



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

## Shareholders' Circular

### National Metal Manufacturing and Casting Company (Maadaniyah)

Extraordinary General Assembly 1442H  
(corresponding to 2021G) Reducing the Company's capital by (47,120,890) Saudi Riyals from (281,120,890) Saudi Riyals, representing (28,112,089) ordinary shares to (234,000,000) Saudi Riyals representing (23,400,000) ordinary shares



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## Advisors

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



## Company Background

National Metal Manufacturing and Casting Company (hereinafter referred to as “the Company” or “Maadaniyah”) was established by Ministerial Resolution No. (602/S) on 23/11/1410H corresponding to 17/6/1990G and registered as a Saudi joint stock Company under Commercial Registration No. (2055002251), dated 16/5/1411H (corresponding to 3/12/1990G). the Company is wholly owned by the private sector.

An industrial Company engaged in the production and marketing of wire drawing products and fasteners, manufacture of axles for trailers and trucks, spare parts and various metal castings, and trade in similar products. the Company owns three factories: a factory for wire drawing and its products in Jubail Industrial City, axles and spare parts factory in Dammam Industrial City, and a foundry factory in Dammam Industrial City.

the Company is headquartered in Jubail,

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## Company Background

the Company’s current capital is two hundred and eighty-one million one hundred and twenty-eight 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) ordinary shares with a nominal value of ten (10) Riyals per share, paid in full. The following table is the capital development of the Company since establishment:

Date	Event
23/11/1410H (corresponding to 17/06/1990G)	The Company was established by Ministerial Resolution No. (602/S), dated 23/11/1410H corresponding to 17/06/1990G and registered as a Saudi joint stock company under Commercial Registration No. (2055002251) on 16/05/1411H (corresponding to 03/12/1990G).
10/04/1425H (corresponding to 29/05/2004G),	The Extraordinary General Assembly of the Company, during its meeting held on 29/05/2004G, approved the recommendation of the Board of Directors to increase its capital from (100,000,000) Saudi Riyals representing (10,000,000) ordinary shares to (125,000,000) Saudi Riyals representing (12,500,000) ordinary shares. This increase was made by offering (500,000) Rights issue shares at (50) Saudi Riyals per share, with a total value of (25,000,000) Saudi Riyals.
11/05/1427H (corresponding to 07/06/2006G)	The Extraordinary General Assembly of the Company, during its meeting held on 07/06/2006G, approved the recommendation of the Board of Directors to increase its capital from (125,000,000) Saudi Riyals representing (12,500,000) ordinary shares to (163,561,250) Saudi Riyals, representing (16,356,125) ordinary shares, through issuance of (3,856,125) ordinary shares for the purpose of buying the partners’ shares in the Arab Company for Axles, Foundries and Spare Parts and merging it in Maadaniyah.
01/04/1429H (corresponding to 07/04/2008G)	The Extraordinary General Assembly of the Company, during its meeting held on 07/04/2008G, approved the recommendation of the Board of Directors to increase its capital from (163,561,250) Saudi Riyals representing (16,356,125) ordinary shares to (204,451,560) Saudi Riyals, representing (20,445,156) ordinary shares, by transferring (40,890,310) Saudi Riyals from the item of issue premium to the capital and granting one free share for every 4 shares
02/05/1430H (corresponding to 27/04/2009G),	The Extraordinary General Assembly of the Company, during its meeting held on 27/04/2009G, approved the recommendation of the Board of Directors to increase its capital from (204,451,560) Saudi Riyals, representing (20,445,156) ordinary shares to (255,564,450) Saudi Riyals, representing (25,556,445) ordinary shares, by transferring (38,334,668) Saudi Riyals from the item premium and (12,778,222) Saudi Riyal from the item of retained earnings to the capital and granting one bonus share for every 4 shares.
03/06/1433H (corresponding to 24/04/2012G),	The Extraordinary General Assembly of the Company, during its meeting held on 24/04/2012G, approved the recommendation of the Board of Directors to increase its capital from (255,564,450) Saudi Riyals representing (25,556,445) ordinary shares to (281,120,890) Saudi Riyals, representing (28,112,089) ordinary shares, by transferring (12,659,755) Saudi Riyals from the item of the statutory reserve and (12,896,685) Saudi Riyals from the item of retained earnings to the capital and granting one free share for every 10 shares.



Date	Event
13/10/1442H (corresponding to 25/05/2021G)	The Company announced, through the Tadawul website, the recommendation of its Board of Directors to reduce the Company's capital from (281,120,890) Saudi Riyals to (234,000,000) Saudi Riyals by canceling (4,712,089) shares of the Company's issued shares, in order to Extinguish the value of (47,120,890) Saudi Riyals representing 99.7444% from The total accumulated losses, which represent 16.76% of the Company's capital.
07/02/1443H (corresponding to 14/09/2021G),	The Capital Market Authority approved the request to reduce the Company's capital from (281,120,890) Saudi Riyals to (234,000,000) Saudi Riyals by canceling (4,712,089) shares of the Company's issued shares. This approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange ( Tadawul).
..../1442H (corresponding to ../2021G),	The Extraordinary General Assembly of the Company, during its meeting held on ../2021G, agreed to reduce the Company's capital from (281,120,890) Saudi Riyals to (234,000,000) Saudi Riyals by canceling (4,712,089) shares of the Company's issued shares. This approval was announced on the Saudi Stock Exchange (Tadawul) website.

## Board of Directors

Name	Post	Capacity	Independence	Shares owned Indirectly <sup>*</sup>	Shares owned Directly <sup>**</sup>	Nationality	Date of Membership <sup>***</sup>
Mutlaq bin Hamad Al-Morished	Chairman	Non-Executive	Independent	-	-	Saudi	11/06/2020
Shaker bin Nafel Al-Otaibi	Deputy Chairman	Executive	Non-Independent	-	0.0035571%	Saudi	11/06/2020
Rayan bin Waddah Trabzoni	Member	Independent	Independent	-	0.0003557%	Saudi	11/06/2020
Talal bin Abdul Karim Al-Nafi'	Member	Non-Executive	Independent	-	-	Saudi	11/06/2020
Asim bin Abdul Wahhab Al-Issa	Member	Independent	Independent	-	0.0003557%	Saudi	11/06/2020
Omar bin Khaled Al-Bilali	Member	Non-Executive	Independent	-	-	Saudi	11/06/2020

Source: The Company and Tadawul.

<sup>\*</sup> Board members have no indirect ownership in the Company

<sup>\*\*</sup> As on 19/10/1442H (corresponding to 31/05/2021G).

<sup>\*\*\*</sup> The (Ordinary) General Assembly, in its meeting held on 11/06/2020G, agreed to appoint (6) members of the Board of Directors, provided that the appointment will take effect on 11/06/2020 G for a term of three years ending on 24/05/2023G.

