



A Saudi joint stock company registered under Commercial Registration No. 1010118330 dated 11/06/1414H (corresponding to 25/11/1993G) and Ministerial Resolution No. 38/Q dated 26/02/1435H (corresponding to 29/12/2013G)

Offering of fifty-two million, five hundred thousand (52,500,000) ordinary shares, representing (15%) of the share capital of Dr. Sulaiman Al-Habib Medical Services Group Company, through an initial public offering at an Offer Price of SAR (50) per share.

Offering Period: Seven (7) days beginning from Wednesday 02/07/1441H (corresponding to 26/02/2020G) to Tuesday 08/07/1441H (corresponding to 03/03/2020G).

Dr. Sulaiman Al-Habib Medical Services Group Company (hereinafter referred to as the "Company" or the "Issuer") is a Saudi closed joint stock company registered under Commercial Registration No. 1010118330 dated 11/06/1414H (corresponding to 25/11/1993G) and Ministerial Resolution No. 38/Q dated 26/02/1435H (corresponding to 29/12/2013G) in Riyadh, Kingdom of Saudi Arabia (the "Kingdom"). The Company and its Subsidiaries are collectively referred to herein as ("the Group") or ("HMG").

The Company was initially established as a sole proprietorship under the name of "Dr. Sulaiman Abdulaziz Al-Habib Medical Services Clinics Complex" under Commercial Registration No. 1010118330 dated 11/06/1414H (corresponding to 25/11/1993G), with a share capital amounting to one hundred thousand Saudi Riyals (SAR 100,000). On 23/05/1428H (corresponding to 10/06/2007G), the sole proprietorship was converted into a limited liability company under the name of "Dr. Sulaiman Al-Habib Medical Services Clinics Complex Company" under the same commercial registration number, with a share capital of five hundred thousand Saudi Riyals (SAR 500,000) consisting of five hundred (500) shares each valued at one thousand Saudi Riyals (SAR 1,000), achieved through a capital increase by the Shareholders in equal proportions. On 11/07/1431H (corresponding to 23/06/2010G), the Company changed its name to "Dr. Sulaiman Al-Habib Medical Services Clinics Complex Holding Company" and became a holding company focused on the management of the operations and business of its Subsidiaries. The Company establishes, manages and operates its health facilities and provides administrative, medical and technical services for the management of its own health facilities and those of its Subsidiaries. In addition, the Company provides support services including with respect to financial affairs, IT, HR, logistics, business development, legal affairs and compliance. Also, through project management, the Company provides engineering design review and supervision services for establishing new medical facilities for the Company or for other entities. Pursuant to the Shareholders' resolution dated 27/01/1435H (corresponding to 30/11/2013G), the Company's capital was increased to SAR 2,000,000 divided into 200,000 ordinary shares, with a nominal value of SAR 10 per share, by capitalizing SAR 1,500,000 from the retained earnings. On 26/02/1435H, (corresponding to 29/12/2013G), the Company was converted from a limited liability company into a closed joint stock company pursuant to Minister of Commerce and Industry Resolution No. 38/Q dated 26/02/1435H (corresponding to 29/12/2013G). On 19/08/1435H (corresponding to 17/06/2014G), the Company again changed its name to "Dr. Sulaiman Al-Habib Medical Services Group Holding Company" under the Extraordinary General Assembly decision of 19/08/1435H (corresponding to 17/06/2014G). Under the decision of the Extraordinary General Assembly Meeting held on 01/04/1436H (corresponding to 21/01/2015G), the Company's share capital was increased to two billion, eight hundred million Saudi Riyals (SAR 2,800,000,000), divided into two hundred eighty million (280,000,000) ordinary shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, by capitalizing two billion, seven hundred ninety-eight million Saudi Riyals (SAR 2,798,000,000) from the Company's retained earnings. Pursuant to the decision of the Extraordinary General Assembly meeting held on 26/10/1436H (corresponding to 11/08/2015G), the Company's capital was increased again to three billion, five hundred million Saudi Riyals (SAR 3,500,000,000) divided into three hundred fifty million (350,000,000) ordinary shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, by capitalizing seven hundred million Saudi Riyals (SAR 700,000,000) from the Company's retained earnings. In accordance with the Extraordinary General Assembly decision dated 10/01/1438H (corresponding to 11/10/2016G), the Company changed its name again, becoming "Dr. Sulaiman Al-Habib Medical Services Group Company" as a result of the issuance of the new Companies Law on 28/01/1437H which provided for certain restrictions regarding the activities and businesses that could be conducted by companies classified as holding companies. As of the date of this Prospectus, the Company's share capital amounts to three billion, five hundred million Saudi Riyals (SAR 3,500,000,000), divided into three hundred, fifty million (350,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share ("the Shares") (please refer to section 4.1.4 "Changes in Company's Share Capital" for further details).

The IPO of the Company's Shares (the "Offering") shall be for fifty-two million, five

hundred thousand (52,500,000) ordinary shares (collectively, the "Offer Shares" and each an "Offer Share") with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The value of the Offering will be SAR (50) per Share (the "Offer Price"). The Offer Shares represent (15%) of the Company's share capital.

Subscription to Offer Shares shall be limited to two tranches of investors (the "Investors"):

**Tranche (A) Participating Parties:** This tranche comprises the parties entitled to participate in the book-building process as specified under the Capital Market Authority (the "CMA") Instructions on Book Building and Allocation of Shares in IPOs (the "Book-Building Instructions") (the "Participating Parties" and each a "Participating Party") (for further details, please refer to section 1 "Terms and Definitions" of this Prospectus). The number of Offer Shares to be initially allocated to the Participating Parties actually involved in the book building process (the "Participating Entities" and each a "Participating Entity") is fifty-two million five hundred thousand (52,500,000) ordinary shares, representing 100% of the Offer Shares. However, the final allocation will be made after the end of the Individual Investors' subscription. The Lead Manager (as defined in section 1 "Terms and Definitions" shall have the right, in the event that there is sufficient demand by Individual Investors, to reduce the number of Offer Shares allocated to Participating Entities to forty-seven million, two hundred fifty thousand (47,250,000) ordinary shares, representing 90% of the total Offer Shares.

**Tranche (B): Individual Investors:** This tranche comprises Saudi natural persons including Saudi divorced or widowed women having minor children from non-Saudi husbands where she shall have the right to subscribe in their names in her own, provided she submits proof of her marital status and motherhood, as well as Gulf investors being natural persons (collectively, "Individual Investors" and each an "Individual Investor"). The subscription by a person in the name of his divorcee shall be deemed invalid. If a transaction of this nature is proven to have occurred, then the Law shall be enforced against such applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of five million, two hundred fifty thousand (5,250,000) ordinary shares, representing (10%) of the Offer Shares will be allocated to Individual Investors, provided that Participating Entities subscribe to all the Offer Shares allocated to them. In the event that the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares actually subscribed for by them.

The Company's Current Shareholders (collectively, "Current Shareholders") hold all of the Company's shares prior to the Offering. The Offer Shares shall be sold by some of the Current Shareholders (collectively, the "Selling Shareholders" and each a "Selling Shareholder") in accordance with Table 5.1 "Company's Shareholding Structure Before and After the Offering". Upon completion of the Offering, the Selling Shareholders will collectively own (85%) of the Shares and will consequently retain a controlling interest. After deducting the Offering expenses, the proceeds from the Offering ("Net Proceeds") will be distributed to the Selling Shareholders prorated to the percentage owned by each Shareholder in the Offer Shares. The Company will not receive any part of the Net Proceeds (please refer to section 8 "Use of Offering Proceeds" for further details). The Offering is fully underwritten by the Underwriter (please refer to section 13 "Underwriting" for further details). The Substantial Shareholders will be subject to a 6-month period during which they will be prohibited from selling their Shares (the "Lock-up Period") effective as of the date on which trading starts in the Saudi Stock Exchange ("Tadawul" or the "Exchange"), and as indicated on page (v) of this Prospectus. The Company's Substantial Shareholders who own (5%) or more of its shares are (1) Sulaiman Abdulaziz Sulaiman Al-Habib and (2) Mohammed Abdulaziz Al-Habib and Sons Holding Company (Table 12.1 in section 12.3 "Shareholder Structure" of this Prospectus sets out their ownership of the in the capital).

The Offering will commence on Wednesday, 02/07/1441H (corresponding to 26/02/2020G) and will remain open for a period of seven (7) days up to and including the closing day on Tuesday, 08/07/1441H (corresponding to 03/03/2020G)

(the "Offering Period"). Subscription to the Offer Shares by the Individual Investors can be made through the branches of the receiving agents (the "Receiving Agents") listed on page (viii) during the Offering Period or through the internet, telephone banking or ATMs of the Receiving Agents providing all or some of these services to their clients (please refer to section 17 "Subscription Terms and Conditions" of this Prospectus, for further details). The Participating Entities can bid for the Offer Shares through the Bookrunner (defined in section 1 "Terms and Definitions") during the Book-Building Process that will take place prior to offering of the Shares to Individual Investors, and subscribe to the Offer Shares during the Offering to Individual Investors.

Each Individual Investor who subscribes for the Offer Shares should apply for a minimum of ten (10) shares up to a maximum of five hundred thousand (500,000) shares. The minimum number of allocated Shares will be ten (10) Offer Shares per Individual Investor. The remaining Offer Shares (if any) will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor to the total number of Shares to be applied for. If the number of Individual Investors exceeds 525,000 subscribers, the Company will not guarantee the minimum allocation of Offer Shares, and the Offer Shares will be allocated at the discretion of the Company and the Financial Advisor. Excess subscription monies (if any) will be refunded to the Individual Investors without any charge or withholding by the related Receiving Agents. Notification of the final allocations and refunds of subscription monies will be made at the latest by 14/07/1441H (corresponding to 09/03/2020G) (for further details, please refer to section "Key Dates and Subscription Procedures" on page (xiv) and section 17 "Subscription Terms and Conditions").

The Company has one class of ordinary shares. Each Share entitles its holder to one vote, and each Shareholder (a "Shareholder") has the right to attend and vote at the Company's General Assembly meetings (the "General Assembly"). No Shareholder has any preferential voting rights. Offer Shares will entitle holders to receive any dividends that the Company declares from the date of publishing this Prospectus (the "Prospectus") and for subsequent Financial Years (for further details, please refer to section 7 "Dividend Distribution Policy" of this Prospectus).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere on any exchange. The Company has submitted an application to: (1) the CMA for the registration and offer of the Shares, and (2) Tadawul for listing its shares. All the supporting documents required by the CMA have been submitted and all requirements, including the requirements for listing the Company on Tadawul, have been met. All relevant approvals required to conduct the Offering have been granted, including approvals pertaining to the publication of this Prospectus. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and satisfaction of all relevant regulatory requirements (see "Key Dates and Subscription Procedures" on page (xiv) of this Prospectus). Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, companies, banks, and investment funds established in the Kingdom or in GCC countries, and GCC nationals will be permitted to trade in the Shares after trading of the Shares starts on the Exchange. Moreover, a Qualified Foreign Investor (a "QFI") will be permitted to trade in the Shares in accordance with the QFI Rules (all as defined in section 1 "Terms and Definitions" of this Prospectus). Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom ("Foreign Investors") are also permitted to acquire economic benefits in the Shares by entering into swap agreements with a person authorized by the CMA to acquire and trade shares on the Exchange on behalf of a Foreign Investor (the "Authorized Persons"). Under such swap agreements, the Authorized Persons will be registered as the legal owners of these shares.

Investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors which should be carefully considered prior to making a decision to subscribe to the Offer Shares, please refer to the "Important Notice" on page (i) and section 2 "Risk Factors" of this Prospectus.

## Financial Advisor and Underwriter

جدوى للاستثمار  
Jadwa Investment



الرياض المالية  
riyad capital

## Bookrunner

جدوى للاستثمار  
Jadwa Investment



الرياض المالية  
riyad capital

EFGHERMES  
مجموعة المصرفية هيرميس

## Lead Manager

الرياض المالية  
riyad capital

samba سامبا

Al Rajhi Bank  
بنك الراجحي

NCB الأهلي

SABB ساب

## Receiving Agents

بنك الرياض  
riyad bank

This Prospectus includes information provided in the application for listing and offering of securities in accordance with the Rules of Offering Securities and Continuing Obligations issued by Saudi Capital Market Authority ("CMA"), and the application for listing of securities pursuant to the Tadawul's Listing Rules. The Directors, whose names appear on page (iv), 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. CMA and Tadawul take no responsibility for the contents of this Prospectus, and make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is unofficial English translation of the official Arabic Prospectus and is provided for information purpose only. The Arabic 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 languages.

This Prospectus is dated 01/02/1441H (corresponding to 30/09/2019 G).



د. سليمان الحبيب  
DR SULAIMAN AL HABIB  
المجموعة الطبية كورال ميديكال



د. سليمان الحبيب  
DR SULAIMAN AL HABIB  
المجموعة الطبية كورال ميديكال



د. سليمان الحبيب  
DR SULAIMAN AL HABIB  
المجموعة الطبية medical group



A large, bold, red letter 'E' with rounded corners serves as the background for the entire page. The letter is positioned on the left side, with its right edge extending towards the center of the frame.

dynamic  
people

## Important Notice

This Prospectus contains detailed information on the Company and the Offer Shares. When submitting an application for the Offer Shares, Participating Entities and Individual Investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager, the Receiving Agents or by visiting the website of the Company ([www.hmg.com](http://www.hmg.com)) or the CMA ([www.cma.org.sa](http://www.cma.org.sa)) or the Financial Advisor ([www.jadwa.com](http://www.jadwa.com)) and ([www.riyadcapital.com](http://www.riyadcapital.com)).

With respect to the Offering, Jadwa Investment Company and Riyad Capital Company have been appointed by the Company as financial advisors (referred to as the **“Financial Advisor”**), and underwriters (referred to as the **“Underwriter”**). The Financial Advisor and EFG Hermes have been appointed by the Company as Bookrunners (referred to as the **“Bookrunner”**). Riyad Capital has also been appointed by the Company as the Lead Manager (referred to as the **“Lead Manager”**).

This Prospectus includes information that has been presented in compliance with the Rules of Offering Securities and Continuing Obligations issued by CMA. The Directors, whose names appear on page (iv) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all possible reasonable inquiries to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable inquiries to confirm the validity of the information contained in this Prospectus as of the date of its publication, a substantial portion of the market and industry information herein is derived from external sources. While neither the Company nor the Financial Advisor or any of the Company’s Advisors, whose names appear on pages (vi) and (vii) of this Prospectus (referred to as the **“Advisors”**), have any reason to believe that the information on the market and the industry is materially inaccurate, this information has not been independently verified by the Company or the Advisors. Accordingly, there is no representation, assurance or guarantee made with respect to the completeness of any of this information.

The information contained in this Prospectus as of 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, political and any other factors over which the Company has no control (for further details, please refer to section 2 **“Risk Factors”** of this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed information related to the Offer Shares is intended to be, nor should be construed as or relied upon in any way as, a promise, affirmation or representation as to future earnings, results or events.

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

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

**Tranche (A) Participating Parties:** This tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (please refer to section 1 **“Terms and Definitions”** of this Prospectus).

**Tranche (B) Individual Investors:** This tranche comprises Saudi natural persons including the Saudi divorced or widowed woman having minor children from non-Saudi husband where she shall have the right to subscribe in their names in her own name, provided she submits proof of her marital status and motherhood, as well as Gulf investors being natural persons. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, then the law shall be enforced against such person.



If any investor subscribes to shares twice, the second subscription shall be considered void and only the first subscription will be accepted.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited (except for QFIs and / or foreign investors through a swap agreement with an Authorized Person in accordance with the terms and conditions of the swap agreements), taking into account the relevant laws and instructions. All recipients of this Prospectus must inform themselves of any regulatory restrictions on the Offering and the sale of Offer Shares and observe all such restrictions.

## Market and Industry Information

The information in section 3 “Market and Industry Information” is derived from the market study report prepared by the Market Study Consultant (Strategy&, a company established in 1914G and affiliated to PricewaterhouseCoopers, with more than 3,000 employees in more than 730 offices around the world) exclusively for the Company in May 2019G. For further details, please visit the Market Study Consultant’s website [www.strategyand.pwc.com](http://www.strategyand.pwc.com).

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

The Company and Directors believe that the information and data from other sources contained in this Prospectus, including that provided by the Market Study Consultant, are reliable. However, such information and data has not been independently verified by the Company, the Directors, the Advisors or the Current Shareholders, and thus none of them bears any liability for the accuracy or completeness of the said information.

All the information contained in the section 3 “Market and Industry Information” has been derived from the Market Study Consultant’s report, in addition to other sources including reports from Ministry of Health, SAMA and Dubai Health Authority. It should be noted that all the information and statistics contained in this section are based on the latest available information about the market and the industry in which the Group operates. However, other information has been estimated based on previous growth data in cases where relevant statistics or data are not available. In addition, the information contained in this section does not include future medical projects expected to be operational in the coming years in Saudi Arabia, the UAE and Bahrain.

## Financial and Statistical Information

The consolidated financial statements for the year ended 31/12/2018G were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards Board (IASB)’s interpretations endorsed in Saudi Arabia and other standards and publications endorsed by the Saudi Organization for Certified Public Accountants (SOCPA) (collectively referred to hereinafter as “International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia”). These are the first consolidated financial statements of the Group which have been prepared in accordance with IFRS as endorsed in the Kingdom and IFRS 1 “First-time Adoption of International Financial Reporting Standards” adopted in the Kingdom. The pro-forma consolidated financial statements have been prepared in accordance with IFRS for the three-month period ended 31 March 2019G and the interpretations issued by the International Accounting Standards Board (IASB) in the Kingdom and other standards and statements as endorsed by SOCPA. The special purpose audited consolidated financial statements for the Financial Years ended 31/12/2016G and 31/12/2017G were prepared for comparison purposes and to be included in the Prospectus and to be submitted to the CMA in the Kingdom of Saudi Arabia with respect to the Group’s application for IPO. Accordingly, these special-purpose consolidated financial statements may not be appropriate for another purpose. These consolidated financial statements are presented in Saudi Arabian Riyals (“SAR”), which is the Group’s functional and presentation currency. All amounts are rounded to the nearest SAR, unless otherwise indicated.



## Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions based on the Company's information as per its expertise in the market, in addition to the market information available to the public. Future operating conditions may differ from the assumptions used. Consequently, no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company stresses, to the best of its reasonable knowledge, that every professional care has been taken in preparing the statements contained in this Prospectus.

Certain forecasts 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 synonyms or antonyms. 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 by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for further details, please refer to section 2 "Risk Factors" of this Prospectus). Should any one or more of these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results of the Company may vary materially from those described, expected, estimated or planned 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 CMA if, at any time after this Prospectus has been published and before completion of the Offering, the Company becomes aware that: (A) there has been a significant change in any material information contained in this Prospectus or any document required by the Rules on the Offer of Securities and Continuing Obligations; or (B) the occurrence of additional significant matters that have become known 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 or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Board of Directors expect, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

## Terms and Definitions

For an explanation of certain Terms and Definitions included in this Prospectus, please refer to section 1 "**Terms and Definitions**".



## Corporate Directory

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

| Name <sup>(1)</sup>                                 | Position      | Nationality | Status                      | Direct ownership (%) |               | Indirect ownership (%) |               | Date of appointment |
|-----------------------------------------------------|---------------|-------------|-----------------------------|----------------------|---------------|------------------------|---------------|---------------------|
|                                                     |               |             |                             | Pre-Offering         | Post-Offering | Pre-Offering           | Post-Offering |                     |
| Sulaiman Abdulaziz Sulaiman Al-Habib <sup>(2)</sup> | Chairman      | Saudi       | Non-executive / Dependent   | 45.00%               | 40.03%        | 3.67%                  | 3.67%         | 10/12/2018G         |
| Mazen Abdulrazzaq Sulaiman Al-Rumaih                | Vice Chairman | Saudi       | Non-executive / Independent | -                    | -             | -                      | -             | 10/12/2018G         |
| Saleh Mohammed Abdulaziz Al-Habib <sup>(3)</sup>    | Member        | Saudi       | Non-executive / Dependent   | -                    | -             | 0.48%                  | 0.38%         | 10/12/2018G         |
| Hesham Sulaiman Abdulaziz Al-Habib                  | Member        | Saudi       | Executive / Dependent       | 2.00%                | 2.00%         | -                      | -             | 10/12/2018G         |
| Samer Saeed Mohamed Jundi <sup>(4)</sup>            | Member        | Jordanian   | Non-executive / Dependent   | -                    | -             | -                      | -             | 20/06/2019G         |
| Nasser Mohammed Abdulaziz Al Huqbani                | Member        | Saudi       | Executive / Dependent       | -                    | -             | -                      | -             | 10/12/2018G         |
| Ubaid Abdullah Ubaid Al-Rasheed                     | Member        | Saudi       | Non-executive / Independent | -                    | -             | -                      | -             | 10/12/2018G         |
| Ziad Fouad Fahd Al Saleh                            | Member        | Saudi       | Non-executive / Independent | -                    | -             | -                      | -             | 10/12/2018G         |
| Faisal Abdullah Ali Al-Nassar                       | Member        | Saudi       | Executive / Dependent       | -                    | -             | -                      | -             | 10/12/2018G         |

Source: The Company.

