary General Assembly of the Company, in its meeting held on 19/10/1441H (corresponding to 11/06/2020G), approved the appointment of (6) members of the Board of Directors for the next session, which begins from the date of the meeting and for a period of three years ending on 24/05/2023G.

The Company abides by the Companies Law and the Corporate Governance Regulations issued by the Board of Directors of the Capital Market Authority, as the Company's Articles of Association stipulate that the number of board members must be six members appointed by the Ordinary General Assembly for a period not exceeding three years. The Corporate Governance Regulation also shows the Company's commitment to Article (16) of the Corporate Governance Regulations, which obligate listed companies that the majority of the Board members be non-executive members and that the number of its independent members shall not be less than two members or one third of the Board members (whichever is more).

9-6-2 Chairman of the Board of Directors, Vice-Chairman and Secretary of the Board

The Company is committed to the Articles of Association and governance regulations issued by the Board of Directors of the Market Authority in terms of mandatory appointment in these positions, where the Board of Directors of the Company approved on 10/11/1441H (corresponding to 01/07/2020G) to appoint Eng. Mutlaq bin Hamad Al-Morished as Chairman of the Board of Directors of the Company. The Board also approved the appointment of Eng. Shaker bin Nafel Al-Otaibi as Vice Chairman of the Board of Directors. The following are the positions of the Board of Directors:

Table No.(54): Positions of the Board of Directors

| Name of the person assigned | position |
|--|--------------------------------|
| Engineer/ Mutlaq bin Hamad Al-Morished | Chairman of Board of Directors |
| Engineer/ Shaker bin Nafel Al-Otaibi | Deputy Chairman of the Board |
| Engineer/Faisal bin Dakhil Al-Dakhil | Board Secretary |

Source: The Company



According to the Company's Articles of Association, the Board of Directors shall have the widest powers and authorities in managing the Company to achieve its objectives (with due regard to the competencies established for the general assembly), and it has:

- 1- The right to participate in other companies, buy and sell shares in those companies, establish subsidiaries, branches, offices and agencies for the Company inside or outside the Kingdom of Saudi Arabia, and participate in and contribute to any of the Saudi or foreign companies inside or outside Saudi Arabia.
- 2- The authority of entering into loans with government financing funds and institutions, regardless of their duration, and commercial loans whose terms do not exceed the end of the Company's term, provided that the loans are for the benefit of the Company's purposes, and that the Board of Directors determines in its decision the aspects of using the loan and how to pay it, and the Board of Directors has the power to provide the Company's guarantees for its loans and loans to its affiliates.
- 3- The power to sell or mortgage the Company's property and discharge the Company's debtors from their obligations, taking into consideration the Company's interests.
- 4- The authority to sell the Company's real estate, provided that it shall include the minutes of the Board of Directors coupled with the reasons for its decision to act, provided that the board specifies in the sale decision the reasons and justifications for it. The sale price must be close to the price of the same real estate. The sale should be present except in the cases decided by the board and with sufficient guarantees, and that this does not result in the suspension of some of the Company's activities or burdening it with other obligations.
- 5- The right of compromise, assignment, contract, commitment and association in the name and on behalf of the Company, and the Board of Directors has the right to carry out all acts and actions that would achieve the objectives of the Company.
- 6- Develop and approve a corporate governance policy and updating it whenever needed, provided that in the event of items requiring a regulation for the approval of the General Assembly, those items shall be presented to the General Assembly for a vote.
- 7- He may also, within the limits of his competencies, delegate / authorize by majority one time after another or more of its members or third parties to carry out certain work or works.

9-6-3 Board Remunerations

The remuneration of the Board of Directors consists of the percentage prescribed in Article (76) of the Companies Law, provided that what the member receives in the year does not exceed the amount of SAR (500,000), provided that the entitlement to this remuneration is proportional to the number of sessions attended by the member, and the member is entitled to an attendance allowance for each session an amount of SR (3,000), within the limits of what is stipulated in the Companies Law or any complementary regulations, decisions or instructions. The Board of Directors' report to the Ordinary General Assembly shall include the following:

- 1- All the bonuses and allowances received by the members of the Board of Directors during the financial year, including but not limited to (salaries, share in profits, attendance allowance and expenses) and other benefits.
- 2- All that the Board members received in their capacity as employees or administrators, or what they received in return for technical, administrative or advisory works previously approved by the Company's general assembly.
- 3- The number of Board sessions and the number of sessions attended by each member during each fiscal year.

9-6-4 Board Meetings

According to Article Twenty-Second (22) of the Company's Articles of Association, the Board meets at least three times a year at the invitation of its Chairman, and the invitation shall be in writing. The Chairman of the Board must invite the board to a meeting whenever two members requested so.



9-6-5 Board Committees

The Board of Directors has (2) two sub-committees to help the board in performing its tasks. The active committees today are as follows:

• Audit Committee

The Audit Committee consists of three (3) members. The members of the Audit Committee were appointed by the (Extraordinary) General Assembly on 19/10/1441H (corresponding to 11/06/2020G) for the new term starting from the date of the Assembly's convening until the end of the term on 04/11/1444H (corresponding to 24/05/2023G). The Chairman of the Audit Committee was appointed after the approval of the Company's Extraordinary General Assembly at its meeting held on 17/06/2020G, and it consists of the following members:

Table No.(55): Members of the Audit Committee

| Name | Position |
|------------------------------------|---------------------------|
| Mr. Talal bin Abdul Karim Al-Nafi' | Chairman of the Committee |
| Eng. Rayan bin Waddah Trabzoni | Member |
| Mr. Abdulaziz bin Saif Al-Ardhi | Member |

Source: The Company

* The Extraordinary General Assembly of the Company, in its meeting held on 19/10/1441H (corresponding to 11/06/2020G), approved the formation of the Audit Committee for the new session, starting from the date of the meeting and until the end of the session on 24/05/2023G.

The work regulation of the Audit Committee was approved by the Ordinary General Assembly in its meeting held on 18/10/1414H (corresponding to 30/3/1994G). Please refer to subsection (4-4-1) "Audit Committee" of subsection (4-4) "Board Committees" of Section (4) "The Organizational Structure of the Company".

The committee held 4 meetings during the fiscal year ending on December 31, 2018G, 4 meetings during the fiscal year ending on December 31, 2019G, and 5 meetings during the fiscal year ending on December 31, 2020G.

• Remuneration and Nomination Committee

- The Nominations and Remunerations Committee is composed of three (3) members, and the members of the Nominations and Remunerations Committee were appointed by the Board of Directors in accordance with the decision of the Company's Board of Directors taken at its meeting held on 10/11/1441H (corresponding to 01/07/2020G), and ends at the end of the Board's term on 24/05/2023G.

Table No.(56): Members of the Nomination and Remuneration Committee:

| Name | Position |
|---------------------------------|---------------------------|
| Mr. Rayan bin Waddah Trabzoni | Chairman of the Committee |
| Eng. Omar bin Khaled Al-Bilali | member |
| Mr. Asim bin Abdulwahab Al-Issa | member |

Source: The Company

9-6-6 Executive Management

The position of CEO is currently occupied by Mr. Shaker bin Nafel Al-Otaibi, as of 07/12/1435H (corresponding to 01/10/2014G). The following table shows the details of the Company's executive management.

| Nmae | Position | Nationality | Age | Hiring Date | Owned Shares | | | |
|------------------------------------|--|-------------|-----|-------------|--------------|------------|----------|------------|
| | | | | | Direct | | Indirect | |
| | | | | | Number | Percentage | Number | Percentage |
| Mr. Shaker bin Nafel Al-Otaibi | chief executive officer | Saudi | 55 | 01/10/2014G | 1,000 | 0.0035571% | - | - |
| Mr. Fath Al-Rahman Abdullah Othman | Financial Manager | Sudanese | 61 | 06/01/1990G | 0 | 0 | 0 | 0 |
| Eng. Faisal bin Dakhil Al-Dakhil | Foundry Factory General Manager | Saudi | 41 | 01/4/2015G | 0 | 0 | 0 | 0 |
| Eng. Ziauddin Sati | General Manager of Arabian Axles & Spare Parts Factory | Sudanese | 48 | 16/05/1999G | 0 | 0 | 0 | 0 |
| Mr. Abdulhadi bin Awad Al-Haddad | ASLAK Factory Manager | Saudi | 56 | 29/10/1990G | 0 | 0 | 0 | 0 |

Source: The Company



9-6-7 Corporate Governance

In accordance with the rules, regulations, and instructions issued by the Capital Market Authority, in particular, the Corporate Governance Regulations issued pursuant to the decision of the Board of the Authority pursuant to Resolution No. (8-16-2017G) dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by the Royal decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G), as amended by the Authority's Board Resolution No. (1-7-2021), dated 01/06/1442H (corresponding to 14/01/2021G); a corporate governance guide was developed and approved by the Extraordinary General Assembly in its meeting held on 17/10/1440H (corresponding to 20/06/2019G).