Notes:

It was recommended by the above-mentioned members on 12/10/1442H (corresponding to 24/05/2021G) to reduce the Company's capital from (281,120,890) Saudi Riyals to (234,000,000) Saudi Riyals by cancelling (4,712,089) shares of the issued shares.

## Company Background – Executive Management

Name	Position	Percentage of shares owned		Qualification	Nationality	Date of hiring
		Directly	Indirect			
Shaker bin Nafel Al-Otaibi	Chairman	0.0035571%	-	Bachelor of Engineering	Saudi	03/12/2005
Fateh Al-Rahman Abdullah Osman	Financial Manager	-	-	Bachelor's in Economics and Administrative Sciences, majoring in Accounting	Sudanese	05/06/1990
Faisal bin Dakhil Al-Dakhil	General Manager of Masabik Factory	-	-	Bachelor of Engineering	Saudi	01/04/2015
Ziauddin Sati	General Manager of Axles and Spare Parts Factory	-	-	Bachelor of Engineering	Sudanese	16/05/1999
Abdulhadi bin Awad Al Haddad	Manager of Aslak Factory	-	-	Bachelor of Engineering	Saudi	29/10/1990



## Development of Accumulated Losses

Period	Net Loss	Accumulated losses	% of Accumulated loss to Capital	Reason of Accumulated loss Increase/Decrease
Q1-2020	7.46 million	7.25 million	2.58%	The increase in losses is due to the decrease in sales resulting from the decrease in the quantities sold, the decrease in the average selling prices of some products, the increase in the expenses of selling and distribution as a result of the increase in transportation costs, the recording of a provision for doubtful debts and the decrease in other revenues.
Q2-2020	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, the increase in selling and distribution expenses due to the increase in shipping costs to the US market, the increase in the provision for doubtful debts and the decrease in other revenues.
Q3-2020	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 the improvement in the demand, the decrease in the cost of some production inputs, the decrease in selling and distribution expenses as a result of the decrease in transportation costs, the collection of part of the provision for doubtful debts, the decrease in financial burdens and increase in other revenues. This is in addition to recording losses in the value of goodwill in the amount of 40.1 million Riyals during the same period of the previous year.
Q4-2020	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 making provisions for doubtful debts and slow-moving stocks in the amount of 12.1 million Saudi Riyals compared to 2.7 million Saudi Riyals during the past year.
Q1-2021	7.08 million	47.24 million	16.80%	<p>The reasons for the losses are due to the decrease in sales and low levels of factory operation with stabled fixed costs, despite the improvement in sales during the first quarter of 2021 compared to the average sales of one quarter during the past year. However, the sales achieved are lower than the levels that achieve the break-even point due to the decline in demand for the Company's basic products associated with infrastructure, building and construction projects. This is primarily due to the continuing effects of the Corona pandemic, as well as making 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.</p> <p>The reasons for the decrease in losses are also due to the decrease in selling and distribution expenses, general and administrative expenses and the financing cost.</p>



## Company's Plan and Corrective Steps to Stop Losses

The Company's losses in recent years resulted from the decline in demand for the Company's basic products related to infrastructure, building and construction projects. The Company relies in its sales on the local market, the Gulf states markets and the neighboring markets. Such markets witnessed during the year 2020G a noticeable decline in the movement of sales of the Company's products due to the measures imposed by the governments to limit the spread of the novel Corona virus, which led to a slow market movement within the Kingdom of Saudi Arabia and between Countries. After easing the restrictions imposed on movement, internally and externally, signs of gradual relief of sales movement appeared, and this was reflected in the Company's sales during the first quarter of 2021G.

The local market witnessed a noticeable improvement in the levels of demand for the Company's products when starting to implement the announced projects in NEOM and Qiddiya, in addition to concrete ceiling projects in the Western Region, especially the Makkah Region. The Company is intensifying its presence in the State of Kuwait by supplying pre-tensioned stranded wires to contractors for the implementation of bridge projects, as well as in the United Arab Emirates. The market of Qatar is one of the important markets and the Gulf reconciliation will have a positive impact on the Company's sales.

As for the North African and European markets, the Company was able to obtain the KIWA KOMO certificate from the Netherlands and the ASQPE certificate from France, which enable the Company to market the stranded wire product in those markets. Also, the reconstruction of Iraq and Yemen will increase the demand for the Company's products.

The Company has the Arab Axles Factory specialized in the manufacture of axles for trailers and dumpers of different types and sizes and spare parts.

The Company has an expansion project in the wire drawing factory products by introducing a single wire reinforced concrete product, where the production line parts were supplied, the construction works were completed, the work is underway to install the production line and start the trial operation and then the commercial operation during the first quarter of 2022G with a production capacity of 15,000 tons annually. The timetable plan to start production was delayed due to the conditions of the Corona pandemic, knowing that the initial stages of this product are taking place in the existing production lines. The Company also aims to produce spare parts for military equipment through Arab Axles and Masabik factories, and work is underway to complete the regulatory procedures.

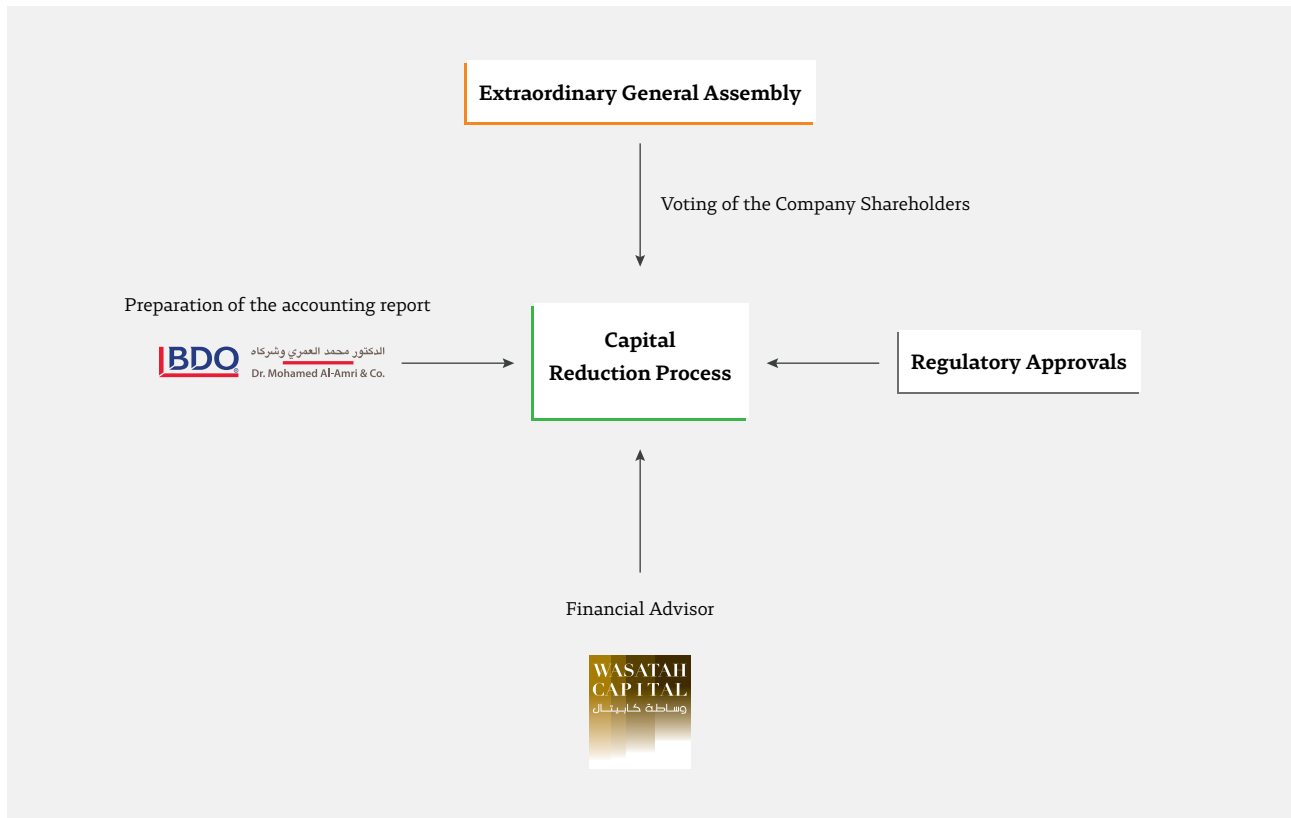
Expansion through investment by establishing a factory to produce valves for oil, gas and petrochemicals in partnership with a European Company specialized in this field. A land has been allocated in King Salman Energy City in the Eastern Province for the construction of the project, as well as the establishment of an aluminum smelting factory in Jubail Industrial City, in partnership with an Indian Company specialized in the field. Economic feasibility studies for these projects have been prepared by specialized offices, and the results have shown that they are feasible projects.