- (1) The current Board Secretary is Saud Abdulaziz Al Arifi, who was appointed as Secretary on 07/04/1440H (corresponding to 16/12/2018G) and he does not own any shares in the Company.
- (2) Sulaiman Abdulaziz Sulaiman Al-Habib indirectly owns 12,845,000 shares (3.67%) of the Issuer's shares before and after the Offering through Thabat Business Company Ltd. (which directly owns 12,845,000 shares (3.67%) of Issuer's shares). Sulaiman Abdulaziz Sulaiman Al-Habib directly and indirectly owns 100% of the shares of Thabat Business Company Ltd. (1% owned by Sulaiman Abdulaziz Sulaiman Al-Habib and 99% owned by Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company, which is 100% directly owned by Sulaiman Abdulaziz Sulaiman Al-Habib).
- (3) Saleh Mohammed Abdulaziz Al-Habib indirectly owns 1,692,131 shares (0.48%) of the Issuer's shares before the Offering and 1,346,751 shares (0.38%) after the Offering, through his 0.993% ownership in Mohammed Abdulaziz Al-Habib and Sons Holding Company, which owns directly 152,903,333 shares and indirectly (through 100% ownership of Jawharat Al Bahr Investment Company) 17,430,000 shares of the Issuer's Shares.
- (4) The Board of Directors approved his appointment starting from 20/06/2019G. The Ordinary General Assembly voted on and approved this appointment in accordance with the Company's Bylaw and the Companies Law.





#### Company's Address

##### Dr. Sulaiman Al-Habib Medical Services Group Company

King Fahad Road, Olaya District  
P.O. Box: 91877, Riyadh 11643,  
Kingdom of Saudi Arabia  
Business Tel.: + 966 (11) 5259999  
Fax: + 966 (11) 2174980  
Website: www.hmg.com  
Email: info@hmg.com

د. سليمان الحبيب  
DR SULAIMAN AL HABIB  
المجموعة الطبية medical group



#### Company Representatives

##### Nasser Mohammed Abdulaziz Al Huqbani

Board Member and CEO  
King Fahad Road, Olaya District  
P.O. Box: 91877, Riyadh 11643,  
Kingdom of Saudi Arabia  
Business Tel.: + 966 (11) 5259999  
Fax: + 966 (11) 2174980  
Email: Huqbanin@drsulaimanalhabib.com

##### Faisal Abdullah Ali Al-Nassar

Board Member and CFO  
King Fahad Road, Olaya District  
P.O. Box: 91877, Riyadh 11643,  
Kingdom of Saudi Arabia  
Business Tel.: + 966 (11) 5259999  
Fax: + 966 (11) 2174980  
Email: faisal.alnassar@drsulaimanalhabib.com

#### Secretary of the Board of Directors

##### Saud Abdulaziz Saad Al Arifi

Vice President, Group's General Counsel, and Secretary of the Board of Directors  
King Fahad Road, Olaya District  
P.O. Box: 91877, Riyadh 11643,  
Kingdom of Saudi Arabia  
Business Tel.: + 966 (11) 5259999  
Fax: + 966 (11) 2174980  
Email: saud.alarifi@drsulaimanalhabib.com

#### Stock Exchange

##### Saudi Stock Exchange (Tadawul)

Tawuniya Towers, Northern Tower  
King Fahd Road, Al Olaya 6897  
Unit No. 15,  
Riyadh 3388-12211,  
Kingdom of Saudi Arabia  
Tel: + 966 (11) 9200 1919  
Fax: + 966 (11) 218 9133  
Website: www.tadawul.com.sa  
Email: csc@tadawul.com.sa





## Financial Advisor and Underwriter

### Jadwa Investment Company

South Tower - Sky Towers  
P.O. Box: 60677, Riyadh 11555,  
Kingdom of Saudi Arabia  
Tel: + 966 (11) 279 1111  
Fax No.: + 966 (11) 279 1571  
Website: www.jadwa.com  
Email: info@jadwa.com

جدوى للاستثمار  
Jadwa Investment



### Riyad Capital Company

2414 - Al Shohda Dist.  
P.O. Box: 21116, Riyadh 13241 - 7279,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 9200 12299  
Fax: +966 (11) 4865908  
Website: www.riyadcapital.com  
Email: ask@riyadcapital.com

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## Bookrunner

### Jadwa Investment Company

South Tower - Sky Towers  
P.O. Box: 60677, Riyadh 11555,  
Kingdom of Saudi Arabia  
Tel: + 966 (11) 279 1111  
Fax No.: + 966 (11) 279 1571  
Website: www.jadwa.com  
Email: info@jadwa.com

جدوى للاستثمار  
Jadwa Investment



### Riyad Capital Company

2414 - Al Shohda Dist.  
P.O. Box: 21116, Riyadh 13241 - 7279,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 9200 12299  
Fax: +966 (11) 4865908  
Website: www.riyadcapital.com  
Email: ask@riyadcapital.com

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### EFG Hermes KSA

3rd Floor, North Tower  
Sky Tower, King Fahad Road  
Olaya, Riyadh  
Kingdom of Saudi Arabia  
Tel: +966 11 293 8048  
Fax: +966 11 293 8032  
Website: www.efghermes.com  
Email: EFG\_Hermes\_IPO@efg-hermes.com

EFG HERMES  
المجموعة المالية هيرميس



#### Lead Manager

##### Riyad Capital Company

2414 - Al Shohda Dist.  
P.O. Box: 21116, Riyadh 13241 - 7279,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 9200 12299  
Fax: +966 (11) 4865908  
Website: www.riyadcapital.com  
Email: ask@riyadcapital.com

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#### Legal Advisor

##### The Law Firm of Salah Al-Hejailan (LFSH)

54 Al Ihsa Street,  
P.O. Box: 1454, Riyadh 11431,  
Kingdom of Saudi Arabia  
Tel: + 966 (11) 479 2200  
Fax No.: + 966 (11) 479 1717  
Website: http://www.hejailanlaw.com/  
Email: lfshriyadh@hejailanlaw.com

صلاح الحجيلان محامون ومستشارون  
The Law Firm of Salah Al-Hejailan

#### Financial Due Diligence Advisor

##### PricewaterhouseCoopers

P.O. Box 8282, Riyadh 11482,  
Kingdom of Saudi Arabia  
Tel: + 966 (11) 211 0400  
Fax No.: + 966 (11) 211 0401  
Website: www.pwc.com  
Email: info@sa.pwc.com



#### Auditor

##### Ernst & Young & Co. (Public Accountants)

Al Faisaliyah Tower,  
P.O. Box: 2732, Riyadh 11461,  
Kingdom of Saudi Arabia  
Tel: + 966 (11) 273 4740  
Fax No.: + 966 (11) 273 4730  
Website: www.ey.com  
Email: Riyadh@sa.ey.com



#### Market Study Consultant

##### Strategy&

8th Floor - Olaya Tower (A), Olaya Street  
Riyadh 11452,  
Kingdom of Saudi Arabia  
Tel: + 966 (11) 249 7781  
Fax No.: + 966 (11) 249 7763  
Website: www.strategyand.pwc.com/me  
Email: MiddleEast.Marketing@strategyand.ae.pwc.com

strategy&

Note: All the above-mentioned Advisors and Auditor have given their written consent to the publication of their names, addresses and logos in this Prospectus and the publication of their statements in the form and content appearing herein, and none have withdrawn their consent as on the date of this Prospectus. None of these entities, their employees (forming part of the team responsible for offering services to the Company), or their Relatives own any shares or interest of any kind in the Company or its Subsidiaries as at the date of this Prospectus such that would impair their independence.



## Receiving Agents

### Riyad Bank

Al Shohda Dist.,  
P.O. Box: 22622, Riyadh 11416  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4013030  
Fax: +966 (11) 4865909  
Website: www.riyadbank.com  
Email: customercare@riyadbank.com



### National Commercial Bank

King Abdulaziz Road  
P.O. Box: 3555, Jeddah 21481  
Kingdom of Saudi Arabia  
Tel: +966126493333  
Fax: +966126437426  
Website: www.alahli.com  
Email: contactus@alahli.com



### Saudi British Bank (SABB)

Prince Abdulaziz bin Musa'ed bin Jalawi Street  
P.O. Box: 9084 Riyadh 11413  
Kingdom of Saudi Arabia  
Tel: +966114050677  
Fax: +966114050660  
Website: www.sabb.com  
Email: sabb@sabb.com



### Al Rajhi Bank

Olaya Road  
P.O. Box: 28, Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966112116000  
Fax: +966114600705  
Website: www.alrajhibank.com.sa  
Email: contactcenter1@alrajhibank.com



### Samba Financial Group

King Abdulaziz Road  
P.O. Box: 833, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: +966114774770  
Fax: +966114797979  
Website: www.samba.com  
Email: customercare@samba.com



## Offering Summary

This Offering Summary is intended to provide an overview of the information contained in this Prospectus. However, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the “**Important Notice**” on page (i) and section 2 “**Risk Factors**” of this Prospectus prior to making any investment decision in the Offer Shares.

### Company Name, Description and Establishment Information

Dr. Sulaiman Al-Habib Medical Services Group Company, a closed Saudi joint stock company incorporated under the Ministry of Commerce and Investment (MOCI) Resolution No. (38/Q) dated 26/02/1435H (corresponding to 29/12/2013G) and registered under Commercial Registration No. 1010118330 dated 11/06/1414H (corresponding to 25/11/1993G).

The Company was initially established as a sole proprietorship under the name of “Dr. Sulaiman Abdulaziz Al-Habib Medical Services Clinics Complex” under Commercial Registration No. 1010118330 dated 11/06/1414H (corresponding to 25/11/1993G), with a share capital amounting to one hundred thousand Saudi Riyals (SAR 100,000). On 23/05/1428H (corresponding to 10/06/2007G), the sole proprietorship was converted to a limited liability company under the name of “Dr. Sulaiman Al-Habib Medical Services Clinics Complex Company” under the same commercial registration number, with a capital of five hundred thousand Saudi Riyals (SAR 500,000) consisting of five hundred (500) shares each valued at one thousand Saudi Riyals (SAR 1,000), through a capital increase by the Shareholders in equal proportions. On 11/07/1431H (corresponding to 23/06/2010G), the Company changed its name to “Dr. Sulaiman Al-Habib Medical Services Clinics Complex Holding Company” to reflect its main role as a holding company focused on the management of the operations and business of its Subsidiaries. The Company establishes, manages and operates its health facilities and provides administrative, medical and technical services for the management of its own health facilities and those of its Subsidiaries. In addition, the Company provides support services including with respect to financial affairs, IT, HR, logistics, business development, legal affairs and compliance. Through project management, the Company also provides engineering design review and supervision services for establishing new medical facilities for the Company or for other entities. Pursuant to the Shareholders’ resolution dated 27/01/1435H (corresponding to 30/11/2013G), the Company’s capital was increased to SAR 2,000,000 divided into 200,000 ordinary shares, with a nominal value of SAR 10 per share, by capitalizing SAR 1,500,000 from the retained earnings. On 26/02/1435H, (corresponding to 29/12/2013G), the Company was converted from a limited liability company into a closed joint stock company under Minister of Commerce and Industry Resolution No. 38/Q dated 26/02/1435H (corresponding to 29/12/2013G). On 19/08/1435H (corresponding to 17/06/2014G), the Extraordinary General Assembly approved to change its name to “Dr. Sulaiman Al-Habib Medical Services Group Company” under the Extraordinary General Assembly resolution dated 19/08/1435H (corresponding to 17/06/2014G). On 01/04/1436H (corresponding to 21/01/2015G), the Extraordinary General Assembly agreed to increase the Company’s capital to two billion, eight hundred million Saudi Riyals (SAR 2,800,000,000), divided into two hundred eighty million (280,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, by capitalizing two billion, seven hundred ninety-eight million Saudi Riyals (SAR 2,798,000,000) from the retained earnings. On 26/10/1436H (corresponding to 11/08/2015G), the Extraordinary General Assembly decided to increase the Company’s capital again to three billion, five hundred million Saudi Riyals (SAR 3,500,000,000) divided into three hundred fifty million (350,000,000) ordinary shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, by capitalizing seven hundred million Saudi Riyals (SAR 700,000,000) from the retained earnings. On 10/01/1438H (corresponding to 11/10/2016G), the Extraordinary General Assembly decided to change the Company’s name again to become “Dr. Sulaiman Al-Habib Medical Services Group Company” as a result of the issuance of the new Companies Law on 28/01/1437H which provided for certain restrictions regarding the activities and businesses of companies that are classified as holding companies could conduct.