9-7 Government Approvals, Licenses and Certificates

9-7-1 Schedule of Approvals and Licenses

The Company (including its branches) has obtained several legal and operational licenses and certificates from the competent authorities, and these licenses and certificates are renewed periodically. Expired ones are under renewal according to the usual procedures. The members of the Board of Directors acknowledged that the Company has obtained all the necessary licenses and approvals to carry out its business and continue to do so. Expired one are under renewal, and they are not aware of anything that prevents the renewal of any of it. The following tables show the current licenses and certificates obtained by the Company:

Table No.(57): Licenses and approvals obtained by the Company

| Type of license | Purpose | License Number | Issue Date | Expiry date | Issuing body |
|---|---|------------------|---|---|---|
| Commercial Register | Registration of the Company in the register of commercial companies (joint stock companies) | 2055002251 | 16/05/1411 H (corresponding to 03/12/1990G) | 15/05/1443H (corresponding to 19/12/2021G) | Ministry of Commerce - Commercial Registry Office in Jubail |
| Saudization certificate | To indicate that the Company is committed to the required localization rate according to the Nitaqat program | 20002106000089 | 29/10/1442 H (corresponding to 10/06/2021G) | 03/02/1443H (corresponding to 10/09/2021G) | Ministry of Human Resources and Social Development |
| Nitaqat | To indicate that the Company is committed to the required localization rate according to the Nitaqat program | 72-977-6 | - | - | Ministry of Human Resources and Social Development |
| Social insurance certificate | The Company's commitment to the regulations of the General Organization for Social Insurance | 39241954 | 04/11/1442H (corresponding to 14/06/2021G) | 04/12/1442H (corresponding to 14/07/2021G) | General Organization for Social Insurance |
| Chamber of Commerce and Industry Membership Certificate | The Company's commitment to the commercial registry system, which requires the Company to participate in the Chamber of Commerce and Industry | 50221 | 03/09/1442H (corresponding to 15/04/2021G) | 15/05/1443 H (corresponding to 19/12/2021G) | (Jubail) |
| VAT registration certificate | The Company's obligation to register it for value added tax | 3004613026 | 02/12/1438H (corresponding to 24/08/2017G) | - | Eastern Province Chamber of Commerce |
| Certificate of Zakat and Income | To indicate that the Company submitted its declaration for the period ending on December 31, 2020G | 1110741507 | 24/09/1442H (corresponding to 06/05/2021G) | 29/09/1443 H (corresponding to 30/04/2022G) | Zakat, Tax and Customs Authority (formerly the General Authority for Zakat and Tax) |
| Environmental license to operate | Environmental license to operate an industrial facility | EPO 3/07 - 707.1 | 15/11/1440H (corresponding to 18/07/2019G) | 10/01/1446 H (corresponding to 16/07/2024G) | Zakat, Tax and Customs Authority |

Source: The Company



Branches:

Table No.(58): Licenses and Approvals Obtained by the Company's Branches

| Type of license | Purpose | License Number | Issue Date | Expiry date | Address |
|------------------------------|--|------------------|---|---|--|
| Commercial Register | Registration of the Company in the Commercial Companies Register (Company's Branch) | 2050016156 | 29/05/1406H (corresponding to 08/02/1986G) | 07/07/1443 H (corresponding to 08/02/2022G) | Dammam |
| Commercial Register | Registration of the Company in the Commercial Companies Register (Company Branch) | 2050116884 | 04/11/1439H (corresponding to 17/07/2018G) | 04/11/1445 H (corresponding to 05/12/2024G) | Dammam |
| Industrial facility license | Practicing industrial activities | 1001003425 | 22/02/1441H (corresponding to 21/10/2019G) | 22/02/1444H (corresponding to 18/09/2022G) | Ministry of Industry and Mineral Resources |
| Industrial facility license | Practicing industrial activities | 411102103130 | 02/07/1441H (corresponding to 26/02/2020G) | 02/07/1444 AH (corresponding to 24/01/2023G) | Ministry of Industry and Mineral Resources |
| Operating license | Qualification license to conduct the business of the facility within an area owned by the Saudi Authority for Industrial Cities and Technology Zones "Modon" | 5941441512010546 | - | 13/16/1444H (corresponding to 06/01/2023G) | Saudi Authority for Industrial Cities and Technology Zones "MODON" |
| Social insurance certificate | The Company's commitment to the regulations of the General Organization for Social Insurance | 39238327 | 04/11/1442H (corresponding to 14/06/2021G) | 04/12/1442H (corresponding to 14/07/2021G) | General Organization for Social Insurance (Dammam) |
| Saudization certificate | To indicate that the Company is committed to the percentage of localization required of it according to the Nitaqat program | 20002106000346 | 28/10/1442H (corresponding to 09/06/2021G) | 02/02/1443H (corresponding to 09/09/2021G) | Ministry of Human Resources and Social Development |
| Saudization certificate | To indicate that the Company is committed to the percentage of localization required of it according to the Nitaqat program | 20002105000184 | 15/10/1442H (corresponding to 27/05/2021G) | 19/01/1443H (corresponding to 27/08/2021G) | Ministry of Human Resources and Social Development |

Source: The Company

9-7-2 Continuing Obligations Imposed By Governmental Agencies on the Company and Its Subsidiaries in its Capacity As the "License Holder"

The regulatory authorities below obligate the Company to comply with some essential requirements as follows:

1- Continuing Obligations According to The Requirements of the Ministry Of Commerce:

- The Company is committed to the commercial registry system in terms of registration with the Commercial Registry Department in the city of Jubail, where the main headquarters of the Company is under Commercial Registration No. (2055002251) dated 16/05/1411H (corresponding to 03/12/1990 G), which ends on 15/05/1443H (corresponding to 19/12/2021G).
- The Company is also committed to the Companies Law, and the Company's Articles of Association have been updated in line with the recent amendments made to the Companies Law, after obtaining prior approval from the Ministry of Commerce on the draft Articles of Association and the approval of shareholders in the (extraordinary) general assembly meeting, and the latest Articles of Association were approved by the Corporate Governance Department (Ministry of Commerce) on 19/01/1441H (corresponding to 07/09/2020G). The Company complied with the requirements of the Capital Market Authority and the Saudi Stock Exchange (Tadawul) in terms of uploading a copy of the Articles of Association on the Tadawul website on the Company's page.
- The Company is also committed to the commercial registry system in terms of obtaining a membership certificate in the Chamber of Commerce and Industry (for more information, please see section (9-7) "Government Approvals, Licenses and Certificates" from section (9) "Legal Information" of this Prospectus.
- The Company's branches are also committed to completing the procedures for establishing their branches and they are committed to the commercial registry system in terms of registration with the Commercial Registry Department and the issuance of a membership certificate in the Chamber of Commerce and Industry for each branch (for more information, please refer to Section (9-7) "Government Approvals, Licenses and Certificates" from Section (9) "Legal Information" of this Prospectus).



2- Continuing obligations according to the requirements of the Capital Market Authority

The Authority obliges listed companies to abide by the rules of Offering securities, continuing obligations, special instructions issued by the Authority and the listing rules issued by the Saudi Stock Exchange (Tadawul), especially the obligation to periodically disclose fundamental, financial and management developments. The forms of announcements included in the instructions for companies' announcements of their financial results must be adhered to. The Company must also provide a statement of all the reasons and influences for the change in the financial results for the current fiscal year with the comparison period, so that the reasons include all items of the financial results announcement.

It should be noted that with regard to the solvency of public joint stock companies, on 23/01/1438H (corresponding to 24/10/2016G) the Authority's Board Resolution No. (1-031-6102) was issued to amend the procedures and instructions for companies listed in the market whose accumulated losses amounted to (50%) or more of its capital in light of the new corporate law, and its name has been modified to become "Procedures and instructions for companies whose shares are listed in the market and whose accumulated losses amounted to (20%) or more of their capital", provided that the amended procedures and instructions shall be implemented as of the date of 25/07/1438H (corresponding to 22/04/2017G).

The Authority also obligated the companies listed in the financial market whose accumulated losses amounted to (50%) or more of the paid-up capital to disclose on the Tadawul website before 24/07/1438H (corresponding to 21/04/2017G) of their plan regarding the application of Article (150). of the corporate system.

The Authority also obligated the companies listed in the financial market to follow the regulations of instructions for the announcements of joint stock companies whose shares are listed in the financial market issued by the Authority's Board Resolution No. (4-8-2017) dated 26/04/1438H (corresponding to 24/01/2017G).