## Capital Reduction

The following figure involved in the capital reduction process:



## General Structure of the Proposed Capital Reduction

- The current capital of the Company is two hundred and 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) ordinary shares with a nominal value of ten (10) Riyals per share, fully paid.
- It was recommended by the members of the Board of Directors on 16/07/1442H (corresponding to 28/02/2021G) to reduce the Company's capital to two hundred and sixty million three hundred and seven thousand four hundred and seventy (260,307,470) Saudi Riyals by canceling two million and eighty-one thousand three hundred and forty-two (2,081,342) shares of the Company's issued shares, with a decrease of 7.40%. Then the Company's capital was increased by offering rights shares with a value of one hundred and twenty million (120,000,000) Saudi Riyals. In view of the losses that were recorded according to the Company's financial statements as on 31/03/2021, the Board of Directors decided on 12/10/1442H (corresponding to 24/05/2021G) to amend the recommendation related to the Company's capital reduction to become two hundred and thirty-four million (234,000,000) Saudi Riyals divided into twenty-three million four hundred thousand (23,400,000) shares, with a nominal value of (10) Riyals per share.
- The percentage of capital reduction is 16.76%, and the reduction process will take place by canceling four million seven hundred and twelve thousand and eighty-nine (4,712,089) shares, i.e. at a cancellation rate of 1 share for every (5,966) shares to extinguish 99.7444% of the total accumulated losses amounting to forty-seven million two hundred and forty-one thousand six hundred and thirty-seven (47,241,637) Saudi Riyals.
- The Company will collect any fractional shares (if any) in one portfolio that will result from the capital reduction process and then sell them in the market at the prevailing price at that time. The proceeds of its sale will be distributed to the Company's shareholders, each according to his ownership within (30) thirty days from the date of Shareholders' approval in the Extraordinary General Assembly to reduce the Company's capital.
- The date of the financial statements on which was depended for the capital purposes: the interim condensed (unaudited) financial statements for the period ending on 31/03/2021.



## Reasons of Capital Reduction

- The Board of Directors' recommendation was to reduce the Company's capital from two hundred and eighty-one million one hundred and twenty thousand eight hundred and ninety (281,120,890) Saudi Riyals to two hundred and thirty-four million (234,000,000) Saudi Riyals to extinguish 99.7444% of the total accumulated losses by canceling four million seven hundred and twelve thousand and eighty-nine (4,712,089) shares of the Company's issued shares, with a decrease of 16.76% of its capital. As shown in the section regarding the development of accumulated losses, the Company's accumulated losses amounted to 16.80% of the capital in the first quarter of 2021G. This is due to the decrease in sales and low levels of factory operation with stable fixed costs. Despite the improvement in sales during the first quarter of 2021 compared to the average sales of one quarter during the past year, the sales achieved are lower than the levels that achieve the break-even point due to the decline in demand for the Company's products This is primarily due to the continuing effects of the Corona pandemic, as well as making 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. (For more details, please refer to the "Development of the Accumulated Losses" section of this circular).
- One share will be canceled for every (5.966) shares to extinguish 99.7444% of the total accumulated losses amounting to forty-seven million two hundred and forty-one thousand six hundred and thirty-seven (47,241,637) Saudi Riyals.
- The Company obtained the approval of the Capital Market Authority on the request to reduce the Company's capital on 07/02/1443H (corresponding to 14/09/2021 G), and this approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul) on 18/12/1442H (corresponding to 28/07/2021G).
- The Company called for this Extraordinary General Assembly and announced it on the Saudi Stock Exchange (Tadawul) website on 07/02/1442H (corresponding to 07/02/2021G), and a copy of this invitation was included in the announcement.

## Capital Reduction Impact on the Company's Obligations

- The Company appointed "Dr. Mohamed Al-Amari and Co." firm as a certified public accountant to prepare the accounting report on the capital reduction process, through which the reduction mechanism and its expected impact on the Company's obligations were clarified.
- There will be no impact of the capital reduction on the Company's obligations, as in the attached certified public accountant's report.



## Capital Reduction Impact on the Shareholders' Equity

- The Company's accumulated losses amounted to forty-seven million two hundred and forty-one thousand six hundred and thirty-seven (47,241,637) Saudi Riyals as on March 31, 2020. Reducing the capital by forty-seven million one hundred twenty thousand eight hundred and ninety (47,120,890) Saudi Riyals will extinguish 99.7444% of the total accumulated losses.
- The impact on shareholders' equity will be based on the financial statements for the period ending March 31, 2021:

Shareholders Equity as of 31 March 2021	Prior to Capital Reduction (SAR)	Post Capital Reduction (SAR)	Impact
Capital	281,120,890	234,000,000	(47,120,890)
Statutory Reserve	27,173,232	27,173,232	-
Accumulated Losses	(47,241,637)	(120,747)	47,120,890
<b>Total Shareholders Equity</b>	<b>261,052,485</b>	<b>261,052,485</b>	

Source: the attached Accountant's report, and the financial statements as on March 31, 2021G.