|                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Company Activities under its Bylaws</b> | <ol style="list-style-type: none"> <li>1- Establishing, managing and operating hospitals, general and specialized medical complexes, clinics, dispensaries and outpatient surgical centers.</li> <li>2- Establishing, managing and operating support health centers, ambulatory transportation services, medical laboratories, and analysis, as well as radiology centers.</li> <li>3- Import, wholesale, and retail sale of medicines, medical and herbal products, cosmetics, medical devices and equipment.</li> <li>4- Owning properties to establish the Company's facilities and invest them in favor of the Company.</li> <li>5- Managing and operating its Subsidiaries or others or participating in the management of other companies in which it has shares.</li> <li>6- Providing guarantees, loans, and funds to its Subsidiaries.</li> <li>7- Possessing industrial property rights, including patents, trademarks, franchise rights and other intangible rights and exploitation and leasing thereof for its Subsidiaries or others.</li> </ol> |
| <b>Substantial Shareholders</b>            | The following table shows the Company's Substantial Shareholders according to their direct and indirect ownership as of the date of this Prospectus:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Shareholders                                                        | Pre-Offering       |                      |                      |                        | Post-Offering      |                      |                      |                        |
|---------------------------------------------------------------------|--------------------|----------------------|----------------------|------------------------|--------------------|----------------------|----------------------|------------------------|
|                                                                     | No. of Shares      | Par value (SAR)      | Direct ownership (%) | Indirect ownership (%) | No. of Shares      | Par value (SAR)      | Direct ownership (%) | Indirect ownership (%) |
| Sulaiman Abdulaziz Sulaiman Al-Habib <sup>(1)</sup>                 | 157,488,333        | 1,574,883,330        | 45.00%               | 3.67%                  | 140,105,000        | 1,401,050,000        | 40.03%               | 3.67%                  |
| Mohammed Abdulaziz Al-Habib and Sons Holding Company <sup>(2)</sup> | 152,903,333        | 1,529,033,330        | 43.69%               | 4.98%                  | 118,136,666        | 1,181,366,660        | 33.75%               | 4.98%                  |
| <b>Total</b>                                                        | <b>310,391,666</b> | <b>3,103,916,660</b> | <b>88.69%</b>        | <b>8.65%</b>           | <b>258,241,666</b> | <b>2,582,416,660</b> | <b>73.78%</b>        | <b>8.65%</b>           |

Source: The Company.

- (1) Sulaiman Abdulaziz Sulaiman Al-Habib directly owns 157,488,333 shares (45.00%) of the Issuer's shares before the Offering and 140,105,000 shares (40.03%) after the Offering. Sulaiman Abdulaziz Sulaiman Al-Habib indirectly owns 12,845,000 shares (3.67%) of the Issuer's shares before and after the Offering through Thabat Business Company Ltd. (1% owned by Sulaiman Abdulaziz Sulaiman Al-Habib and 99% owned by Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company, which is 100% directly owned by Sulaiman Abdulaziz Sulaiman Al-Habib).
- (2) Mohammed Abdulaziz Al-Habib and Sons Holding Company directly owns 152,903,333 shares (43.69%) of the Issuer's shares before the Offering and 118,136,666 shares (33.75%) after Offering. It also indirectly owns 17,430,000 shares (4.98%) of the Issuer's shares before and after the Offering through the ownership of the entire shares of Jawharat Al Bahr Investment Company, which directly owns 17,430,000 shares of the Issuer's shares.

|                                                                   |                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Company's Capital</b>                                          | Three billion five hundred million Saudi Riyals (SAR 3,500,000,000).                                                                                                                                                                                                                                      |
| <b>Total number of the Company Shares</b>                         | Three hundred fifty million (350,000,000) fully paid ordinary shares.                                                                                                                                                                                                                                     |
| <b>Nominal value per share</b>                                    | Ten Saudi Riyals (SAR 10) per share.                                                                                                                                                                                                                                                                      |
| <b>Offering</b>                                                   | Offering of fifty-two million five hundred thousand (52,500,000) ordinary shares of the Company's shares through an IPO at an Offer Price of SAR (50) per share. The total Offer Shares represent (15%) of the Company's capital, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. |
| <b>Total Number of Offer Shares</b>                               | Fifty-two million five hundred thousand (52,500,000) fully paid ordinary shares.                                                                                                                                                                                                                          |
| <b>Percentage of Offer Shares out of the issued share capital</b> | The Offer Shares represent (15%) of the Company's Share Capital.                                                                                                                                                                                                                                          |
| <b>Offer Price</b>                                                | (50) Saudi Riyals per Share of the Offer Shares.                                                                                                                                                                                                                                                          |
| <b>Total Value of Offer Shares</b>                                | (2,625,000,000) Saudi Riyals                                                                                                                                                                                                                                                                              |

|                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of Offering Proceeds                                                                         | The Net Offering Proceeds amounting to SAR (2,515,000,000) (after deducting the Offering expenses estimated at SAR (110,000,000)) will be paid to the Selling Shareholders on a pro-rata basis according to the number of Shares owned by each Selling Shareholder in the Offer Shares. The Company will not receive any part of the proceeds. (please refer to section 8 “ <b>Use of Offering Proceeds</b> ” for further details).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Number of Offer Shares Underwritten                                                              | Fifty-two million five hundred thousand (52,500,000) ordinary shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Total Offering Value Underwritten                                                                | (2,625,000,000) Saudi Riyals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Tranches of Targeted Investors                                                                   | <p>Subscribing for the Offer Shares shall be limited to two tranches of investors as follows:</p> <p><b>Tranche (A)</b> - Participating Parties: This tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (please refer to section 1 “<b>Terms and Definitions</b>” of this Prospectus); and.</p> <p><b>Tranche (B)</b> - Individual Investors: This tranche comprises Saudi natural persons including the Saudi divorced or widowed woman having minor children from non-Saudi husband where she shall have the right to subscribe in their names in her own, provided she submits proof of her marital status and motherhood, as well as Gulf investors being natural persons. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If any subscriber subscribes to shares twice, the second subscription shall be considered void and only the first subscription will be considered.</p> |
| <b>Total number of Offer Shares for each type of targeted investors</b>                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Number of Shares Offered to Participating Parties                                                | Fifty-two million five hundred thousand (52,500,000) ordinary shares representing (100%) of the total Offer Shares. However, if there is sufficient demand from Individual Investors and Participating Entities subscribed to all Offer Shares allocated to them, the Lead Manager shall have the right to reduce the number of the shares allocated to the Participating Entities to forty-seven million two hundred fifty thousand (47,250,000) shares representing (90%) of the total Offer Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Number of Shares Offered to Individual Investors                                                 | Five million two hundred fifty thousand (5,250,000) ordinary shares, representing (10%) of the total Offer Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Subscription Method for Each Category of Targeted Investors</b>                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Subscription Method for Participating Entities                                                   | Participating Entities, as defined in section 1 “ <b>Terms and Definitions</b> ” may apply for subscription. The Bookrunners will provide the Bid Forms to the Participating Entities during the book-building process. After provisional allocation, the Lead Manager will provide the Subscription Application Forms to the Participating Entities who will be required to complete them in accordance with the instructions mentioned in section 17 “ <b>Subscription Terms and Conditions</b> ” of this Prospectus.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Subscription Method for Individual Investors                                                     | Subscription Application Forms will be available at the branches of Receiving Agents during the Offering Period. The Subscription Application Form shall be filled in accordance with the instructions set out in section 17 “ <b>Subscription Terms and Conditions</b> ” of this Prospectus. Individual Investors who have recently participated in previous IPOs can also subscribe through the internet, telephone banking, or ATMs of the Receiving Agents that offer any or all such services to its customers, provided that: (A) the Individual Investor shall have a bank account at a Receiving Agent which offers such services; and (B) there should have been no changes in the personal details of the Individual Investor since his subscription in recent subscription.                                                                                                                                                                                                                                                                                                                                           |
| <b>Minimum number of Offer Shares for subscription by each tranche of the targeted investors</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Minimum number of shares for subscription for Participating Entities                             | One hundred thousand (100,000) shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Minimum number of shares for subscription for Individual Investors                               | Ten (10) shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



#### Minimum value of Offer Shares for subscription by each tranche of the targeted investors

|                                                        |                          |
|--------------------------------------------------------|--------------------------|
| Minimum subscription amount for Participating Entities | (5,000,000) Saudi Riyals |
| Minimum subscription amount for Individual Investors   | (500) Saudi Riyals       |

#### Maximum number of Offer Shares for subscription by each tranche of the targeted investors

|                                                                      |                                                                                                                                                                         |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maximum number of shares for subscription for Participating Entities | Seventeen million four hundred ninety-nine thousand nine hundred ninety-nine (17,499,999) shares subject to the restrictions set out in the Book-Building Instructions. |
| Maximum number of shares for subscription for Individual Investors   | Five hundred thousand (500,000) shares.                                                                                                                                 |

#### Maximum value of Offer Shares for subscription by each tranche of the targeted investors

|                                                        |                            |
|--------------------------------------------------------|----------------------------|
| Maximum subscription amount for Participating Entities | (874,999,950) Saudi Riyals |
| Maximum subscription amount for Individual Investors   | (25,000,000) Saudi Riyals  |