As of the date of publishing this Prospectus, the Company has not violated any of the instructions set out above and is committed to the Capital Market Law and its implementing regulations. The members of the Board of Directors confirm that the Company continues to comply with the requirements of the system, regulations and instructions of the Capital Market Authority and the Financial Market (Tadawul) until the date of this Prospectus, and they also pledge to continue to comply with them.

3- Continuing obligations according to the requirements of the Zakat, Tax and Customs Authority (formerly the General Authority of Zakat and Income):

- The Company, like other registered establishments and companies operating in the Kingdom, is obliged to submit its Zakat and tax returns within 120 days after the end of the fiscal year for the purpose of renewing the certificate issued by the Zakat, Tax and Customs Authority. The Company was registered as a taxpayer under the Company's submission of its Zakat declaration for the fiscal year ending on December 31, 2020G. It obtained a Zakat certificate from the Zakat, Tax and Customs Authority for that (for more information, please see section (9-7) "Government Approvals, Licenses and Certificates" from section (9) "Legal Information" of this Prospectus).
- The Company is committed to the value-added tax system and its executive regulations and is registered with the Zakat, Tax and Customs Authority under a certificate issued by the authority (for more information, please refer to Section (9-7) "Government Approvals, Licenses and Certificates" from Section (9) "Legal Information" of this Prospectus).

4- Continuing obligations according to the requirements of the Ministry of Human Resources and Social Development

- A file has been opened with the Ministry of Human Resources and Social Development (Labour Office) under the unified number 977-6, according to the Saudization certificate extracted from it. As on the date of publishing this Prospectus, the Company benefits from the electronic services of the Ministry of Human Resources and Social Development, and a Saudization certificate has been issued to indicate that the Company is committed to the percentage of localization required of it according to the Nitaqat program, which amounts to (16%).



9-7-3 Company Branches

Article (3) the Fourth of the Company's Articles of Association stipulates that the Company may establish companies by itself (with limited liability or closed joint stock, provided that the capital is not less than SAR (5) million, and it may also own shares and stocks in other existing companies or merge with them and it has the right to participate with others in the establishment of joint stock or limited liability companies, after fulfilling the requirements of the regulations and instructions followed in this regard, according to the following:

Branch List:

Table No.(59): Branches

| Serial # | Company Branches | Owner ID No. | Issue Date | Expiry date |
|----------|------------------|--------------|-------------|-------------|
| 1 | Jubail | 2055013867 | 25/08/1432H | 25/11/1446H |
| 2 | Dammam | 2050116884 | 04/11/1439H | 04/11/1445H |
| 3 | Dammam | 2050016156 | 29/05/1406H | 07/07/1443H |
| 4 | Riyadh | 1010389002 | 25/11/1434H | 25/11/1442H |

Source: The Company

9-7-4 Summary of Material Contracts

The Company committed itself when concluding the contracts and agreements referred to below that all transactions be on a purely commercial competitive basis that guarantees the rights of shareholders and that those contracts be voted on by the Company's general assembly without the participation of shareholders who have interests in those contracts. The Company and its board members confirm their commitment to the restrictions of the Companies Law and the Corporate Governance Regulations for dealings with related parties in relation to those contracts.

The Company has the following several material agreements:

9-7-4-1 Agreements and Transactions of Related Parties

The Company dealt with the National Industrialization Company, one of the shareholders, the majority of which include expenses paid on behalf of the Company.

| In Saudi Riyals | 2018G | 2019G | 2020G |
|--------------------------------------|----------------|----------------|----------------|
| Balance on January 1 | 305,694 | 381,894 | 614,442 |
| Expenses on behalf of the Company | 76,200 | 3,189,946 | 2,769,768 |
| Amount paid on behalf of the Company | 0 | (2,957,398) | (2,972,748) |
| Balance on December 31 | 381,894 | 614,442 | 411,462 |

Source: The Company

Noteworthy, the above-mentioned transactions with the National Industrialization Company relate to medical insurance for all company employees covered by the collective insurance policy of the National Industrialization Company and its subsidiaries and affiliates, so that the Company pays its share of its employees from the said insurance policy in favor of the National Industrialization Company. The rest of the transactions with related parties are related to the remunerations and expenses of the members of the Board of Directors and the Audit Committee who represent the National Industrialization Company and its subsidiaries in the Board of Directors and the Audit Committee of the Company. The previous transactions were done through the National Industrialization Company by paying the remunerations to its representatives in the Board of Directors and committees and the Company performs them by paying the value of these bonuses. Of note, the remunerations of the representatives of the National Industrialization Company in the Company's Board of Directors and the committees affiliated with the board are calculated according to the same mechanism by which the remunerations of the remaining members of the Company's Board of Directors and committees are calculated without any preferential treatment.



9-7-4-2 Material Contracts

The Company also has several transactions, the most important of which are the following agreements:

1- Transport of goods Contracts

The Company entered into an agreement with the Suleiman Ali Al-Khalaf Foundation on 03/01/2021G, for a period of one year, and ends on 31/12/2021G. Under the contract, trucks (trailers) or containers will be procured as demanded to transport the Company's goods from Jubail to other regions, according to the following prices.

| From | To | Value (Riyal) |
|--------|--|---------------|
| Jubail | Riyadh | 1,250 |
| Jubail | (Jeddah, Makkah, Taif, Hail) | 2,600 |
| Jubail | (Qurayyat, Tabuk) | 2,850 |
| Jubail | (Medina, Rabigh, Yanbu) | 2,750 |
| Jubail | (Al-Ahsa, Al-Khafji) | 900 |
| Jubail | (Al-Jawf, Sakaka) | 2,625 |
| Jubail | Dammam | 600 |
| Jubail | (Jazan, Najran, Asir) | 3,200 |
| Jubail | (Al-Baha, Al-Qunfudhah, Abha, Bisha, Khamis Mushait) | 3,200 |
| Jubail | (Qassim, Rafha) | 1,625 |

The Company also entered into an agreement with Delmon Company on 03/01/2021G, for a period of one year, and ends on 31/12/2021G, and according to the contract, trailers (trailers) or containers will be procured as demanded to transport the Company's goods from Jubail to other regions, according to the following prices.

| From | To | Value (Riyal) |
|--------|---|---------------|
| Jubail | Kuwait | 1,750 |
| Jubail | Qatar | 1,900 |
| Jubail | Qatar (Mesaieed) | 2,000 |
| Jubail | (Dubai, Abu Dhabi, Sharjah, Umm Al Quwain, Ajman) | 1,700 |
| Jubail | Ras Al Khaimah | 1,800 |
| Jubail | (Jordan, Amman, Sahab, Zarqa) | 3,400 |
| Jubail | Mafraq | 3,600 |
| Jubail | Muscat | 2,900 |
| Jubail | Sour | 3,300 |
| Jubail | Salalah | 6,200 |
| Jubail | Bahrain | 1,500 |

2- Sales Contracts

The Company and its subsidiaries have entered into several agreements with (TOPTIP HOLDING PTE. LTD.) to sell industrial materials to the Company, as shown in the table below:

| Date | Material | Value (USD) |
|-------------|--|-------------|
| 02/08/2021G | Newly produced hot rolled steel wire rod | 460,140 |
| 18/01/2021G | Newly produced hot rolled steel wire rod | 4,407,420 |
| 23/03/2021G | Newly produced hot rolled steel wire rod | 4,250,000 |



3- Contracts and transactions related to real estate occupied by the Company -

- **Real estate owned by the Company**

The Company has a title deed for a plot of land according to the following:

Table No.(60): Data of the title deed of land owned by the Company

| S | Company | Title Deed No. | Location | Purpose |
|---|--|--------------------------------------|---|--|
| 1 | National Metal Manufacturing and Casting Company | Title Deed No. 981 On 08/01/1422H | Al-Ahزاب Street 4, Al-Dafi District, Al-Firdaws | A plot of land with a total area of 400 square metres |
| 2 | National Metal Manufacturing and Casting Company | Title Deed No. 983 On 08/01/1422H | Al-Ahزاب Street 4, Al-Dafi District, Al-Firdaws | A plot of land with a total area of 399.5 m ² |
| 3 | National Metal Manufacturing and Casting Company | Title Deed No. 996 On 14/01/1422H | Al-Ahزاب Street 4, Al-Dafi District, Al-Firdaws | A plot of land with a total area of 400 square metres |
| 4 | National Metal Manufacturing and Casting Company | Title Deed No. 997 On 14/01/1422H | Al-Ahزاب Street 4, Al-Dafi District, Al-Firdaws | A plot of land with a total area of 399.5 m ² |
| 5 | National Metal Manufacturing and Casting Company | Title Deed No. 182 On 08/01/1422H | Al-Ahزاب Street 3, Al-Dafi District, Al-Firdaws | A plot of land with a total area of 399.5 m ² |
| 6 | National Metal Manufacturing and Casting Company | Title Deed No. 198 On 14/01/1422H | Al-Ahزاب Street 3, Al-Dafi District, Al-Firdaws | A plot of land with a total area of 391 m ² |