- The Company intends to reduce its capital by (47,120,890) Saudi Riyals from (281,120,890) Saudi Riyals to (234,000,000) Saudi Riyals by canceling (4,712,089) shares of the Company's issued shares at the rate of canceling 1 share for every (5,966) shares.
- The Company will collect any fractional shares (if any) in one portfolio that will result from the capital reduction process and then sell it in the market at the prevailing price at the time. Then the proceeds of its sale will be distributed to the Company's shareholders, each according to his ownership within (30) thirty days from the date of Shareholders' approval in the Extraordinary General Assembly to reduce the Company's capital.
- As shown below, reducing the Company's capital will not affect the market value of the Company's shareholders' portfolio, for a shareholder who owns in his portfolio 1,000 shares of the Company's shares:

Item (Estimated)	With a capital reduction	Without a capital reduction
Owned shares before reduction	1000	1000
Share price before Reduction (closing price on 07/07/2021G)*	41.70	41.70
Cancelled shares	168	N/A
Owned shares after Reduction	832	N/A
Share price after Reduction (estimated)**	50.10	N/A
Share price before Reduction (estimated)	41,700.00	41,700.00
Market value of shares after Reduction (estimated)	41,680.86	N/A
Compensation amount resulting from fraction of shares (estimated)	19.14	N/A

\* The offer to shareholders will be updated by adding the closing price of the share on the day of the Extraordinary General Assembly.

\*\* The expected share price has been rounded up after capital reduction from 50.0972 to 50.10 SAR.



## Method of Calculating Share Price after Capital Reduction

It should be noted that the shareholder who owns one share of the company's shares in his portfolio will have his shares canceled and he will be compensated. The following table shows the effect on the shareholder who owns up to 7 shares:

Item (Estimated)	1	2	3	4	5	6	7
Owned shares before reduction	1	2	3	4	5	6	7
Share price before Reduction (closing price on 07/07/2021G)*	41.70	41.70	41.70	41.70	41.70	41.70	41.70
Cancelled shares	1	1	1	1	1	2	2
Owned shares after Reduction	0	1	2	3	4	4	5
Share price after Reduction (estimated)**	50.10	50.10	50.10	50.10	50.10	50.10	50.10
Share price before Reduction (estimated)	41.70	83.40	125.10	166.80	208.50	250.20	291.90
Market value of shares after Reduction (estimated)	0	50.10	100.19	150.29	200.39	200.39	250.49
Compensation amount resulting from fraction of shares (estimated)	41.70	33.30	24.91	16.51	8.11	49.81	41.41

\* The offer to shareholders will be updated by adding the closing price of the share on the day of the Extraordinary General Assembly.

\*\* The expected share price has been rounded up after capital reduction from 50.0972 to 50.10 SAR.

- It was considered that the share price before the reduction represents the closing price of the share price of the National Metal Manufacturing and Casting Company (Maadaniyah) on 07/07/2021G, which amounts to (41.70) Saudi Riyals. The following table shows how to calculate the share price after capital reduction.

Item (Estimated)	
(a) Share price before reduction (Closing on 07/07/2021G)	41.70
(b) Number of shares before reduction	28,112,089
(c) Market value of the Company shares before reduction = (a) x (b)	1,172,274,111
(d) Number of shares after reduction	23,400,000
<b>Market value of the Company shares after reduction = (c) ÷ (d)</b>	<b>50.0972</b>



## Potential Risks as a result of Capital Reduction

- After reducing the capital, the balance of accumulated losses will become (120,747) Saudi Riyals, and there are no guarantees that the Company will not record additional losses. of companies listed in the market whose accumulated losses amounted to 20% or more of their capital”, for more details, please see the “Important Information” section of this shareholders’ circular. In the event that the accumulated losses amounted to (20%) or more of the Company’s capital, the Company will be subject to the Authority’s regulation on “Procedures and instructions for Companies whose shares are listed in the market and their accumulated losses amounted to 20% or more of their capital.” For more details, please refer to the “Important information” of this shareholder circular
- In the event that the accumulated losses amount to (50%) or more, the Company will be subject to a number of more stringent requirements, in particular Article (150). With reference to the announcement of the Capital Market Authority on 02/12/2020G, in which the Capital Market Authority clarified the Royal Decree No. (15016) dated 16/03/1442H regarding the suspension of some provisions of the articles of the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H, and in reference to the joint coordination between the Capital Market Authority and the Ministry of Commerce, the content of the Royal Decree regarding listed joint stock companies includes the following:
  - 1- Exception to the provision of Article (150) of the Companies Law:
    - a. Extension of the period during which the Board of Directors must invite the Extraordinary General Assembly once the Board of Directors became aware of the losses of the joint stock Company have reached 50% or more of its capital to (60) days from the date the Board of Directors become aware of the losses, for a period of (two years) from the date of 01/08/1441H.
    - b. Extension of the period during which the Extraordinary General Assembly meeting must be held to become (180) days from the date the Board of Directors become aware of the losses for a period of (two years) from the date of 01/08/1441H.
  - 2- Paragraph (2) of Article (150) of the Companies Law is suspended for a period of (two years) from 01/08/1441H, which stipulated that the Company shall be deemed terminated by Law if the Extraordinary General Assembly does not meet within the specified period, if it meets and it was unable to issue a decision in the matter, or if it decided to increase the capital in accordance with the conditions established in this Article, and the subscription for all the capital increase was not completed within (90) days from the issuance of the assembly’s decision to increase. The joint stock companies must, when their losses reach the amount specified in paragraph (1) of Article (150) of the Companies Law, continuously disclose the developments of their losses in accordance with the controls set by the Ministry of Commerce and the Capital Market Authority- each within its mandates.

## Period of Capital Reduction Process

Date	Event
17/07/1442H (Corresponding to 01/03/2021G)	Announcement of the appointment of the Financial Advisor for the Company’s capital reduction process
13/10/1442H (Corresponding to 25/05/2021G)	Announcing the amendment of the Board of Directors’ recommendation to reduce the capital from (281,120,890) Saudi Riyals to (234,000,000) Saudi Riyals
29/11/1442H (Corresponding to 09/07/2021G)	Submitting a request to the Capital Market Authority to reduce the Company’s capital
07/02/1443H (Corresponding to 14/09/2021G)	Approval of the Capital Market Authority on the request to reduce the Company’s capital. This approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul).
••/••/1442H (Corresponding to ••/••/2021G)	The call for this Extraordinary General Assembly and its announcement on the Saudi Stock Exchange (Tadawul) website, and a copy of this offer was included in the announcement
••/••/1442H (Corresponding to ••/••/2021G)	Announcing the start of electronic voting on the items of the Extraordinary General Assembly meeting that included reducing the capital (first meeting)
••/••/1442H (Corresponding to ••/••/2021G)	Convening the Extraordinary General Assembly that includes reducing the capital (the first meeting), and in the event that the quorum required to hold the first meeting is not complete, the second meeting will be held an hour after the end of the period specified for convening the first meeting. In the event that the quorum required to hold the second meeting is not met, the third meeting will be held 21 days after the end of the period specified for the second meeting.
••/••/1442H (Corresponding to ••/••/2021G)	Announcing the results of the Extraordinary General Assembly meeting
••/••/1442H (Corresponding to ••/••/2021G)	Announcing the deposit of the proceeds (if any) from the sale of fractional shares resulting from the reduction of the Company’s capital in the accounts of Eligible Shareholders. This is within (30) days from the date of the shareholders’ approval in the Extraordinary General Assembly to reduce the Company’s capital