#### Method of allocations and refunds for each of the targeted investors' tranches

|                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Allocation of Offer Shares to Participating Entities | Final allocation of the Offer Shares to Participating Entities shall be made through the Lead Manager after the completion of Individual Investors subscription process. Total number of Offer Shares to be initially allocated to the Participating Entities is fifty-two million five hundred thousand (52,500,000) shares representing (100%) of the total Offer Shares. If there is sufficient demand by Individual Investors, the Lead Manager shall have the right to reduce the number of the shares allocated to the Participating Entities to forty-seven million two hundred fifty thousand (47,250,000) shares representing (90%) of the total Offer Shares after the completion of Individual Investors subscription process.                      |
| Allocation of Offer Shares to Individual Investors   | Allocation of the Offer Shares to Individual Investors is expected to be completed no later than 14/07/1441H (corresponding to 09/03/2020G). The minimum allocation per Individual Investor is ten (10) shares, and the maximum allocation per Individual Investor is five hundred thousand (500,000) Shares, with any remaining Offer Shares, if any, being allocated on a pro-rata basis based on the number of Offer Shares applied for by each Individual Investor. The Company does not guarantee the minimum allocation in case the number of Individual Investors exceeds five hundred twenty-five thousand (525,000) Individual Investor. In this case, the allocation shall be made as per the instructions of the Company and the Financial Advisor. |
| Refund of excess subscription monies                 | Excess subscription monies, if any, will be refunded to investors without any commission or withholding by the Lead Manager or the Receiving Agents, (as applicable). Notification of the final allotment and refund of excess subscription monies, if any, will be made no later than 14/07/1441H (corresponding to 09/03/2020G) (See Table 2 "Key Dates and Subscription Procedures" and section 17 "Subscription Terms and Conditions" of this Prospectus for further details).                                                                                                                                                                                                                                                                             |
| Offering Period                                      | The Offering Period will commence on Wednesday 02/07/1441H (corresponding to 26/02/2020G) and will remain open for a period of 7 days, including and up to the last day of the Offering on Tuesday 08/07/1441H (corresponding to 03/03/2020G).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Entitlement to Dividends                | The Offer Shares will be entitled to receive any dividends declared and paid by the Company from the date of publishing this Prospectus and for subsequent Financial Years (for further details, please refer to section 7 “ <b>Dividend Distribution Policy</b> ” of this Prospectus).                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Voting Rights                           | The Company has one class of Shares only. None of the Shares carry any preferential voting rights. Each Share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the General Assembly. A Shareholder has the right to delegate another Shareholder, but not a member of the Board of Directors, to attend the General Assembly meetings (for further details, please refer to section 12.20 “ <b>Description of Shares</b> ” of this Prospectus).                                                                                                                                                                                                               |
| Restrictions on Shares (Lock-up Period) | The Substantial Shareholders shall be subject to lock-up period of (6) six months from the date on which trading of the Offer Shares commences on the Exchange. During such a period, the Substantial Shareholders may not dispose of any of their Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Listing of Shares                       | Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has applied to CMA for registration and offering of the Shares as per the Rules on the Offer of Securities Offering and Continuing Obligations. Also, the Company has applied to Tadawul for the listing of its shares in accordance with the Listing Rules. All relevant approvals pertaining to the Offering have been obtained. All supporting documents required by the CMA have been completed. Trading is expected to commence on Tadawul soon after final allocation of the Shares (see “ <b>Key Dates and Subscription Procedures</b> ” on page (xiv) of this Prospectus for further details). |
| Risk Factors                            | There are certain risks related to investment in the Offer Shares. These risks can be categorized into:<br>a- Risks related to the Group’s business and operations.<br>b- Risks related to the market and regulatory environment.<br>c- Risks related to the Offer Shares.<br>These risks are described in section 2 “ <b>Risk Factors</b> ” of this Prospectus and should be considered carefully prior to making an investment decision in relation to the Offer Shares.                                                                                                                                                                                                                                            |
| Offering Expenses                       | The Selling Shareholders will bear all Offering expenses and costs estimated at around (110,000,000) Saudi Riyals. These costs will be deducted from the Offering proceeds and include the fees of the Financial Advisor, the Underwriter, the Legal Advisor, the Auditor, the Market Study Consultant, in addition to the fees of Receiving Agents, marketing, printing and distribution expenses as well as other Offering related expenses.                                                                                                                                                                                                                                                                        |
| Underwriter                             | <b>Jadwa Investment Company</b><br>South Tower - Sky Towers<br>P.O. Box: 60677, Riyadh 11555,<br>Kingdom of Saudi Arabia<br>Tel: + 966 (11) 279 1111<br>Fax No.: + 966 (11) 279 1571<br>Website: www.jadwa.com<br>Email: info@jadwa.com<br><br><b>Riyad Capital Company</b><br>2414 - Al Shohda Dist.,<br>P.O. Box: 21116, Riyadh 13241 – 7279<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 9200 12299<br>Fax: +966 (11) 4865908<br>Website: www.riyadcapital.com<br>Email: ask@riyadcapital.com                                                                                                                                                                                                                      |

Note: The “**Important Notice**” on page (i) and section 2 “**Risk Factors**” of this Prospectus should be carefully considered prior to taking any investment decision in the Offer Shares.



## Key Dates and Subscription Procedures

**Table (2): Expected IPO Timetable**

| Event                                                                                                                                  | Date                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Offering Period                                                                                                                        | A period of (7) seven days starting from Wednesday, 02/07/1441H (corresponding to 26/02/2020G), until the end of Offering on Tuesday, 08/07/1441H (corresponding to 03/03/2020G).                                                                                 |
| Bidding and book-building period for the Participating Entities                                                                        | A period of (10) ten days starting from Monday, 16/06/1441H (corresponding to 10/02/2020G), until the end of Offering on Wednesday, 25/06/1441H (corresponding to 19/02/2020G).                                                                                   |
| Deadline for submission of Subscription Application Forms based on the provisionally allocated Offer Shares for Participating Entities | Thursday 03/07/1441H (corresponding to 27/02/2020G).                                                                                                                                                                                                              |
| Deadline for payment of the subscription monies for Participating Entities based on their provisionally allocated Offer Shares         | Monday 07/07/1441H (corresponding to 02/03/2020G).                                                                                                                                                                                                                |
| Deadline for submission of Subscription Application Forms and payment of the subscription monies for Individual Investors              | Tuesday 08/07/1441H (corresponding to 03/03/2020G).                                                                                                                                                                                                               |
| Announcement of final Offer Shares allotment                                                                                           | Monday 14/07/1441H (corresponding to 09/03/2020G).                                                                                                                                                                                                                |
| Refund of excess subscription monies (if any)                                                                                          | Monday 14/07/1441H (corresponding to 09/03/2020G).                                                                                                                                                                                                                |
| Expected date of commencement of trading in the Exchange                                                                               | The Shares trading commencement is expected to start after fulfilling all relevant statutory requirements. Announcement of the Shares trading commencement will be made through Tadawul's website ( <a href="http://www.tadawul.com.sa">www.tadawul.com.sa</a> ). |

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing on the Tadawul's website ([www.tadawul.com.sa](http://www.tadawul.com.sa)), Financial Advisor website ([www.jadwa.com](http://www.jadwa.com)) and ([www.riyadcapital.com](http://www.riyadcapital.com)), and the Company's website ([www.hmg.com](http://www.hmg.com)).

## How to Apply for Subscription

Subscription in the Offer Shares is restricted to the following two tranches of investors:

**Tranche (A) Participating Parties:** This tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, please refer to section 1 "Terms and Definitions" of this Prospectus).

**Tranche (B): Individual Investors:** This tranche comprises Saudi natural persons including the Saudi divorced or widowed woman having minor children from non-Saudi husband where she shall have the right to subscribe in their names in her own, provided she submits proof of her marital status and motherhood, as well as Gulf investors being natural persons. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If any subscriber subscribes to shares twice, the second subscription shall be considered void and only the first subscription will be considered.

## Participating Parties:

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



## Individual Investors:

Subscription Application Forms for Individual Investors will be available during the Offering Period at the branches of the Receiving Agents. Individual Investors can also subscribe through the internet, telephone banking, or ATMs of any of the Receiving Agents that provide any or all of these services to Individual Investors who have recently participated in previous IPOs, provided that the following requirements are satisfied:

- The Individual Investors must have a bank account at the Receiving Agent which offers such services; and
- There should have been no changes in the personal information or data of the Individual Investor (by way of disposal or addition of any member of his family) since he/she last participated in a recent IPO.

Subscription Application Forms must be completed in accordance with the instructions set out in section 17 “**Subscription Terms and Conditions**” of this Prospectus. An applicant must complete all relevant items of the Subscription Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions is not met. The Subscription Application Form may not be amended or withdrawn after being submitted. The Subscription Application Form shall be deemed to be a binding agreement between the relevant investors and the Selling Shareholders (please refer to section 17 “**Subscription Terms and Conditions**” of this Prospectus for further details).

Excess subscription monies, if any, will be refunded to the main account of the investor held with the Receiving Agent from which the subscription amount has been debited in the first place, without any commissions or withholding by the Lead Manager or the Receiving Agents. Subscription monies shall not be refunded in cash or to third-party accounts.

For further details regarding subscription by Individual Investors and the Participating Entities, please refer to section 17 “**Subscription Terms and Conditions**” of this Prospectus.

## Summary of Key Information

This summary of key information aims to give an overview of the information contained in this Prospectus. However, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be treated as an introduction to this Prospectus, and recipients of this Prospectus are advised to read the entire Prospectus in full so that any decision to invest in the Offer Shares by prospective investors should be based on the consideration of this Prospectus as a whole, particularly section (“**Important Notice**”) on page (i) and section 2 “**Risk Factors**” prior to making an investment decision in the Offer Shares.

## Overview of the Company

Dr. Sulaiman Al-Habib Medical Services Group Company, a closed Saudi joint stock company incorporated under the MOCI Resolution No. (38/Q) dated 26/02/1435H (corresponding to 29/12/2013G) and registered under Commercial Registration No. 1010118330 dated 11/06 /1414H (corresponding to 25/11/1993G).