Source: The Company

4- Lease Contracts

The Company and its subsidiaries have concluded a number of lease contracts, and the following is an overview of them:

Table No.(61): Overview of the lease contracts concluded by the Company or its branches as a lessee

| | Location | Lessor | Lessee | Rent Value | lease term |
|---|---|--|---|----------------------|---|
| 1 | Dammam 2nd Industrial City | Saudi Authority for Industrial Cities and Technology Zones | Axles, foundries and spare parts factory | SAR 66,000 annually | Ends on 26/08/1452H (corresponding to 21/12/2030G). |
| 2 | Dammam 2nd Industrial City | Saudi Authority for Industrial Cities and Technology Zones | Axles, foundries and spare parts factory | SAR 95,500 annually | Ends on 26/08/1452H (corresponding to 21/12/2030G) |
| 3 | Industrial City in Jubail Industrial City | Royal Commission for Jubail and Yanbu | Wire drawing factory and its products (wires) | SAR 410,062 annually | It starts on 1/12/1434 AH (corresponding to 06/10/2013G) and its duration is (10) Hijri years |

Source: The Company

Table No.(62): Overview of the lease contracts concluded by the Company or its branches in its capacity as a lessor

| | Location | lessor | Lessee | Rent Value | lease Term |
|---|--|--|---------------------------------|--|--|
| 1 | Jubail Industrial City - Al-Fardous District - Al-Ahزاب (4) Property No. (103) | National Metal Manufacturing and Casting Company | Ahmed Mohamed Ahmed Saad | Thirty-five thousand SAR (35,000) annually | It starts from 05/11/2019G and ends on 06/11/2020G, and renews automatically unless either party feels unwilling to renew. |
| 2 | Jubail Industrial City | National Metal Manufacturing and Casting Company | Tariq Ibrahim Al-Ashmawi | Thirty-five thousand SAR (35,000) annually | It starts from 01/08/2008G and ends on 31/07/2009G, and renews automatically unless either party feels unwilling to renew. |
| 3 | Jubail Industrial City - Al-Fardous District - Al-Ahزاب (3) Property No. (102) | National Metal Manufacturing and Casting Company | Abdul Rahim bin Salem Al Haider | Thirty-five thousand SAR (35,000) annually | It starts from 01/11/2018G and ends on 31/10/2019G and is automatically renewed for a similar period unless either party feels its desire to terminate the contract. |
| 4 | Jubail Industrial City - Al-Fardous District - Al-Ahزاب (3) Property No. (100) | National Metal Manufacturing and Casting Company | Alaa Ragab | Thirty-five thousand SAR 35,000 annually | One year, starting from 01/07/2008G and ending 30/06/2009G, and renews automatically unless either party feels unwilling to renew. |
| 5 | Jubail Industrial City - Al-Fardous District - Al-Ahزاب (4) Property No. (103) | National Metal Manufacturing and Casting Company | Ali Hassan Suleiman | Thirty-five thousand SAR (35,000) annually | It starts from 01/04/2021G and ends on 31/03/2022G, and it is automatically renewed for a similar period unless either party feels its desire to terminate the contract. |
| 6 | Jubail Industrial City - Al-Fardous District - Al-Ahزاب (4) Property No. (100) | National Metal Manufacturing and Casting Company | Fateh Rahman Othman | Thirty-five thousand SAR (35,000) annually | It starts from 01/06/2017G and ends on 31/05/2018G, and renews automatically unless either party feels unwilling to renew. |



| | Location | lessor | Lessee | Rent Value | lease Term |
|---|--|--|----------------------------|--|--|
| 7 | Jubail Industrial City - Al-Fardous District - Al-Ahزاب (3) Property No. (100) | National Metal Manufacturing and Casting Company | Haider Kamal Shaaban | Thirty thousand SAR (30,000) annually | It starts from 01/09/2019G and ends on 31/08/2020G, and renews automatically unless either party feels unwilling to renew. |
| 8 | Jubail Industrial City - Al-Fardous District - Al-Ahزاب (4) Property No. (100) | National Metal Manufacturing and Casting Company | Khaled Sati Saleh | Thirty thousand SAR (30,000) annually | It starts from 01/01/2019G and ends on 31/12/2019G, and renews automatically unless either party feels unwilling to renew. |
| 9 | Jubail Industrial City - Al-Fardous District - Al-Ahزاب (4) Property No. (102) | National Metal Manufacturing and Casting Company | Qasim Yunus Muhammad Yunus | Thirty-five thousand SAR (35,000) annually | It starts from 15/03/2019G and ends on 14/03/2020G, and renews automatically unless either party feels unwilling to renew. |

Source: The Company

5- Loans and credit facilities

The Company obtained loans and credit facilities from several local financing agencies to finance its expansion business and operate its facilities. The following is an overview of the facilities and loan agreements obtained by the Company and which are still in place as of the date of publication of this Prospectus:

Table No.(63): Summary of Credit Facilities

| | Lending Agency | financing type | Period | Funding Amount | Notes |
|---|-----------------------------------|---------------------------------|---|----------------|---|
| 1 | Al Jazeera Bank | Facility Agreement | The facility period extends from 14/09/1440H (corresponding to 19/05/2019G) It is renewed annually until the end of the existing dealing between the two parties | SAR 50 million | 1- The agreement was renewed by virtue of a contract annex on 24/03/1442H (corresponding to 10/11/2020G), where the bank and the customer agreed to modify the credit limits so that the amount mentioned in the financing amount field is SAR 50 million instead of SAR 65 million. 2- The bank grants the customer a deferred sale limit deferred to tawarruq (a dinar program) to finance service payments (payment - delivery fees - customs fees), according to agreed terms and in the amount of SAR 3 million. 70% financing. |
| 2 | Saudi National Bank | Financing and Banking Agreement | The facility period extends from 23/03/1442H (corresponding to 09/11/2020G) until 23/02/1443H (corresponding to 30/09/2021G). | SAR 28,883,727 | The agreement has been renewed by virtue of a contract renewal and/or amendment supplement. |
| 3 | British Saudi Bank | Islamic banking facilities | The facility period extends from the date of 16/02/1441H (corresponding to 15/10/2019G) until 27/05/1443H (corresponding to 31/12/2021G). | SAR 69,000,000 | The agreement was renewed by virtue of a letter and facilities agreements dated 15/03/1442 H (corresponding to 01/11/2020G), whereby amendments were made to the facility limit so that the amount mentioned in the financing amount field. |
| 4 | Saudi Industrial Development Fund | Loan contract | The period extends from 11/07/1439H (corresponding to 28/03/2018G) until 15/10/1446H (corresponding to 13/04/2025G). | SAR 20,900,000 | According to the side letter of the Industrial Development Fund dated 05/06/1442H (corresponding to 18/01/2021G), the remaining balance is SAR 19,700,000 |
| 5 | Saudi Industrial Development Fund | Term loan | The period extends from 07/04/1439H (corresponding to 25/12/2017G) until 15/10/1446H (corresponding to 13/04/2025G). | SAR 5,650,000 | According to the side letter of the Industrial Development Fund dated 04/08/1442H (corresponding to 17/03/2021G), the remaining balance is SAR 5,250,000 |







9-8 Trademarks and Proprietary Rights

In marketing its services and products, the Company relies on its trade name registered in its commercial registry, as reflected in its logo, which supports its business and its competitive position, and gives it a clear distinction in the market among customers.

The table below shows the details of the trademarks of the Company and its subsidiaries:

Table No.(64): Trade Brand

| Trade Mark | Certificate Number | Category | Products included in the category | Owning Company | date of registration | Start of Protection | End of Protection |
|---|--------------------|----------|---|---|----------------------|---------------------|-------------------|
|  | 1435014535 | (37) | Construction, construction, building construction, repair and installation or assembly services. | National Metal Manufacturing and Casting Company (Maadaniyah) | 12/11/1435H | 28/07/1435H | 27/07/1445H |
|  | 1441008157 | (6) | non-precious metals and their mixtures, metal building materials, metal portable buildings, metal materials for railways, non-electrical wire ropes and wires of non-precious metals, ironworks, small metal hardware, pipes and tubes of metal, safes for storing documents and valuables, products made of Non-precious metals not included in other classes, ores of metals. | Axles, foundries and spare parts factory | 23/06/1441H | 16/03/1441H | 15/03/1451H |
|  | 1441007686 | (6) | non-precious metals and their mixtures, metal building materials, metal portable buildings, metal materials for railways, non-electrical wire ropes and wires of non-precious metals, ironworks, small metal hardware, pipes and tubes of metal, safes for storing documents and valuables, products made of Non-precious metals not included in other classes, ores of metals. | Axles, foundries and spare parts factory | 03/06/1441H | 15/03/1441H | 14/03/1451H |
|  | 1436006944 | 6 | non-precious metals and their mixtures, metal building materials, metal portable buildings, metal materials for railways, non-electrical wire ropes and wires of non-precious metals, ironworks, small metal hardware, pipes and tubes of metal, safes for storing documents and valuables, products made of Non-precious metals not included in other classes, ores of metals. | Bass Gulf Industry Company | 17/07/1436H | 29/03/1436H | 28/03/1446H |

* The Authority to register trademarks has been transferred to the Saudi Authority for Intellectual Property

The Company does not have any other registered intellectual property rights, and the Company does not rely in its activities on any valuable intangible property such as trademarks, patents, copyrights or any other intellectual property.