## Capital Reduction

### Capital Reduction Procedures

Capital Reduction Process is subject to the following procedures:

- the Company's Board of Directors' recommendation to reduce the capital.
- Appointment of a Financial Advisor for the capital reduction process.
- Appointment of an Auditor to prepare the accounting report on the capital reduction process.
- Preparing and submitting a capital reduction request to the Capital Market Authority in accordance with the conditions of Article 58 of the Rules on Offering Securities and Continuing Obligations, that relates to the conditions of capital reduction.
- Approval of the Capital Market Authority on the request to reduce the Company's capital.
- Submit a notification to the Stock Exchange (Tadawul) in the form provided in Annex (5) of the Listing Rules.
- Approval of the Extraordinary General Assembly to reduce the Company's capital.

### Directors' Declarations

Directors confirm, to the best of their knowledge and belief, that the reduction of the Company's capital is in the interest of the Company and the shareholders.

## Necessary Regulatory Approvals to Complete the Company's Capital Reduction Process

- The Company obtained approval of the Capital Market Authority on 07/02/1443H (corresponding to 14/09/2021G) on its request to reduce the Company's capital from two hundred and eighty-one million one hundred and twenty thousand eight hundred and ninety (281,120,890) Saudi Riyals to two hundred Thirty-four million (234,000,000) Saudi Riyals, a decrease of 16.76%, thus reducing the number of the Company's shares from twenty-eight million, one hundred eighty-nine (28,112,089) shares to twenty-three million four hundred thousand (23,400,000) shares. This approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul) on 18/12/1442H (corresponding to 28/07/2021G).
- The process of reducing the capital requires approval of the shareholders, and the shareholders should be aware that if their approval is not obtained for this capital reduction, the process of reducing the capital will not take place.
- In the event the shareholders' approval of the capital reduction process is obtained, the Company will continue the procedures for reducing its capital and address the Ministry of Commerce to obtain its approval to amend the Company's Articles of Association and Commercial Registration.
- Other than what was mentioned above, there are no other regulatory approvals that the Company must obtain to complete the capital reduction process.



## Relevant Laws, Regulations and Instructions

- Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H (Corresponding to 10/11/2015G).
- Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G) and its amendments.
- Rules on the Offering 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) and amended by resolution of the Board of the Capital Market Authority No. 1-7 - 2021 dated 01/06/1442H (Corresponding to 14/01/ 2021G)
- Listing Rules Approved by CMA Board Decision No. 3 - 123 - 2017 dated 09/04/1439H (Corresponding to 27/12/2017 G) and amended by CMA Board Decision No. 1 - 22 - 2021 dated 12/07/1442H (Corresponding to 24/02/2021G)
- The Company's Articles of Association
- The procedures and instructions for companies the shares of which are listed on the main market and whose accumulated losses amounted to 20% or more of their capital, issued by the Board of the Capital Market Authority pursuant to resolution No. 4-48-2013 on 15/01/1435H (corresponding to (18/11/2013G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, as amended by resolution of the Capital Market Authority Board No. 1-77-2018 dated 05/11/1439H (Corresponding to 18/07/2018G).

## Chartered Accountant Report

- The Company has appointed Messrs. / Dr. Mohamed Al-Amari & Co. to prepare a limited examination report to study the reasons for the capital reduction and the impact of that reduction on the Company's obligations and shareholders' equity in order to obtain approval of the Capital Market Authority on the capital reduction request.
- Reading the chartered accountant's report, based on Article 144 of the Companies Law promulgated by Royal Decree No. (M/3) dated 28/01/1437H, the reduction decision is issued only after reading a special report prepared by the auditor on the reasons of reduction and the obligations emanated on the Company therefrom and impact of the reduction on such obligations.
- Copy of the limited examination report prepared by the Auditor was included in the announcement of the invitation to this Extraordinary General Assembly on the website of the Saudi Stock Exchange (Tadawul) on 02/06/1442H (Corresponding to 02/06/2021G).

## Important Information

- In reference to the procedures and instructions for companies with shares listed in the market and accumulated losses amounted to 20% or more of their capital, issued by the Board of the Capital Market Authority pursuant to Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, and amended by Resolution No. 1-77-2018, dated 15/11/1439H (corresponding to 18/07/2018G), and based on the Companies Law Issued by the Ministry of Commerce in 2015 corresponding to 1437 H, and if the accumulated losses reached 50% or more, the Company will be subject to a number of more stringent requirements, in particular Article (150). In reference to the announcement of the Capital Market Authority on 02/12/2020 in which the Capital Market Authority clarified Royal Decree No. (15016) dated 16/03/1442H regarding the suspension of some provisions of the articles of the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H, and in reference to the joint coordination between the CMA and the Ministry of Commerce, the content of the Royal Decree regarding the listed joint companies, includes the following:
  - 1- Exception to the provision of Article (150) of the Companies Law:
    - a. Extension of the period during which the Board of Directors must invite the Extraordinary General Assembly once the Board of Directors became aware of the losses of the joint stock Company have reached 50% or more of its capital to (60) days from the date the Board of Directors become aware of the losses, for a period of (two years) from the date of 01/08/1441H.
    - b. Extension of the period during which the Extraordinary General Assembly meeting must be held to become (180) days from the date the Board of Directors become aware of the losses for a period of (two years) from the date of 01/08/1441H.Paragraph
  - 2- of Article (150) of the Companies Law shall be suspended for a period of (two years) from 01/08/1441H, which included that the Company shall be deemed terminated by the force of the statute if the Extraordinary General



Assembly does not meet within the specified period, if it meets and it was unable to issue a decision in the matter, or if it decided to increase the capital in accordance with the conditions established in this article, and the subscription for all the capital increase was not completed within (90) days from the issuance of the assembly's decision to increase. The joint stock companies must, when their losses reach the amount specified in paragraph (1) of Article (150) of the Companies Law, continuously disclose the developments of their losses in accordance with the controls set by the Ministry of Commerce and the Capital Market Authority - each within its mandates.