The Company was initially established as a sole proprietorship under the name of “Dr. Sulaiman Abdulaziz Al-Habib Medical Services Clinics Complex” under Commercial Registration No. 1010118330 dated 11/06/1414H (corresponding to 25/11/1993G), with a share capital amounting to one hundred thousand Saudi Riyals (SAR 100,000). On 23/05/1428H (corresponding to 10/06/2007G), the sole proprietorship was converted to a limited liability company under the name of “Dr. Sulaiman Al-Habib Medical Services Clinics Complex Company” under the same commercial registration number, with a capital of five hundred thousand Saudi Riyals (SAR 500,000) consisting of five hundred (500) shares each valued at one thousand Saudi Riyals (SAR 1,000), through a capital increase by the Shareholders in equal proportions. On 11/07/1431H (corresponding to 23/06/2010G), the Company changed its name to “Dr. Sulaiman Al-Habib Medical Services Clinics Complex Holding Company” to establish its main role as a holding company focused on the management of the operations and business of its Subsidiaries. The Company establishes, manages and operates its health facilities and provides administrative, medical and technical services for the management of its health facilities and its Subsidiaries. In addition, the Company provides support services including financial affairs, IT, HR, logistics, business development, legal affairs and compliance. Through managing projects, the Company also provides engineering design review and supervision services to establish new medical facilities for the Company or other entities. Pursuant to the Shareholders’ resolution dated 27/01/1435H (corresponding to 30/11/2013G), the Company’s capital was



increased to SAR 2,000,000 divided into 200,000 ordinary shares, with a nominal value of SAR 10 per share, by capitalizing SAR 1,500,000 from the retained earnings. On 26/02/1435H, (corresponding to 29/12/2013G), the Company was converted from a limited liability company into a closed joint stock company under Minister of Commerce and Industry Resolution No. 38/Q dated 26/02/1435H (corresponding to 29/12/2013G). On 19/08/1435H (corresponding to 17/06/2014G), the Extraordinary General Assembly approved to change its name to “Dr. Sulaiman Al-Habib Medical Services Group Holding Company” under the Extraordinary General Assembly resolution dated 19/08/1435H (corresponding to 17/06/2014G). On 01/04/1436H (corresponding to 21/01/2015G), the Extraordinary General Assembly agreed to increase the Company’s capital to two billion, eight hundred million Saudi Riyals (SAR 2,800,000,000), divided into two hundred eighty million (280,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, by capitalizing two billion, seven hundred ninety-eight million Saudi Riyals (SAR 2,798,000,000) from the retained earnings. On 26/10/1436H (corresponding to 11/08/2015G), the Extraordinary General Assembly decided to increase the Company’s capital again to three billion, five hundred million Saudi Riyals (SAR 3,500,000,000) divided into three hundred fifty million (350,000,000) ordinary shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, by capitalizing seven hundred million Saudi Riyals (SAR 700,000,000) from the retained earnings. On 10/01/1438H (corresponding to 11/10/2016G), the Extraordinary General Assembly decided to change the Company’s name again to become “Dr. Sulaiman Al-Habib Medical Services Group Company” as a result the issuance of the new Companies Law on 28/01/1437H which provided for certain restrictions regarding the activities and businesses that could be conducted by companies classified as holding companies.

## Main Activities of the Company

The Company’s main activities are concentrated in the healthcare sector. The Company believes that it is one of the largest providers of medical services in the Kingdom and the Arab world. The main activities of the Group are the establishment and management of health and pharmaceutical facilities as well as HMG solutions, which includes home healthcare, medical laboratories, information technology and maintenance of facilities.

### 1- Healthcare facilities

#### A- Healthcare facilities of the Group

The Group has been conducting its business for more than 20 years and is one of the largest providers of private health services in the Kingdom and the region. The Group’s principal activities are setting up, managing and operating medical facilities, pharmacies, and medical diagnostic and radiological laboratories. HMG currently conducts its business through operation and management of seven health facilities, namely: (1) Olaya Medical Complex which consists of (a) Olaya Medical Company that operates outpatient clinics (“Outpatient Clinics Complex”) and its branches including: (b) Bone, Joint and Spine Hospital Company (“Spinal Hospital”), (c) Al Mustaqbal for Hospitals Development Company (“Maternity Hospital”), and (d) IVF Center, (2) Dr. Sulaiman Al-Habib Hospital FZ-LLC (“Dubai Hospital”) and its branch Dr. Sulaiman Al-Habib Medical Center (“Dubai Medical Center”) at Sheikh Zayed Street, (3) Sehat Al Suweidi Medical Company (“Suweidi Hospital”), (4) Buraidah Al Takhassusi Hospital for Healthcare Company (“Qassim Hospital”), (5) Sehat Al Sharq Medical Limited Company (“Khobar Hospital”), (6) Al Rayan Hospital for Healthcare Company (“Rayan Hospital”), and (7) Al Gharb Al Takhassusi Hospital for Healthcare Company (“Takhassusi Hospital”).

#### B- Healthcare facilities operated and managed by the Group

The Group provides management and operating services to third parties where it operates and manages the University Medical Center (UMC) in King Abdullah Medical City in Bahrain. In addition, it operates intensive care units in six MOH health facilities in five cities in the Kingdom, namely Jeddah, Medina, Buraidah, Al Kharj and Al Qatif. (please refer to section 12.9 “**Agreements on Management and Operation of Health Facilities**” of this Prospectus for further details on these Agreements).

### 2- Pharmaceutical facilities

The Group operates its pharmaceutical business through the operation and management of Middle East Pharmacies Company (“MEP”) and Afia Pharmacies Company (“**Afia Pharmacies**”), through which it manages and operates pharmacies in its health facilities in the Kingdom. In Dubai, the Group operates its pharmaceutical business via Pharmachoice, through which it operates and manages its own pharmacy in Dubai (collectively, “**Al-Habib Pharmacies**”).



### 3- HMG solutions

The Group also carries out other health and support services through the operation and management of Al Mokhtabarat Diagnostic Medical Company (“**MD Labs**”) and the Home Healthcare Company (“**HHC**”), which operates home care services. Also, the Group provides facility maintenance services through its Associate, Saudi Serco Services Company (“**Serco Services**”). Furthermore, the Group provides information technology and systems services through its Subsidiary, Cloud Solutions for Communications and Information Technology (“**Cloud Solutions**”), which provides cutting-edge technology solutions to serve its customers, improve patient experience, and increase operational efficiency, where it has developed more than 11 specialized technical products to serve the healthcare sector. Nine of such products have been introduced, particularly:

- **Patient Health Information System (VIDA):** It is the first locally-developed integrated electronic health system that meets several international standards and best practices adopted by such organizations as the Healthcare Information and Management Systems Society (HIMSS). VIDA connects medical devices and other systems through technologies and protocols such as HL7, Web Services, as well as Decision Support System and Drug Interaction. VIDA has also an interactive reporting system and an interactive user-friendly control panel, which comprehensively reflects the efficiency of the work within the facility and the treatment of the defect quickly. This contributes to boosting the level of provided medical service and is reflected in customer satisfaction.
- **Patients Mobile Application:** It provides patient self-services through more than 60 services, such as schedule presentation and creation, review of the results of the laboratory, radiation, prescriptions, notices, insurance approvals and many other services. The physician can also log in the mobile application via mobiles, which provides self-service to the physician, such as views of the patient’s profile, schedules, treatment history, tests, radiation, prescriptions and other services.
- **E-Prescription System:** It ensures the provision of a safe and high-quality healthcare service on a continuous basis, as it enables physicians to record prescriptions electronically and communicate with commercial pharmacies. With this system, the patient receives a text message on his phone.
- **Entertainment Information System (Htick):** It is an integrated entertainment and information system for the inpatient rooms that allows the patient to control the room, browse the internet, order meals, control children’s cameras, use social media and watch TV programs.
- **ExaCart platform for e-commerce:** It is an electronic platform that offers the traditional services to e-shops via the platform or mobile application. In addition, ExaCart Platform contains services dedicated to healthcare stores and products, such as pharmacies, and can be linked to the e-prescription system.

## Company’s Vision, Mission and Strategy

Below is a summary of the HMG’s vision, mission, and values:

### Vision

We strive to be the most trustworthy healthcare provider in medical excellence to achieve the highest customer satisfaction.

### Mission

To provide innovative medical care to improve the lives of individuals through the development and operation of high quality healthcare facilities.

### Values

Striving to achieve its vision and mission, HMG has adopted a set of core values, including:

- **Integrity:** We believe that integrity and ethics are the basis of our relationship with patients.
- **Safety:** Safety is the foremost of our priorities, as our patients and their families entrust us with their lives and health. We must strive to reinforce safety through continued attention to operational systems and by following policies and procedures that help avert errors and minimize risks.
- **Caring for Patients is of the Utmost Importance:** We appreciate the needs of patients by providing services that are compatible with patient privacy, family situation, and social status, while giving due

attention to their lifestyle. We also strive to respond at all times to patients' needs through different communication channels and to solicit their opinion and to provide continual training to our employees.

- **Excellence and Quality:** Constant improvement in everything we do through continuous creativity, innovation, and development, in order to create a brighter future.
- **Team Work:** We work together energetically and communicate to guarantee appropriate and effective sharing of information and to create a work environment that encourages mutual respect and cooperation. We add value for the work team, professionally and intellectually developing the team and effectively utilizing the talents.
- **Effectiveness:** Our employees make every effort possible to save the patient's time and ensure the effective and efficient use of available resources.

## Strategy

HMG aims to provide integrated high-quality medical care for all of its patients. It also seeks to strengthen its presence in the Kingdom and the region and to develop its financial position and results. Below is its main strategy to achieve its objectives:

- **Providing integrated healthcare services**

The Group aims to provide patient-centered integrated healthcare services and assess patient needs through providing them with high-quality and appropriate healthcare services, as well as technical and administrative services to ensure improved patient experience and contribute to advancing their health and enhancing their lifestyle in line with international best practices, while also taking into account the latest medical developments.

- **Maintaining a leading brand in the market**

HMG aims to be constantly recognized as a leading brand in the healthcare market, in line with the highest international standards of patient care and medical excellence across the MENA region. It believes this will be achieved by focusing on a number of strategies, the most important of which are as follow: (1) owning, designing, developing, managing and operating integrated and state-of-the-art healthcare facilities in major cities with advanced infrastructure and high population densities; (2) meeting the highest standards of patient safety through mandatory accreditations or standards that develop the Group's operations and medical procedures; (3) continuing to invest in the latest cutting-edge medical technologies; and (4) striving to employ the highest caliber of highly competent Health Practitioners and retaining them by providing several benefits and incentives.

- **Expanding to new locations**

The group plans to take advantage of its operating model, accumulated experience and know-how in designing and overseeing the development of medical facilities in accordance with the highest technical and medical standards to open new locations. HMG plans to add 815 clinics and 1,180 beds in the coming years. The Group will continue to focus on establishing and operating its medical facilities in the Kingdom and the GCC, as well as operating and managing medical facilities owned by third parties in return for service and management fees. In the future, the Group seeks to benefit more from the increasing scale of its operations, which should result in further economies of scale.

- **Increasing operational efficiency**

The Group seeks to continue to improve its performance indicators by increasing operational efficiency, including the effectiveness of the Health Practitioners, in order to enable the Group to serve the largest number of patients at its existing facilities, while maintaining studied increase of medical and administrative staff in order to increase average bed revenue, average clinic revenue and average revenue of medical staff. HMG also plans to continue relying on its information technology systems as a key method for improving operational performance by monitoring patients' appointments to reduce non-attendance rates and waiting times, and to increase operating room and medical devices utilization rates and bed turnover rate.