9-9 Disputes and Lawsuits

As on the date of this Prospectus, there is no case filed against the Company. As for the number of cases filed by the Company, it represents (7) cases, which amounted to SAR (2,716,943.48) for the claim. The table below shows a summary of the cases filed by the Company:

Table No.(65): Cases filed by the Company

| Cases Filed by the Company | | | | | | |
|----------------------------|--------------------|--|---|-----------------------|--------------------------------|---------------------------------|
| No. | Case Date (Number) | Claimant | Defendant | Capacity of Defendant | Claim Amount (in Saudi Riyals) | Case Status |
| 1 | | Axles, foundries and spare parts factory | Saudi Structures Factory | Business Customer | 72,400.00 | Work in progress, with a lawyer |
| 2 | | Axles, foundries and spare parts factory | Al Muraqi Factory - Riyadh | Business Customer | 697,092.00 | Work in progress, with a lawyer |
| 3 | | Axles, foundries and spare parts factory | Al Nami factory | Business Customer | 557,499.98 | Work in progress, with a lawyer |
| 4 | | Axles, foundries and spare parts factory | Technical Structures Factory | Business Customer | 710,900.00 | Work in progress, with a lawyer |
| 5 | | Axles, foundries and spare parts factory | Branch of Ahmed Amara & Partners Industries Company | Business Customer | 306,841.50 | Being looked at at court |
| 6 | | Axles, foundries and spare parts factory | Al-Hazaa Saudi Contracting Group | Business Customer | 50,000.00 | Being looked at at court |
| 7 | | Axles, foundries and spare parts factory | Meezat Heavy Industries Co. | Business Customer | 322,210.00 | Being looked at at court |

Source: The Company

The Company also entered into an agreement governed by court confidential clauses for the purpose of debt settlement on January 13, 2020G, with Rizani de Axer S.p.A. (Dubai Branch) (the "Second Party") ("Settlement Agreement"), where the two parties entered into a series of contracts related to a public transfer project in one of the Arab Gulf states (the "Project"). The second party owes an amount owed to the Company with a value of just over one million US dollars. On March 27, 2019G, the second party started the arbitration procedures against the project owner to recover the amount due to the second party, which is estimated to be less than fifty million US dollars in addition to the fees of the appointed arbitral tribunal. By virtue of the financial costs, the second party requested the Company to reduce the amount of the indebtedness to a settlement amount consisting of a fixed amount that is approximately half of the full indebtedness, in addition to a variable amount that is calculated according to what will be collected from the debts of the second party with his debtor, and the settlement is then set off as stipulated in the settlement agreement. This is done by paying through an international bank transfer from the second party's account to the Company's account. The settlement agreement is also subject to the regulations of the Emirate of Dubai in the United Arab Emirates.

9-10 Material Information that has Changed Since the Authority's Approval of the Last Prospectus

Following is a summary of the most important information that has changed since the Authority's approval of the last share Prospectus, which was issued on 09/03/2006G:

- The Capital Market Authority approved, on 29/02/1437H (corresponding to 29/04/2006G), the Company's Prospectus to increase the Company's capital from SAR (125,000,000) to SAR (163,561,250) for the purpose of buying the partners' shares in the Arab Company for Axles, Foundries and Spare Parts and merging them into Maadaniya company;
- On 11/05/1427H (corresponding to 07/06/2006G), the Eighth and the fifteenth Extraordinary Maadaniya Ordinary General Assembly were held, where the agenda items of the two General Assemblies were approved, including an increase in Maadaniya capital from SAR (125,000,000) million to SAR (163,561,250) million by issuing (3,856,125) new shares for the purpose of purchasing the partners' shares in the Arab Company for Axles, Foundries and Spare Parts and merging them into the Company, and amending the two articles related to the Company's capital and purposes in its Articles of Association in accordance with the decisions of the Assembly.
- Financial Statements: Until the financial year ended on 31/12/2016G. However, the Company was preparing and publishing its financial statements in accordance with the accounting standards accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. However, as of January 2017G, the preparation method was modified to become in accordance with International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia.
- The Ninth Extraordinary General Assembly, held on 01/04/1429H (corresponding to 07/04/2008G), agreed to increase the Company's capital from SAR (163,561,250) to SAR (204,451,560) at a rate of (25%) by granting one free



share for every four shares so that the the number of shares increases from (16,356,125) shares to (20,445,156) shares for the shareholders registered in the Company's records at Tadawul at the end of trading on the day of the meeting, based on the recommendation of the Board of Directors on 03/01/1429H (corresponding to 12/01/2008G), and on the amendment of some Articles of the Company's Articles of Association to comply with it.

- The Tenth Extraordinary General Assembly, held on 1/5/1430H (corresponding to 26/04/2009G), agreed to increase the Company's capital from SAR (204,451,560) to SAR (255,564,450) at a rate of 25% by granting one free share for every four shares so that the number of shares will increase from (20,445,156) shares to (25,556,445) shares, provided that SAR (38,334,668) are financed from the issue premium item and SAR (12,778,222) are financed from the retained earnings item for shareholders registered in the Company's records at the Securities Depository Center (Tadawul) at the end of trading on the day of the assembly meeting, based on the recommendation of the Board of Directors on 14/02/1430H (corresponding to 09/02/2009G), and on the amendment of some articles of the Company's Articles of Association to comply with that.
- The Twelfth Extraordinary General Assembly, held on 03/06/1433H (corresponding to 24/04/2012G), agreed to increase the Company's capital from SAR (255,564,450) to SAR (281,120,890) at a rate of 10% by granting one free share for every ten shares so that the number of capital shares increase from (25,556,445) shares to (28,112,089) shares, provided that an amount of SAR (12,659,755) is covered from the statutory reserve item and an amount of SAR (12,896,685) is covered from the retained earnings item, for the shareholders registered in the Company's records at the Securities Depository Center (Tadawul).at the end of trading on the day of the assembly meeting, based on the recommendation of the Board of Directors on 21/03/1433H (corresponding to 13/02/2012G), and on amending some articles of the Company's Articles of Association to comply with that.
- On 16/07/1442H (corresponding to 28/02/2021G) the Board of Directors recommended reducing the Company's capital and then increasing its capital by offering priority rights shares at a value of SAR (120,000,000) through offering (12,000,000) priority Rights Issues. On 19/08/1442H (corresponding to 01/04/2021G), the Board decided to amend the recommendation related to reducing the Company's capital so that the Company's capital before the reduction was SAR(281,120,890), and the capital after the reduction was SAR (240,963,900) by reducing the capital of the Company and cancelling of (4,015,699) shares of the Company's shares, and a reduction of (1) share for every (7.001) shares. The number of shares before the reduction is (28,112,089) shares, and the number of shares after the reduction is (24,096,390) shares. Tthe Board decided on 12/10/1442H (corresponding to 24/05/2021G) to amend the recommendation related to reducing the Company's capital so that the Company's capital before the reduction is SAR (281,120,890), and the capital after the reduction is SAR (234) million through capital reduction and cancellation of (4,712,089) shares of the Company's shares by reducing one share for every (5,966) shares. The number of shares before the reduction is (28,112,089) shares, and the number of shares after the reduction is (23,400,000) shares.
- Articles of Association: The last update to the Company's Articles of Association was at the 14th Extraordinary General Assembly meeting on 19/10/1441H corresponding to 11/06/2020G. The update included the articles related to the Company's incorporation and its name, objectives, head office, capital, purchase of its shares, issuance of its shares, its management, the powers of its Board of Directors and its president, meetings of the Board of Directors and its quorum, the terms of reference of the extraordinary general assembly, the formation of the audit committee and the financial documents.
- Governance: Approving internal governance regulations and policies related to corporate governance in line with the provisions of the corporate governance regulation issued by the Authority. The update of the corporate governance regulation was approved at the extraordinary general assembly meeting held on 17/10/1440H (corresponding to 20/06/ 2019G).