- The Company must disclose to the public immediately and without delay in an independent announcement when its accumulated losses reach 20% or more and less than 35% of its capital, provided that the announcement shall include the amount of accumulated losses and their percentage of the capital and the main reasons that led to these losses. The announcement shall indicate that these procedures and instructions will be applied on it. If the disclosure required in accordance with this paragraph coincides with the announcement of the initial or annual financial results, the Company is exempted from disclosing with a separate announcement if it included that in the announcement of the initial or annual financial results.
- The Company must disclose to the public immediately and without delay, in an independent announcement, when its accumulated losses reach 35% or more and less than 50% of its capital, provided that the announcement includes the amount of accumulated losses and their percentage of the capital and the main reasons that led to reaching these losses with reference In the announcement that these procedures and instructions will be applied to them, and if the disclosure required in accordance with this paragraph coincides with the announcement of the initial or annual financial results, the Company is exempted from disclosing a separate announcement if it included it in the announcement of the initial or annual financial results.
- The Company must disclose to the public immediately and without delay, in an independent announcement, when its accumulated losses reach 50% or more of its capital, provided that the announcement includes the amounts of accumulated losses and their percentage of the capital and the main reasons that led to reaching these losses. The announcement shall indicate the application of the procedures and instructions for companies whose shares are listed in the Saudi Stock Exchange and whose accumulated losses amounted to 50% or more of their capital. If the disclosure required according to this paragraph coincides with the announcement of the initial or annual financial results, the Company is exempted from disclosing a separate announcement if it included that in the announcement of the initial or annual financial results.
- The meeting of the Extraordinary General Assembly is not valid unless attended by shareholders representing at least half of the Company's capital.
- If this quorum is not present in the first meeting, a second meeting shall be called, and the second meeting shall be valid if attended by a number of shareholders representing at least a quarter of the capital. If it is not held after that, a third meeting shall be called according to the conditions stipulated in the Companies Law, and the legal quorum shall be for those who attended after obtaining the approval of the competent authorities.
- Resolutions of the Extraordinary General Assembly related to reducing the capital are issued by three quarters of the shares represented at the meeting are issued.
- In the event that the Company's shareholders agree to reduce the capital, the reduction decision will be effective on all Company shareholders registered in the Company's records in the Saudi Stock Exchange "Tadawul" at the end of trading on the second day following the day of the Extraordinary General Assembly, and this includes shareholders who did not attend the meeting of the Extraordinary General Assembly as well as the shareholders who attended the meeting and did not vote or voted against the decision to reduce the capital.





## Documents Available for Inspection

The Company will provide the following documents for review at the Company's head office in Jubail, from the date of approval of the Capital Market Authority on 07/02/1443H (corresponding to 14/09/2021G), until the date of the Extraordinary General Assembly In 07/02/1442H (corresponding to 07/02/2021G) during official working hours from 8 a.m. to 5:00 p.m.:

- Copy of the Company's Board of Directors' recommendation to reduce the Company's capital
- Copy of the letter of appointment of the Financial Advisor
- Copy of the Certified Public Accountant's report related to the Company's capital reduction
- Copy of the Authority's announcement of its approval of the Company's request to reduce its capital, which is published on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul)
- Copy of this Shareholders Circular (the presentation made to the shareholders of the Company in the Extraordinary General Assembly meeting)

## Attachments

- Copy of the Certified Public Accountant's Report
- Power of attorney (Proxy) form to attend the meeting of the Extraordinary General Assembly (if the country or the competent authorities allow meetings directly).



**AGREED-UPON PROCEDURES REPORT / FACT FINDING REPORT OF THE APPROVAL  
OF THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL OF NATIONAL  
METAL MANUFACTURING AND CASTING COMPANY**

**TO THE MANAGEMENT OF NATIONAL METAL MANUFACTURING AND CASTING  
COMPANY (MAADANIYAH)**

**Jubail - Kingdom of Saudi Arabia**

**Scope of Work**

We have performed the agreed upon procedures with the management of National Metal Manufacturing and Casting Company ("Maadaniyah" or "the Company") as listed below, in relation to the agreement with the management of the Company in order to verify the approval of the Board of Directors to reduce the Company's share capital. Our engagement was undertaken in accordance with the International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures regarding Financial Information" endorsed in the Kingdom of Saudi Arabia. These procedures were performed solely to assist the Company in completing the regulatory procedures for reduction of share capital by submitting this report to the Capital Market Authority, and they are summarized as follows:

**Procedures performed**

- 1- Obtained and reviewed the minutes of Board of Directors meeting held on Shawwal 12, 1442H corresponding to May 24, 2021G to reduce the Company's share capital from SR 281,120,890 to SR 234,000,000, through cancelation of 4,712,089 shares and ensured whether the Board of Directors has approved the reduction decision;
- 2- Obtained information from the Company's management (Annexure 1) that shows the reasons for the reduction of the share capital and the impact of the said reduction on the Company's obligations, and ensured whether the Company complies with the requirements of Article 144 of the Companies Law.

**Our findings**

- 1- With respect to procedure 1, we obtained and reviewed minutes of the Board of Directors meeting held on May 24, 2021G to reduce the Company's share capital, in which the Board of Directors decided to recommend to the extraordinary general assembly to reduce the share capital from SR 281,120,890 to SR 234,000,000, by an amount of SR 47,120,890 from the accumulated losses, that is through cancelation of 4,712,089 shares at a reduction rate of 16.76%, and confirmed the approval of the Board of Directors decisions to reduce the Company's share capital.
- 2- With respect to procedure 2, we obtained the information provided by the Company's management that shows the reasons for the share capital reduction (Annexure 1), which shows that the reason for the share capital reduction is the write off of accumulated losses at an amount of SR 47,120,890, and it also shows that there is no significant impact from the share capital reduction on the Company's obligations, and the Company's compliance with the requirements of Article 144 of the Companies Law was confirmed.



### Restriction of use of our report

Because the above procedures do not constitute either an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the subject matter. Had we performed additional procedures or had we performed an audit or review other, matters might have come to our attention that would have been reported to you.

This report is solely for the purpose set forth in the first paragraph of this report and for your information and use of the Company including submission to Extraordinary General Meeting to be held and to the regulatory authorities to comply with applicable laws and regulations and is not to be used for any other purpose or to be distributed to any other parties. We will not be responsible for the consequences of sharing this report with any party other than mentioned above. Thus, we will not be liable for any damages or to indemnify the Company for any other charges that may be incurred as a result of use of our report.

For Dr. Mohamed Al-Amri & Co.