- **Meeting demand in growing sectors and diversifying income sources**

Since its establishment, the Group has been diversifying its sources of income through expanding its current medical services and engaging in new activities related to its field of work. They include the provision of management and operation services to third parties. The Group operates and manages the KAMC UMC in Bahrain and operates the intensive care units in a number of health facilities at MOH in several cities in the Kingdom. It provides home healthcare services to its patients, which will enable the Group to free up bed capacity and increase bed turnover rates by moving these long-term inpatients and patients who are only in need of nursing services to their homes to receive home healthcare services therein. Through strategic partnerships with major international companies, the Group plans to develop systems and services enabling it and its strategic Shareholders to benefit from its technical infrastructure and medical competencies by providing cutting-edge medical services, including but not limited to providing remote medical and diagnostic consulting, benefiting both the Group and third parties. This is in addition to licensing a health information system (VIDA) to third party hospitals and providing a wide range of consultancy services relating to IT and relevant products.

- **Attracting and Retaining Highly Qualified Medical and Nursing Staff**

The Group continues to attract the most skilled medical and nursing staff including physicians, surgeons, highly specialized consultants, nurses and other healthcare practitioners. The Group also intends to continue to adopt multiple and flexible policies designed to keep pace with the needs of qualified medical staff, in order to recruit and retain them. The Group has sought out young Saudi medical staff by qualifying them for employment and placing them in cooperative training programs to gain practical experience from the Group consulting physicians.

## **Strengths and Competitive Advantages**

The following are the competitive advantages that distinguishes HMG from other competing healthcare providers. These competitive advantages provide great opportunities for the Group to develop and improve its business and to satisfy increasing healthcare demand in the Kingdom in particular and the Gulf region in general.

### **1- Integrated, high-quality medical services**

The Group has maintained its leading and strong position amongst medical services providers in the Kingdom and the region due to its continuous efforts to provide integrated high-quality healthcare services. The Group's hospitals provide primary and secondary medical services in addition to subspecialty services and support services. In addition, the Group has established specialized centers to provide therapeutic services, including IVF, obesity, obstetrics and gynecology, microsurgeries in cardiac, orthopedics and spinal cord. In addition, the Group provides home healthcare services by making integrated medical care available to patients at their homes and among their families. The Group has strengthened its diagnostic medical capabilities by investing in specialized laboratories to provide advanced laboratory testing. As the Group focuses on the quality and excellence in the service provided to the patient, it has obtained a number of certificates of accreditation and quality. It has particularly acquired the following accreditations and certificates: (1) CBAHI accreditation, (2) JCI accreditation for the Group's hospitals, (3) CAP laboratory accreditation, (4) HIMSS accreditation, (5) accreditation of AABB (formerly known as the American Association of Blood Banks), and (6) a number of ISO certificates.

The Group has adopted a rigorous system to monitor and manage the quality of medical services provided to patients by the Group's health facilities. Quality management also monitors patient waiting times, physicians' appointments, adherence to such appointments, and follow-up of statistics on the use of medical devices and equipment through an automated system connected to all health facilities of the Group. Through this system, the Group can identify problems, make appropriate recommendations, and quickly implement them across all medical facilities, enabling it to follow the best practices rapidly and continuously. The Group believes that these efforts are crucial as to contributing to improving the quality of healthcare services provided to patients and reducing waiting times. The Group has also invested in advanced medical care technologies to ensure the optimal use of technology to serve patients and improve healthcare quality through the establishment of (1) the Tele ICU Command Center, which operates around the clock and supervises more than 650 beds of intensive care in the Group's health facilities in the Kingdom, Dubai and Bahrain; (2) the Tele Radiology Center, which links all of the Group's facilities to a diagnostic radiology command center that allows the physician to remotely read the reports and provide fast diagnostic service, highly impacting the quality and speed of medical service; and (3) Emergency Command and Control Center, which connects all emergency departments and ambulances with a command and control center

that directs and supervises the movement of ambulances to reduce the time taken to bring patients to the hospital and medically supervises them remotely.

In addition, the Group has provided modern technical systems to serve customers and improve their experience and increase operational efficiency through Cloud Solutions, that developed more than 11 specialized technical products to serve the healthcare sector. Nine of these products have been launched, particularly:

- **Patient Health Information System (VIDA):** It is the first locally developed integrated electronic health system that meets several international standards and best practices adopted by such organizations as HIMSS. VIDA connects medical devices and other systems through technologies and protocols such as HL7, Web Services, as well as Decision Support System and Drug Interaction. VIDA has also an interactive reporting system and an interactive user-friendly control panel, which comprehensively reflects the efficiency of the work within the facility and the treatment of the defect quickly. This contributes to boosting the level of provided medical service and is reflected in customer satisfaction.
- **Patient Mobile Application:** It provides patient self-services through more than 60 services, such as schedule presentation and creation, review of the results of the laboratory, radiation, prescriptions, notices, insurance approvals and many other services. The physician can also log in the mobile application via mobiles, which provides self-service to the physician, such as views of the patient's profile, schedules, treatment history, tests, radiation, prescriptions and other services.
- **E-Prescription System:** It ensures the provision of a safe and high-quality healthcare service on a continuous basis, as it enables physicians to record prescriptions electronically and communicate with commercial pharmacies. With this system, the patient receives a text message on his phone.
- **Entertainment Information System (Htick):** It is an integrated entertainment and information system for the inpatient rooms that allows the patient to control the room, browse the internet, order meals, control children's cameras, use social media and watch TV programs.
- **ExaCart platform for e-commerce:** It is an electronic platform that offers the traditional services to e-shops via the platform or mobile application. In addition, ExaCart Platform contains services dedicated to healthcare stores and products such as pharmacies and can be linked to the E-Prescription system.

## 2- Qualified Health Practitioners

The Group's continued success of its business depends on attracting the most skilled Health Practitioners, including physicians, surgeons, highly specialized doctors, nurses, technicians and others. The HMG's medical team is composed of highly skilled and experienced Health Practitioners holding accredited certificates from North America and Western Europe. As of 31/03/2019G, the Group employs 2,085 physicians, with physicians certified by the western medical boards, including USA, UK and Canada accounting for 42% of the total number of physicians working at the Group. The remaining physicians are certified by a number of the Arab and Asian medical boards. Given their excellence, many of the Group's physicians have assumed several academic positions and have been employed in several committees related to their fields of specialization. HMG also adopts a policy to attract and train the best talents in the Kingdom in order to lay the foundations for qualifying highly skilled Saudi Health Practitioners in the future. The Academic Affairs Division launched the Fellowship Training Program in November 2017G, through which 60 physicians were trained. In addition, the Group pioneered the provision of critical care accommodation and fellowship programs among all private sector healthcare organizations in the region. Moreover, as part of the social responsibility in HMG, two diploma programs were approved by the Saudi Commission for Health Specialties (dental assistant and medical assistant) under the overall supervision of the Group.

## 3- Strategic relationships with insurance companies and suppliers

The Group has established strategic relationships with insurance companies in the Kingdom and the GCC region. These strategic relationships have contributed to the marketing of health insurance services provided by these companies to their customers due to the demand on healthcare services provided by the Group. This has increased the number of the Group's customers insured by insurance companies, which has in turn boosted the market share of the Group. It is mutually beneficial for the Group and the insurance companies. Moreover, the Group has provided a professional technical team that centrally executes and manages all medical service contracts with insurance companies, monitors medical approvals and claims, and collects revenues for the medical services provided, thus providing the best experiences and practices to insurance companies, customers and insureds.



Furthermore, the Group has established strong relationships with various local and international suppliers for the supply of medical equipment, pharmaceuticals, medical consumables, and IT, and management of the Group's health facilities. In addition to the strong purchasing power of the Group, these well-established relationships have facilitated direct transactions with many of the Group's suppliers under favorable contractual terms for the Group's operations and operational needs at reasonable prices. The Group has also developed innovative solutions in collaboration with its suppliers in terms of medical equipment, which has contributed to enriching the patient's experience, helping the Group to grow and develop the quality and efficiency of its medical services.

#### 4- Large scale operations with high operational efficiency

Since its incorporation, the Group has gained a high level of expertise and technical knowledge, which has allowed it to design and supervise its projects for new medical facilities. This is carried out by the Group's design and engineering supervision team in accordance with the highest technical and medical standards and requirements. Except for Olaya Medical Complex, which began providing services in 1995G, the Group has developed and supervised the implementation of its new projects, enabling it to identify the optimal use of built-up spaces and facilities to ensure the smooth flow of patients and medical staff, as well as the equipment of clinics and beds in a way that realizes operational efficiency and enhances quality of medical services. This business model has enabled the Company to achieve high growth and profitability, which is reflected by the Group's ability to expand its operations in relative short periods. The Group has been able to open one (or more) new medical center or hospital or expand an existing healthcare facility every year or two years from 2007G to 2019G. The Group's expansion was accompanied by a steady increase in the number of patients registered at its healthcare facilities. It received about 3 million outpatients and inpatients through 1,064 clinics, 2,021 physicians and 1,455 beds in 2018G. The Group's market share in the private healthcare providers market in 2017G is estimated at 21% in Riyadh, according to its bed capacity based on the market study prepared by the Market Study Consultant (please refer to section 3 "Market and Industry Information").

#### 5- Prime locations of the Group's medical facilities

The Group's medical facilities are currently concentrated in major regions and in densely populated and centrally-located neighborhoods that enjoy developed infrastructure and characterized by high levels of demand for healthcare services, such as Riyadh, Al Qassim region, Eastern Province, and Dubai. The Group currently conducts its business through its operation and management of the following health facilities: (1) Olaya Medical Complex located on a major commercial artery between King Fahd Road and Olaya General Street, north of Riyadh; (2) Dubai Hospital, which is located in Dubai Healthcare City and aims to become a full service center for medical services; (3) Suweidi Hospital, located in Hamzah Ibn Abdul Muttalib Street, Al Suweidi District, South of Riyadh, and surrounded by densely populated districts in Riyadh City; (4) Qassim Hospital located in the center of Buraidah City; (5) Khobar Hospital which is located at the intersection of King Fahad Road and King Salman Road in Khobar; (6) Rayan Hospital, located in Khurais Road, east of Riyadh, a major commercial artery; and (7) Takhassusi Hospital, which is located in Takhassusi Street, north of Riyadh. Likewise, the Group seeks to expand its operations into increasingly growing and densely populated cities. It is currently designing, constructing and developing the following three private healthcare facilities in the Kingdom: (1) North Riyadh Hospital, located at the intersection of King Fahad Road, Anas Ibn Malek Road and Olaya Street in Al Sahafa District next to the planned metro station which will be named after the Group, north of Riyadh; (2) South West Jeddah Hospital located in Prince Majed Road, Al Fayhaa District, Jeddah; and (3) North Jeddah Hospital located in Prince Sultan Street, Mohammedia District, Jeddah (please refer to section 4.9 "Future Projects" of this Prospectus for further details).