9-11 Declarations of Legal Information

The members of the Board of Directors acknowledge the following:

- a. That the issuance does not violate the relevant laws and regulations in the Kingdom of Saudi Arabia.
- b. The issuance does not prejudice any of the contracts and agreements to which the Company is a party of.
- c. All material legal information related to the Company has been disclosed in this Prospectus.
- d. Other than what is stated in Section (9-9) "**Disputes and Lawsuits**" and Section (2) "**Risk Factors**", the Company is not subject to any lawsuits or legal procedures that alone or in the aggregate may materially affect the Company's business or financial position.
- e. The members of the Board of Directors are not subject to any lawsuits or legal procedures that, individually or as a whole, may materially affect the business of the Company or its subsidiaries or their financial condition.
- f. The Company continues to comply with the requirements of the Ministry of Commerce until the date of this Prospectus, and it also pledges to continue to comply with it.
- g. The Company continues to comply with the requirements of the Zakat, Tax and Customs Authority until the date of this Prospectus, and it also pledges to continue to comply with it.



- h. The Company continues to comply with the requirements of the Ministry of Human Resources and Social Development until the date of this Prospectus, and it also pledges to continue to comply with it.
- i. The Company continues to abide by the requirements of the system, regulations and instructions of the Capital Market Authority and the Financial Market (Tadawul) until the date of this Prospectus, and it also pledges to continue to comply with it.



10- Underwriting

10-1 Underwriter

Al Wasatah Capital Company (Wasatah Capital)

P.O. Box 50315 Riyadh 11523

Riyadh - Olaya Main Street

Kingdom of Saudi Arabia

Tel: + 966 11 4944067

Fax: + 966 11 4944205

Website: www.wasatah.com.sa

E-mail: info@wasatah.com.sa



10-2 Main terms of the Underwriting Agreement

According to the terms and conditions of the Underwriting Agreement:

- 1- The Company undertakes to the Underwriters that, on the date of the allocation, it will issue and allocate to the Underwriter all the Right Issue Shares pledged to be underwritten in this Offering, which the Eligible Shareholders have not subscribed to, at the Offering Price.
- 2- The Underwriters undertakes the to the Company that on the date of the allocation, it will purchase all the shares it pledged to underwrite in this Offering, which the Eligible Shareholders did not subscribe to, at the Offering Price.
- 3- The Underwriters shall receive a specific financial consideration in return for his undertaking to underwrite, which will be paid from the Offering Proceeds.



11- Waivers

The Company has not received any exemptions from any requirements relating to the Offering.



12- Subscription Terms and Condition

The Company filed an application for the registration and Offering of the New Shares to the Capital Market Authority and to the Saudi Stock Exchange Group (Tadawul) to list the New Shares. All requirements were fulfilled in accordance with the Rules on Offering of Securities and Continuing Obligations and Listing Rules.

All Eligible Shareholders and the persons who purchased the Rights and the bidders must very carefully read the information related to the shares and the Subscription Terms and Condition before subscribing electronically or submitting the subscription application through the agent or filling out the Rump Offering form. Submission of the Subscription Application or signature and Submission of the Rump Offering form constitutes approval and acceptance of the aforementioned terms and conditions.

12-1 The Offering

The subscription consists of Offering twelve million (12,000,000) new ordinary shares at an offer price of (10) ten Saudi Riyals per share, with a nominal value of (10) ten Saudi Riyals, and a total Offering value of one hundred and twenty million (120,000,000) Riyals, in order to increase the Company's capital from two hundred and thirty-four million (234,000,000) Saudi Riyals to three hundred and fifty-four million (354,000,000) Saudi Riyals.

12-2 How to Apply for Subscription to the Rights (New Shares)

Registered Shareholders wishing to subscribe to the Rights Issue Shares must submit the subscription application during the Subscription Period through an investment portfolio at Tadawul platforms through which the sale and purchase orders are entered. Subscription applications may be made through any other means provided by the agent and the shares Custodian in the Kingdom during the Subscription Period. In case that there is a Rump Offering Period, subscription applications could be submitted for any remaining shares by Investment Institutions only.

By participating in the Subscription, the Subscriber:

- Agrees to subscribe for the number of New Shares as stated in the Subscription Application Form.
- Warrants that he/she has carefully read the Prospectus and understood all its contents.
- Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus.
- Declares that he/she has not previously subscribed for this Right Issue, in which case the Company has the right to reject all applications.
- Accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- Warrants not to cancel or amend the Subscription Application Form after submission to the agent.

12-3 Subscription Application

Eligible Persons wishing to exercise their full Rights and subscribe for all the Rights to which they are entitled, must subscribe through the investment portfolio at the Trading Platforms through which buying and selling orders are entered or through any other means provided by the agent and the Custodian of shares.

The number of shares that the Eligible Person is entitled to subscribe for is calculated according to the number of Rights he owns. As for the subscription amount that the subscriber is required to pay, it is calculated by multiplying the number of existing tradable Rights that he owns before the end of the subscription period by (10).

12-4 Trading and Subscription Stage and Rump Offering Period

Eligible Shareholders who wish to subscribe to the Rights must submit a subscription application during the subscription period which begins on 02/02/1443H (corresponding to 02/02/2022) and ends on 02/02/1443H (corresponding to 02/02/2022).

The Extraordinary General Assembly held on 02/02/1443H (corresponding to 02/02/2022) approved the recommendation of the Board of Directors to increase the Company's capital through a Rights Issue. Under this Prospectus, twelve million (12,000,000) ordinary shares will be offered for subscription through the Rights Issue, which represent 51.3% of the Company's capital prior to subscription at an Offer Price of ten (10) Saudi Riyals per share, with a nominal value of ten (10) Saudi Riyals per share, with a total Offering value of one hundred and twenty million (120,000,000) Saudi Riyals. The new shares will be issued at a ratio of one share for each Right. Subscription to the Rights will be offered to the shareholders registered in the shareholders' register of the Company at the end of the second trading day following the Extraordinary General Assembly on 02/02/1443H (corresponding to 02/02/2022) and to the Eligible Persons who have purchased the Rights During the Rights Issue Subscriptions Period, including the Registered Shareholders who have purchased additional Rights in addition to the Rights they originally owned.



If the Rights of the Eligible Persons are not exercised by the end of the Subscription Period, then the remaining shares (as a result of inability to exercise those Rights or being sold by the Eligible Persons) will be offered to the investment institutions during the Rump Offering Period.

The Registered Shareholders will be able to trade the Rights that have been deposited in their portfolios through the Saudi Stock Exchange (Tadawul). These Rights are considered as acquired right for all shareholders recorded in the Company's Register at the end of the second trading day following the EGM that approved the capital increase. Each Right gives its holder the right to subscribe for one New Share, at the Offering Price. Rights will be deposited after the assembly convenes. The Rights will appear in the Registered Shareholders' portfolios under a new code for the Rights, and the Registered Shareholders will then be notified of depositing the Rights in their portfolios.

The schedule and details of the Offering are as follows:

- 1- Eligibility Date: End of trading session on the day of the Extraordinary General Assembly on **01/01/2024**H (corresponding to **01/01/2024**G).
- 2- Trading Period and Subscription Period: Trading Period and Subscription Period commence on **01/01/2024**H (corresponding to **01/01/2024**G) provided that the Trading Period ends on **01/01/2024**H (corresponding to **01/01/2024**G), and the Subscription Period continues until the end of **01/01/2024**H (corresponding to **01/01/2024**G).
- 3- Rump Offering Period: Starts at ten o'clock in the morning of **01/01/2024**H (corresponding to **01/01/2024**G) and continues until five o'clock in the evening of the next day on **01/01/2024**H (corresponding to **01/01/2024**G). During this period, the remaining shares will be offered to a number of Institution Investors, (Institutional Investors") provided that those investment institutions submit offers to buy the remaining shares during the Rump Offering Period. Rump Shares will be allocated to the Investment Institutions with the highest bids first, then the lowest and the lowest. The Rump shares shall be allocated on a pro rata basis to the Investment Institutions that offer the same price. As for the fractional shares, they will be added to the remaining shares and treated similarly. The subscription price for the New Shares that were not subscribed to during this period will be at the minimum Offering Price. If the price of the unsubscribed shares is higher than the Offering Price, the difference (if any) shall be distributed as compensation to the Right holders who did not subscribe to their Rights and the holders of fractional shares in a proportion of their owned Rights.
- 4- Final allocation of shares: The shares will be allocated to each investor based on the number of Rights that he fully and properly exercised. The total amount of the Offering resulting from the Rump Offering process will be paid to the Company. The rest of the proceeds from the sale of the remaining shares and fractions of shares shall be distributed without calculating any fees or deductions (in excess of the Offering Price) to its beneficiaries, each according to what he is entitled to, no later than on **01/01/2024**H (corresponding to **01/01/2024**G).
- 5- Trading of New Shares in the Market: Trading of shares offered for subscription in the Tadawul system will begin upon completion of all procedures related to the registration and allocation of the New Shares.