*M. A. Al-Amri*

Dr. Mohamed A. Al-Amri  
Certified Public Accountant  
Registration No. 60



Date: July 1, 2021 G  
Dhul Qa'dah 21, 1442 H



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Saudi Joint Stock Company شركة سعودية مساهمة  
Paid Up Capital SR 281,120,890 رأس المال المدفوع ريال  
Commercial Register No. 2055002251 سجل تجاري رقم

**Report of share capital reduction  
Annexure (1)**

**1-Summary and description of the company's requirements for reduction of share capital:**

- As of March 31, 2021G, the Company's accumulated losses amounted to SR 47,241,637, which represented 16.8% of the Company's share capital.
- The Company's Board of Directors has resolved in their meeting held Shawwal 12, 1442H corresponding to May 24, 2021G and raise a recommendation to the Extraordinary General Assembly Meeting to reduce the Company's share capital to write off the accumulated losses as follows:
  - 1- The share capital before reduction is SR 281,120,890 and the share capital after the reduction will be SR 234,000,000.
  - 2- The percentage of capital reduction is 16.76%.
  - 3- The number of shares before the reduction is 28,112,089 shares, and the number of shares after the reduction will be 23,400,000 shares.
  - 4- The reason for the share capital reduction is to restructure the share capital of the Company's to write off the accumulated losses of the Company by an amount of SR 47,120,890.
  - 5- The method of the reduction of the share capital is to cancel 4,712,089 shares of the Company, at a rate of (1) share for every (5,966) shares.
  - 6- There is no significant impact from the said reduction of the share capital on the financial obligations, or the financial operations of the Company, or the operational or organizational performance.
  - 7- Date of share capital reduction will be effective from the end of the second trading day following the date of the Extraordinary Ordinary General Assembly meeting of the shareholders in which the said share capital reduction will be approved.



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**Report of share capital reduction  
Annexure (1)**

**2- Relevant Articles**

**2-1 Capital Market Authority:**

Article (58) of Chapter Two of the Rules on the Offer of Securities and continuing Obligations issued by the Capital Market Authority:

Where an issuer wishes to reduce its share capital, it must submit to the Authority a letter of application that includes the minimum information set out in Annex 19 of the rules on the offer of securities and continuing obligations, for the Authority's approval prior to obtaining the approval of the relevant extraordinary general assembly of the issuer on the capital reduction. The application must be accompanied by the following:

- 1) The letter of appointment for the financial advisor;
- 2) The letter of appointment for the legal advisor (if any);
- 3) An external auditor's report on the reasons for the capital reduction and the impact of the capital reduction on the issuer's liabilities;
- 4) The proposed method of capital reduction and the expected effect of such reduction;
- 5) A copy of the shareholders' circular as per paragraph (b) in the same article; and
- 6) Any other documentation as may be required by the Authority.

**2-2 Companies Law**

Article (144) of the Companies Law: The Extraordinary General Assembly may decide to decrease the capital if it is in excess of the need of the company or if the Company incurs losses. In the latter case only, the capital may be decreased below the limit set forth in Article (54) of the Law. The decision to decrease the capital shall not be issued until after reading of the auditor's report regarding the grounds for such decrease, the company's liabilities and effect of decrease on such liabilities.

Article (146) of the Companies Law: The capital shall be decreased by either of the following:

- 1- Cancelling a number of shares equal to the amount to be decreased; or
- 2- Repurchasing a number of shares by the company, equal to the amount to be decrease, and cancelling such shares.

Article (147) of the Companies Law: If the capital decrease is made by cancelling a number of shares, equality among shareholders shall be maintained. Shareholders shall surrender to the company, within the period set by it, shares determined to be cancelled. Otherwise, such shares shall be considered void.



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**Report of share capital reduction  
Annexure (1)**

**2- Relevant materials (Cont.)**

**2-3 The Company's articles of association**

**Article (6) of the company's articles of association:** The Company's share capital has been decided at an amount of (SR 281,120,890) two hundred and 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 of equal value with a nominal value of each share is ten (SR 10), and all of them are ordinary, cash and equal in the rights and obligations that each share entitles to it.

**Article (16) of the company's articles of association:** By a decision of the extraordinary general assembly based on acceptable justifications and after the approval of the specialized authority, the Company's share capital may be reduced if it exceeds its needs or if the company suffers losses. The decision shall not be issued except after reading the auditor's report on the reasons for it, the obligations of the Company and the effect of the reduction in these obligations, taking into consideration the provisions of the Companies Law, and the decision shows the method of reduction, and if the reduction is a result of the share capital exceeding the Company's need, the creditors must be invited to express their objection to it within sixty days from the date of the reduction decision in a daily newspaper distributed in the country in which the Company's head office is located. If one of them objects and submits his documents to the Company on the aforementioned date, the Company must pay them their debt if it is due, or provide a sufficient guarantee to pay it if it is deferred.



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**Report of share capital reduction  
Annexure (1)**

**3- Historical financial information of the Company extracted from the financial statements:**

**3-1 Statement of financial position**

ASSETS	March 31, 2021	December 31, 2020
	(Un-audited)	(Audited)
Non- current assets	SR	SR
Property, plant and equipment	174,827,984	178,134,761
Right-of-use assets	3,774,327	3,961,242
Intangible assets	2,460,655	2,930,944
Investment property	1,983,868	2,034,156
Equity instruments designated at fair value through other comprehensive income (FVOCI)	3,750,000	3,750,000
<b>Total non- current assets</b>	<b>186,796,834</b>	<b>190,811,103</b>
<b>Current assets</b>		
Inventories	87,384,287	105,574,774
Trade receivables	90,693,207	76,213,204
Prepayments and other receivables	7,875,545	5,364,602
Cash and cash equivalents	27,525,613	36,592,319
<b>Total current assets</b>	<b>213,478,652</b>	<b>223,744,899</b>
<b>TOTAL ASSETS</b>	<b>400,275,486</b>	<b>414,556,002</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	281,120,890	281,120,890
Statutory reserve	27,173,232	27,173,232
Accumulated losses	(47,241,637)	(40,156,992)
<b>Total equity</b>	<b>261,052,485</b>	<b>268,137,130</b>
<b>Non-current liabilities</b>		
Lease liabilities	3,598,157	3,557,290
Long term loans	40,079,339	47,167,334
Employees benefit obligations	29,566,875	28,015,614
<b>Total non-current liabilities</b>	<b>73,244,371</b>	<b>78,740,238</b>
<b>Current liabilities</b>		
Trade and other payables	22,432,672	23,815,644
Lease liabilities - current portion	586,562	573,321
Long term loans - current portion	17,500,000	16,700,000
Short term loans	3,282,000	5,000,000
Accrued and other liabilities	16,076,567	16,409,669
Zakat provision	6,100,829	5,180,000
<b>Total current liabilities</b>	<b>65,978,630</b>	<b>67,678,634</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>400,275,486</b>	<b>414,556,002</b>



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Paid Up Capital SR 281,120,890 رأس المال المدفوع ريال  
Commercial Register No. 2055002251 سجل تجاري رقم