The Company has submitted a request to the Capital Market Authority to register and offer the New Shares, and the Company has also submitted an application to the Saudi Stock Exchange (Tadawul) to admit its listing.

12-5 Allocation and Refund

The Company and the Lead Manager will open an Escrow Account into which the Offering Proceeds will be deposited.

Shares will be allocated to Eligible Persons based on the number of Rights they have exercised fully and correctly. As for those eligible for fractional shares, the fractional shares will be collected and offered to investment institutions during the Rump Offering Period. The total price of the offer of the remaining shares will be paid to the Company, and the rest of the proceeds from the sale of the remaining shares and fractions of shares (in excess of the Offering Price) will be distributed to those entitled to them, each according to what he is entitled to, no later than **01/01/2024**H (corresponding to **01/01/2024**G). In the event that shares remain unsubscribed to after that, the Underwriters will purchase such remaining New Shares and they will be allocated to him.

It is expected to announce the final number of shares that have been allocated to each Eligible Person without any commissions or deductions by the Lead Manager by crediting them to the subscribers' accounts. For more information, Eligible Persons should contact the Agent through which the subscription application was submitted. The allocation results will be announced no later than **01/01/2024**H (corresponding to **01/01/2024**G).

The surplus (the rest of the Offering Proceeds in excess of the Offering price) will be refunded to the Eligible Persons who did not participate in whole or in part in the subscription to the Rights Issue (if any) without any deductions no later than **01/01/2024**H (corresponding to **01/01/2024**G).



12-6 Supplementary Prospectus

The Company must submit to the Authority a Supplementary Prospectus, in accordance with the requirements of the rules on the Offering of Securities and Continuing Obligations, if the Company becomes aware at any time after the date of the publication of this Prospectus and before the completion of the Offering of any of the following:

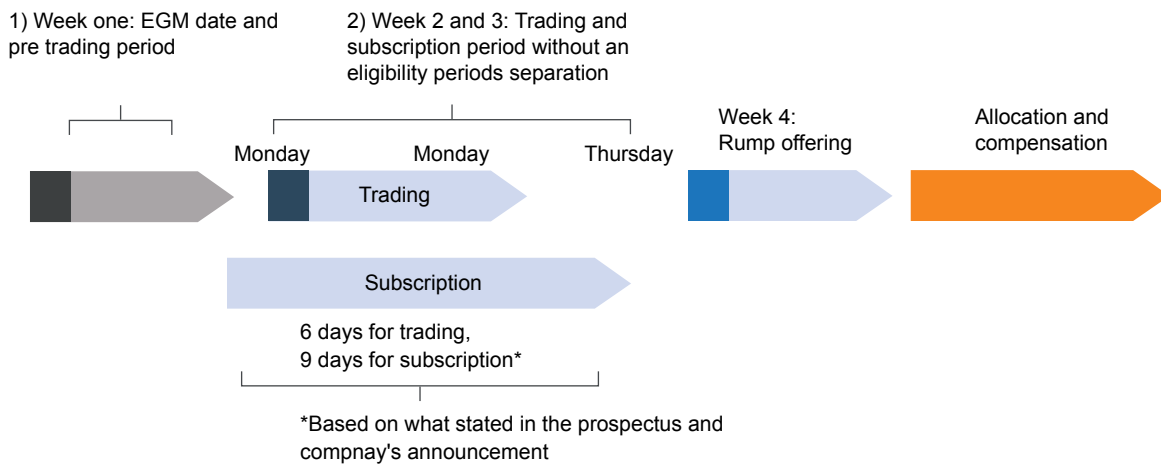
- The existence of a significant change in material matters mentioned in this Prospectus.
- Any important issues have emerged that should have been included in this Prospectus.

The investor who subscribed for the New Shares prior to the publication of the Supplementary Prospectus may cancel or amend his subscription for these shares before the end of the Offering Period.

12-7 Suspension or cancellation of the Offering

The Capital Market Authority may at any time issue a decision to suspend or cancel the Offering if it deems that the Offering may result in a breach of the Capital Market Law, its Implementing Regulations, or the market rules. In addition, the Offering will be cancelled if the Extraordinary General Assembly does not approve any of the details of the Offering.

The following figure shows the mechanism of trading and subscription to tradable Rights:



FAQs about the new mechanism for the Rights Issue

What is a Rights Issue?

Rights are tradable securities that give their holders the right to subscribe to the New Shares offered upon approval of the capital increase. They are acquired Rights for all Registered Shareholder who own shares on the day of the EGM meeting for the capital increase and who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price.

To whom Rights are granted?

Rights are granted to all Registered Shareholder in the Company's Register at the Depository as at the close of the second trading day after the date of the EGM to increase the capital.

When are the Rights deposited?

Following the Extraordinary General Meeting and its approval to increase the capital through a Rights Issue, the Rights shall be deposited as securities in the portfolios of the Company's Shareholders Register at the Securities Depository Center by the end of the second trading day after the Extraordinary General Meeting. The New Rights appear in their portfolios under a new code for the Rights. Such Rights will be allowed to be traded or subscribed only at the beginning of the Trading and Subscription Periods.

How are Investors in the Rights notified of the Rights being deposited in their portfolios?

Investors are notified through an announcement on the Tadawul website and through Tadawulati Service provided by the Depository Center and SMS's sent through intermediaries/brokers.



How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the number of Shares ratio held by the Registered Shareholder in the Company's Shareholders Register at the Depository as at the close of the second trading day after the EGM.

What is the Rights Issue eligibility factor?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the second trading day after the EGM. This factor is calculated by dividing the number of New Shares by the number of the current shares of the Company. Therefore, the eligibility factor is (0.513) right for each one (1) share owned by the registered shareholder on the Eligibility Date. Accordingly, if a registered shareholder owns (1,000) shares on the Eligibility Date, he/she will be allocated 513 Rights in exchange for the shares he/she owns.

What is the Right value upon commencement of trading?

The Right opening price is the difference between the share closing price on the day preceding the Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 15 (fifteen Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 15 minus 10, i.e. SAR 5 (five Saudi Riyals).

Who is the Registered Shareholder?

Any Shareholder whose name appears in the Company's Shareholders' Register at the end of the second trading day after the EGM.

Can Registered Shareholder subscribe for additional shares?

Yes, Registered Shareholder can subscribe for additional shares by purchasing new Rights during the Trading Period.

Is it possible for a Registered Shareholder to lose his eligibility to subscribe even if he has the right to attend the EGM and vote on increasing the capital through a Rights Issue?

Yes, the Shareholder loses his eligibility to subscribe if he sells his shares on the day of the Extraordinary General Meeting or one working day before it.

How does the subscription take place?

Subscription Applications are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the intermediaries and custodian.

Can an Eligible Person subscribe to more shares than the Rights owned by him/her?

An Eligible Person cannot subscribe to more shares than the Rights owned by him/her.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholder holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited (513) Rights as each share is eligible for (0.513) Right. Therefore, 410 Rights will be deposited in portfolio (a) and 103 Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe, but they cannot trade until after depositing the certificates in investment portfolios through the receiving agents or Depository Center Company (Edaa) and introducing the necessary documents.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

When can a subscriber subscribe for the Rights he/she purchased during the Trading Period?

After settlement of the purchase of Rights (two working days), provided that he/she shall subscribe to the Rights during the Subscription Period.



Can a holder of Rights sell or assign them after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, holder of the Rights may only exercise the right to subscribe for the Rights or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What will happen to Rights that are unsold or unsubscribed for during the Trading Period and the Offering Periods?

If the New Shares are not fully subscribed for during the Offering Period, the remaining New Shares will be offered for subscription through an Offering to be organized by the Lead Manager. The amount of compensation (if any) for the Rights holder will be calculated after deducting the subscription price. The investor may not receive any compensation if the sale occurs in the Rump Offering Period at the Offering Price.

Who has the right to attend the Extraordinary General Assembly and vote on increasing the Share Capital through a Rights Issue?

The shareholder who is registered in the Issuer's Shareholders' Register at the Depository Center after the end of the trading session on the EGM day shall have the right to attend the EGM and vote on increasing the Issuer's Share Capital through a Rights Issue.

If an investor buys securities on the EGM day, will he/she be eligible for the Rights resulting from the increase of the Issuer's Capital?

Yes, as the investor will be registered in the Company Shareholders Register two business days after the date of the purchase of shares (i.e., at the end of the second trading day following the day of the EGM), bearing in mind that Rights will be granted to all shareholders registered in the Company Shareholders Register at the end of trading session on the second trading day following the date of the EGM. However, he/she may not attend or vote in the EGM for the capital increase.

If an investor has more than one portfolio with more than one Brokerage Company, how will his/her Rights be calculated?

The investor's shares will be distributed to the portfolios owned by him/her, according to the percentage of ownership in each portfolio. In the event of share fractions, these fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest number of Rights.

What are Trading and Subscription Periods?

Trading in and Subscription to the Rights shall commence at the same time until the end of trading on the sixth day, while Subscription shall continue until the ninth day, as stated in the Prospectus and the Company's issued announcements.

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non-Registered Shareholder on the day of the EGM subscribe for the Rights?

Yes, Non-registered Shareholders can subscribe for the Rights after purchase of Rights during the period specified for trading.

Additional help:

In the event of any inquiries, please contact the Company at the e-mail: info@maadaniyah.com.

For legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of the Rights Issue or even provide financial, tax, legal or investment advice.

In the event of any inquiries, please contact the Company at the e-mail: info@maadaniyah.com.

For more information on the terms and conditions of subscription, please refer to Section (12) "**Subscription Terms and Condition**" and the rest of information contained in this Prospectus.



12-8 Decisions and approvals according to which shares will be offered

In its decision of 17/07/1442H (corresponding to 03/02/2021G), the Company's Board of Directors recommended increasing the Company's capital by Offering priority rights shares worth 120 million (SAR 120,000,000) by raising its solvency and reducing borrowing rates and costs incurred.

On the day of/..../.....H (corresponding/..../.....G), the Company's Extraordinary General Assembly agreed to increase the Company's capital by issuing priority rights shares ("to subscribe"), The IPO consists of Offering twelve million (12,000,000) new ordinary shares at an offer price of (10) Saudi Riyals per share, with a nominal value of (10) Ten Saudi Riyals in order to increase the head of The Company's money is from 234 million (234,000,000) Saudi Riyals to 354 million (354,000,000) Saudi Riyals.

Saudi Stock Exchange (Tadawul) has approved the application for the listing of the New Shares on 18/12/1442H (corresponding 28/07/2021G). The publication of this Prospectus and all supporting documents requested by the Authority on the date of its announcement on the Authority's website and was also approved on 07/02/1443H (corresponding 14/09/2021G).

12-9 Miscellaneous items

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, clauses, and any receipt of subscription application forms or contracts arising therefrom shall be subject to the Kingdom's regulations and shall be construed in accordance with them. This Prospectus may be distributed in both Arabic and English, and in the event of a conflict between the Arabic text and the English text, the Arabic text of the Prospectus shall prevail.

12-10 Statement of any arrangements in place to prevent disposal of certain shares

There are no arrangements in place to prevent disposal of any shares.



13- Changes in the share price as a result of an increase in Capital

The closing price of the Company's share on the day of the EGM is (••) Saudi Riyals, and it is expected to reach (••) Saudi Riyals at the opening of the following day. This change represents a decrease of (••%). In the event that none of the shareholders appear in the Company's Shareholders Register at the Depository Center subscribed to at the end of the second trading day following the date of the Extraordinary General Assembly, this will lead to a decreasing their ownership percentage in the Company.

Method of calculating the share price as a result of the capital increase.

First: Calculating the market value of the Company upon closing on the day of the EGM:

The number of shares at the end of the day of the EGM x the closing price of the Company's share on the day of the EGM = The market value of the Company at the close on the day of the EGM.

Second: Calculating the share price at the opening day of the day that follows the day of the EGM:

(The market value of the Company at the close on the day of the EGM + the value of the offered shares) / (number of shares at the end of the day of the EGM + the number of shares offered for subscription) = The expected share price at the opening of the day following the day of the EGM.



14- Covenants relating to the Subscription

14-1 Overview of the Subscription Application and the Covenants

It is possible to subscribe using the trading platforms or through any other means provided by the agent to the investors. The New Shares will be subscribed to in one stage, according to the following:

- 1- During this period, all Registered Shareholder and New Investors will be able to subscribe to the New Shares.
- 2- The Registered Shareholder will be able to subscribe directly to the number of his shares during the Subscription Period, and if he acquires new Rights, he will be able to subscribe to them after the end of its settlement period (two working days).
- 3- New Investors will be able to subscribe to the New Shares directly after the Rights purchase is settled (two working days).
- 4- Subscription will be made available electronically through the investment portfolio in trading platforms and applications through which buy and sell orders are entered, in addition to subscribing through other channels and means made available by the Agent. Only approval is given to subscribe to a number of new shares due according to the Rights existing in the investment portfolio.

Each Right gives its holder the right to subscribe to one new share, at the Offering Price. The subscriber to the New Shares declares the following:

- He accepts all the subscription terms and conditions stated in this Prospectus.
- He has read this Prospectus and all its contents carefully and understood its content.
- His acceptance of the Company By-Laws.
- He undertakes not to cancel or amend the subscription application after its submission.

14-2 Allocation Processes

The Rights will be allocated to Eligible Persons based on the number of Rights they have exercised fully and correctly. As for those entitled to fractional shares, fractions of shares will be collected and added to the remaining shares that were not subscribed to and offered to the Investment Institutions during the Rump Offering Period, and the total price of the Rump Shares will be paid to the Company. The remaining proceeds from the sale of the remaining shares and fractions of shares (exceeding the Offering Price) shall be distributed to the entitled persons, each according to what he is entitled to, no later than $\frac{H}{G}$ (corresponding to $\frac{H}{G}$). In the event that shares remain unsubscribed after that, the Underwriters will purchase those remaining new shares and they will be allocated to it.

Eligible Persons should contact the agent through which they were subscribed to obtain any additional information. The allocation results will be announced no later than $\frac{H}{G}$ (corresponding to $\frac{H}{G}$).

14-3 Saudi Stock Exchange (Tadawul)

Tadawul system was established in 2001G as an alternative system for the electronic securities information system. The electronic stock trading started in the Kingdom in 1990G. The trading process is carried out through an integrated electronic system from the execution of the transaction to the settlement. Trading is conducted on each business day at one go from 10 a.m. until 3:00 p.m., from Sunday to Thursday of each week, during which orders are executed. Beyond such times, orders are permitted to be inserted, amended, and cancelled from 9:30 a.m. until 10 a.m.

The transactions are executed through automatic order matching, and orders are received and prioritized according to the price. In general, market orders are executed first, which are the orders that have the best prices, followed by fixed-price orders, and in the event that several orders are entered at the same price, they are executed according to the timing of the entry.

Tadawul system distributes a comprehensive range of information through different channels, most notably the Tadawul website on the Internet, which provides up-to-date market information for major information providers such as Reuters. Transactions are automatically settled within two business days (T + 2).

The Company must disclose all decisions, material and important information to investors through Tadawul, which is responsible for monitoring the market in order to ensure fair trading and efficient market operations.



14-4 Trading of the Company Shares on the Saudi Stock Exchange

An application has been submitted to CMA to register and list the Rights and a request has been submitted to the Saudi Tadawul (Tadawul) for their listing. This Prospectus has been approved and all requirements have been met.

Approval of Registration, Offering and the commencement of trading in the Rights in the Saudi Stock Exchange are expected after the final allocation of the New Shares is completed and will be announced in due course on Tadawul website. The dates mentioned in this Prospectus are tentative and may be changed with the approval of CMA.

Although the existing shares are listed on the Saudi Stock Exchange (Tadawul), the New Shares can only be traded after their final allocation to the Subscribers and depositing them in the subscribers' Portfolios. Trading in the New Shares is strictly prohibited before that.

Subscribers and bidders in the Rump Offering who engage in prohibited trading activities shall bear full liability for them and the Company shall not be liable in such a case.



15- Documents available for Inspection

The following documents will be available for review at the headquarters of the Company, located in the Second Industrial City in Jubail, Kingdom of Saudi Arabia, Road 198, during official working hours from Sunday to Thursday from seven (7:00) in the morning until four (4:00) in the evening, 14 days before the Extraordinary General Assembly related to the capital increase. These documents will remain available for inspection until the end of the Offering:

Documents related to incorporation and Articles of Association:

- Commercial Registration.
- Articles of Association
- Company By-Laws.

Approvals related to the Shares of the Capital increase:

- Board of Directors' decision recommending the increase of capital.
- Capital Market Authority's approval on the Offering of Rights.
- The Exchange (Tadawul) approval to list the Rights
- Resolution of the Extraordinary General Assembly approving the capital increase.

Reports, letters and documents:

- Licenses to operate the Company's factories
- Underwriters Agreement and the Lead Manager Agreement.
- Written consents by the Financial Advisor, Lead Manager, Underwriters, Legal Advisor and Auditors to use their names, logos and statements in the Prospectus.
- Written approvals by the auditor to use his name and logo in the Prospectus.
- Feasibility studies (in English).

* The Company's Extraordinary General Assembly's decision to approve the capital increase will be available for inspection at the Company's head office located in Jubail on the day following the date of the decision.