**Report of share capital reduction  
Annexure (1)**

**3- Historical financial information of the Company extracted from the financial statements  
(Cont.):**

**3-2 Statement of profit or loss and comprehensive income**

	March 31, 2021 (Un-audited)	March 31, 2020 (Unaudited)
	<u>SR</u>	<u>SR</u>
Revenue	65,256,278	79,548,861
Cost of sales	<b>(61,632,758)</b>	<b>(75,923,491)</b>
<b>Gross profit</b>	<b>3,623,520</b>	<b>3,625,370</b>
Selling and distribution expenses	<b>(3,376,063)</b>	(5,140,576)
Administrative expenses	<b>(3,740,583)</b>	(3,786,482)
Other expenses	<b>(1,973,068)</b>	(428,857)
Other income	<b>183,021</b>	217,503
<b>Operating loss</b>	<b>(5,283,173)</b>	<b>(5,513,042)</b>
Finance cost	<b>(701,472)</b>	(849,395)
<b>Loss before zakat</b>	<b>(5,984,645)</b>	<b>(6,362,437)</b>
Zakat	<b>(1,100,000)</b>	(1,100,000)
<b>Loss for the period</b>	<b>(7,084,645)</b>	<b>(7,462,437)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the period</b>	<b>(7,084,645)</b>	<b>(7,462,437)</b>
<b>Loss per share</b>		
- Basic and diluted	<b>(0.25)</b>	<b>(0.27)</b>



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**Report of share capital reduction  
Annexure (1)**

**3- Historical financial information of the Company extracted from the financial statements  
(Cont.):**

**3-3 Statement of changes in equity**

	Share capital	Statutory reserve	Accumulated losses	Total equity
	SR	SR	SR	SR
<b>Balance at January 01, 2020 - (Audited)</b>	<b>281,120,890</b>	<b>27,173,232</b>	<b>216,745</b>	<b>308,510,867</b>
Loss for the period	-	-	(7,462,437)	(7,462,437)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(7,462,437)	(7,462,437)
<b>Balance at March 31, 2020 - (Unaudited)</b>	<b>281,120,890</b>	<b>27,173,232</b>	<b>(7,245,692)</b>	<b>301,048,430</b>
<b>Balance at January 01, 2021 - (Audited)</b>	<b>281,120,890</b>	<b>27,173,232</b>	<b>(40,156,992)</b>	<b>268,137,130</b>
Loss for the period	-	-	(7,084,645)	(7,084,645)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(7,084,645)	(7,084,645)
<b>Balance at March 31, 2021 - (Unaudited)</b>	<b>281,120,890</b>	<b>27,173,232</b>	<b>(47,241,637)</b>	<b>261,052,485</b>



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Report of share capital reduction

Annexure (1)

3- Historical financial information of the Company extracted from the financial statements (Cont.):

3-4 Statement of cash flows

	March 31, 2021 (Un-audited) SR	March 31, 2020 (Un-audited) SR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before zakat	(5,984,645)	(6,362,437)
<b>Adjustments for non –cash items to reconcile loss before zakat to net cash flows</b>		
Depreciation of property, plant and equipment	3,767,101	4,034,296
Depreciation of right-of-use assets	186,915	186,915
Depreciation of investment property	50,288	50,288
Amortization of intangible assets	470,289	470,292
Finance cost	701,472	849,395
Reversal of provision of slow moving inventory	(579,959)	-
Provision for employees' benefit obligations	1,691,600	876,315
Impairment of trade receivables	1,973,068	428,857
Loss from disposal of property, plant and equipment	-	5,215
	<b>2,276,129</b>	<b>539,136</b>
<b>Working capital adjustments</b>		
Inventories	18,770,446	23,393,245
Trade receivables	(16,453,071)	(14,320,635)
Prepayments and other receivables	(2,510,943)	(1,779,620)
Trade and other payables	(1,382,972)	22,313,992
Accrued and other liabilities	(4,812)	3,598,732
Cash generated from operations	694,777	33,744,850
Zakat paid	(179,171)	-
Employees' benefits obligations paid	(140,339)	(605,437)
<b>Net cash generated from operating activities</b>	<b>375,267</b>	<b>33,139,413</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(460,324)	(1,656,518)
<b>Net cash used in investing activities</b>	<b>(460,324)</b>	<b>(1,656,518)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of short term loans	(3,000,000)	(13,243,650)
Proceeds from short term loans	1,282,000	-
Repayment of long term loans	(6,287,995)	(4,000,000)
Proceeds from long term loans	-	2,382,059
Finance cost paid	(975,654)	(1,188,971)
<b>Net cash used in financing activities</b>	<b>(8,981,649)</b>	<b>(16,050,562)</b>
<b>Net change in cash and cash equivalents</b>	<b>(9,066,706)</b>	<b>15,432,333</b>
Cash and cash equivalents at beginning of the period	36,592,319	19,696,036
<b>Cash and cash equivalents at end of the period</b>	<b>27,525,613</b>	<b>35,128,369</b>



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

Saudi Joint Stock Company شركة سعودية مساهمة  
Paid Up Capital SR 281,120,890 رأس المال المدفوع ريال  
Commercial Register No. 2055002251 سجل تجاري رقم

**Report of share capital reduction  
Annexure (1)**

**4- Comment and impact on the financial statements of the Company**

**4-1 Accumulated losses**

The accumulated losses of the Company as of March 31, 2021G amounted to SR 47,241,637, which represented about 16.8% of the Company's share capital. Accordingly, a share capital reduction by SR 47,120,890 will reduce the accumulated losses to SR 120,747.

**4-2 Share capital**

The authorized and paid-up share capital of the Company is SR 281,120,890 divided into 28,112,089 shares, the value of each share is SR 10.

**5- Reasons for reducing the share capital and effects of reduction on the Company's obligations**

**5-1 Reasons that makes the reduction a necessity**

The reason for the share capital reduction is to restructure the share capital of the Company to write off the accumulated losses of the Company by an amount of SR 47,120,890.

**5-2 Effect of share capital reduction**

The following table shows the details of the resulting effects from the reduction of the share capital on shareholders' equity and accumulated losses:

Shareholders' equity	Before the reduction	After the reduction	Net effect
	SR	SR	SR
Share capital	281,120,890	234,000,000	(47,120,890)
Statutory reserve	27,173,232	27,173,232	-
Accumulated losses	(47,241,637)	(120,747)	47,120,890
Total	261,052,485	261,052,485	-

The share capital reduction will not have an effect on the cash flow of the Company. This is in addition to fact that there will be no effect on the net shareholders' equity and liabilities of the Company.



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**6- Other matters**

The capital reduction is subject to the approval of the official authorities and its authorization in the Extraordinary General Assembly meeting of the shareholders.

This decision issued by the Company's shareholders will be binding on all shareholders registered in the Company's records at the Securities Depository Center at the end of the second trading day following the Extraordinary General Assembly, including those shareholders who did not attend the Extraordinary General Assembly meeting and the shareholders who attended the meeting and abstained from voting or voted against the decision to reduce the share capital.

Any share fractions that will result from the share capital reduction process will also be collected and sold, and then the proceeds of its sale will be distributed to the Company's shareholders, each according to his entitlement to those fractions.

The date of the share capital reduction will be the end of the second trading day following the Extraordinary General Assembly meeting in which the capital reduction was decided.



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