#### 6- The Group's reputation and brand position

The Group has worked hard since it was established in 1995G to build a distinctive brand and reputation. The success has come on the back of continuously providing the highest quality medical services in the Kingdom and the GCC region. It has earned the reputation among the medical staff and patients as one of the most outstanding medical service providers in the region. This is due to the recruitment of qualified staff, including qualified Health Practitioners with global expertise, and provision of the cutting-edge medical and laboratory equipment and devices. The Group believes that its high-quality medical services provided has been instrumental in building its leading brand and unique reputation that will help maintain its pioneering position in the healthcare sector and boost it in the geographical areas where the Group operates, as well as the markets into which the Group intends to enter in the future.



## 7- Qualified directors and senior executives

Since the Group's inception, the Board Chairman, Dr. Sulaiman Abdulaziz Sulaiman Al-Habib, has been involved in formulating the Group's general strategy and defining its expansion plans. This has contributed to the growth of the business and the provision of numerous advanced medical services serving a large segment of patients. The success of the Group's business is also attributed to its Directors and Senior Executives who have expertise in many areas, including health facility management, financial management, accounting management, information technology and governance. In addition, the Group has, since its inception, been developing multiple programs that contribute to developing the skills of employees with managerial and professional skills to enable them to succeed and assume senior positions at the Group.

## 8- Financial and operational performance

The Group's operational and financial performance has been positive over the past few years, as the number of customers received by its health facilities has increased, and the Group has enhanced the efficiency and effectiveness of its operations, despite the economic factors during that period. The number of outpatients in its health facilities has increased at a CAGR of 5.4% from 2016G to 2018G, compared to a CAGR of 2.3% at the level of the healthcare sector in the Kingdom during the same period according to the market study conducted by the Market Study Consultant. The number of inpatients at the Group's health facilities has also increased at a CAGR of 8.6% from 2016G to 2018G, compared to a CAGR of only 4.2% at the level of the healthcare sector in the Kingdom during the same period according to the market study conducted by Market Study Consultant. Although the health insurance sector has faced a number of challenges as a result of recent economic changes, which has led to a decrease in the number of people insured by insurance companies - as the market study conducted by the Market Study Consultant indicates that the number of insured persons decreased from 12 million in 2017G to 10.8 million in 2018G - the Group has managed to increase the number of patients insured by insurance companies at a CAGR of 5.2% during that period.

It should be noted that the Group has launched a number of initiatives to reduce costs, improve the efficiency of its operations and optimize working capital management. The Group has also increased the number of patients through the optimal use of resources and Health Practitioners. For example, the average number of patients per physician increased from about 1,364 patients per physician in 2016G to about 1,489 patients per physician in 2018G. The average days of inpatient hospitalization decreased from 3 days to 2.9 days from 2016G to 2018G, reflecting the increased efficiency of the Group's operations while maintaining the quality of healthcare services and the improving patients' experience.

Operating cash flow grew at a CAGR of 27% from SAR 901 million in 2016G to SAR 1,447 million in 2018G. The Group has been distributing cash dividends despite the expansion of its operations and related capital expenditure. Total cash dividends were SAR 1.8 billion over the last three years. Cash dividends increased at a CAGR of 47% from 2016G to 2018G. The average cash dividends to the Group's net profit was 76% during that period (please refer to section 7 "**Dividend Distribution Policy**"). Cash dividends for the three-month period ended 31/03/2019G amounted to SAR 210.0 million, or 89.9% of the Group's net profit for that period (please refer to section 7 "**Dividend Distribution Policy**" for further details). In addition, the Group has a solid financial position that has enabled it to maintain its expansion of operations over the past years with low borrowing levels. The loan to total equity ratio has not exceeded 0.35 over the last three years, giving the Group greater opportunities to benefit from external financing in the future and increasing the ratio of returns to equity (please refer to section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**" for further details on the Group's financial and operational performance).

## 9- Information Technology

Since its incorporation, the Group has invested in IT, believing that it is necessary to use software tools and technology to serve both its patients and the Group's operational activities. Due to the growth of the Group's IT activities accompanied by the accumulation of IT expertise, and the importance of IT know-how in the areas in which the Group operates, the Group has worked hard to become a leader in the IT field, and to enhance its position, and build on its experience in healthcare IT. The Group has established Cloud Solutions for Communications and Information Technology ("**Cloud Solutions**") as a wholly-owned Subsidiary in 2013G to provide technical services, applications thereof and technical support to all Subsidiaries of the Group and third parties. The Group believes that it is one of the most advanced and developed healthcare company in the region, and can compete with its



global competitors in applied systems and cutting-edge digital technologies and in implementing the highest infrastructure standards.

Healthcare IT systems involve patient registration, medical records, treatment history, medical history, laboratory tests and radiology. They consist of the following applications:

- **Patient health information system (VIDA):** the information system provided by Cloud Solutions to manage the electronic health records of patients and the results of laboratory tests and complete all medical procedures in the entire medical facility.
- **Tele-Radiology:** Applying the cutting-edge medical image archiving systems in collaboration with General Electric and Cloud Solutions, including medical imaging, image storage and archiving, remote radiology solutions, 3D modeling, voice recognition, integration and reporting.
- **Tele-ICU Management Center:** Applying the state-of-the-art systems for Tele-ICU management by consultants who provide 24/7 service in all week days, holidays and national days with state-of-the-art technologies in collaboration with GE and Cloud Solutions.
- **E-channels:** The Group has adopted a number of the state-of-the-art technologies in advance, which have a great impact on the provision of electronic services to satisfy the patients and enrich their treatment experience, including:
  - a- Self-Service Device for Patients (PCM): a user-friendly sophisticated self-service device used in all of the Group's branches. Its user can view and print medical records, laboratory results and prescriptions, review health professionals' profiles and make appointments in all health facilities of the Group.
  - b- Smart Phone Application: an application that enables patients to access their health electronic record system, and benefit from more than 60 services such as appointment scheduling, access to laboratory reports, radiology reports and images, and medical prescriptions, and request medical reports, as well as many other services. Patients can also get answers to all of their concerns and questions. The application is available on all smart phone operating systems including Apple, Android and Windows.
  - c- Patients Portal: an online platform that enables patients to access their health electronic record system, and benefit from more than 60 services such as appointment scheduling, access to laboratory reports, radiology reports and images, and medical prescriptions, and request medical reports, as well as many other services.
  - d- IVR: an automatic voice response system that offers a number of services including appointment confirmation, medical approvals by insurance companies and laboratory results, without the need to call the employees of the contact center.

## Market and Industry Overview

The information in this section is derived from the report prepared by the Market Study Consultant (Strategy &) exclusively for the Company (please refer to section 3 "**Market and Sector Information**" for further details).

### KSA Market and Industry Overview

The following is a brief overview of a number of key features of the healthcare sector in the Kingdom, as well as expectations related to the private healthcare providers:

- 1- The Kingdom's economy is one of the leading economies in the Middle East, and is ranked first among the GCC countries in terms of population.
- 2- Young people constitute the largest segment of the population in the Kingdom. However, chronic diseases resulting from unhealthy lifestyle habits, such as lack of physical exercise and unhealthy diet, are prevalent - with 35% and 18.5% obesity and diabetes in adults, respectively.
- 3- Private healthcare facilities provide services to insured clients working in the private sector and their insured dependents, as well as patients who desire to obtain services from private hospitals at their own expense ("Cash Clients") and patients referred by governmental and non-governmental entities.
- 4- There are a number of factors that directly contributed to the growth of the healthcare sector

and the increase in the demand for services provided, including population growth, changes in population structure and lifestyle, as well as legislation obligating the private sector to provide health insurance for Saudi employees, residents and their dependents in several stages. This has led to higher demand for private healthcare services.

- 5- Regardless of the continuous development of the private healthcare sector in terms of services provided and the increase in absorptive capacity, the average expenditure on healthcare services and the average number of beds per capita is low compared to a number of countries, as stated below.
- 6- The demand for private healthcare services is expected to increase significantly due to several factors, including the increase in the number of insured persons concurrent with the introduction of compulsory health insurance. The number of insured persons is expected to increase by 5.7 million, in addition to the widespread practice of unhealthy habits as mentioned above and the high average age of the population in the future.
- 7- The Kingdom has developed plans to develop the healthcare sector at the national level as part of the National Transformation Program 2020G and Vision 2030G. The objectives of these programs include increasing private sector participation in providing healthcare services to improve efficiency, use modern management methods and private sector expertise and provide innovative and sustainable solutions to healthcare services. As a result, new opportunities will be generated for private healthcare facilities.
- 8- In addition to the competition among private health facilities, competition is expected to increase as a result of government initiatives mentioned above. This could increase the absorptive capacity of government health facilities and thus their ability to receive insured persons or clients receiving treatment at their own expense.

## KSA Pharmacy Market Overview

In the Kingdom, the total expenditure on the healthcare sector is estimated at SAR 150 billion, of which pharmaceutical expenditure is SAR 30 billion. Pharmaceutical expenditure includes pharmaceutical supplies for inpatients, medicines sold in pharmacies affiliated to hospitals, and independent pharmacies located outside hospitals ("Independent Pharmacies"). The volume of the pharmaceutical market for both inpatients and outpatients is estimated at SAR 25.5 billion, while the market for pharmaceutical products sold through independent pharmacies is estimated at SAR 4.5 billion. It is worth mentioning that the market of pharmaceuticals sold in pharmacies affiliated to hospitals is expected to grow at a CAGR of 7% during the period from 2018G to 2025G, i.e. SAR 41 billion, in line with the higher expenditure on healthcare services in general.

The Kingdom's independent pharmacies sector grew at a CAGR of 5% between 2015G and 2018G. The market of independent pharmacies stood at SAR 10.5 billion in 2018G. This steady growth is mainly due to the increase in the Kingdom's population, the percentage of the elderly, the number of people with chronic diseases, the wider scope of health insurance and increase in disposable income. However, controls on prices of pharmaceutical products may limit the growth of the sector in the future against growth in total expenditure on healthcare services in general.

## Overview of the Market and Industry in the Emirate of Dubai

The following is a brief overview of the key features of the healthcare sector in the Emirate of Dubai, as well as expectations related to private healthcare providers there:

- 1- The UAE is among the top 20 countries globally in terms of GDP per capita. It is ranked second in terms of population among the GCC countries, after the Kingdom.
- 2- Young people constitute the largest segment of the population in the UAE. However, chronic diseases are prevalent due to unhealthy habits.
- 3- Private health facilities in the Emirate of Dubai provide services to insured residents who work in the private sector, as per the recently issued regulations that require mandatory inclusion in the health insurance system, as well as citizens of Dubai who benefit from government-funded health insurance programs, such as Saada Program and Enaya Program.
- 4- A number of factors have directly contributed to the growth of the healthcare sector and the increase in the demand for services provided, including population growth, changes in population

structure and lifestyle, as well as government plans that aim to position Dubai as a medical tourism center and introduce a mandatory health insurance system for residents.

- 5- However, the level of development in Dubai's private healthcare market does not rise to the optimum level with the per capita expenditure on healthcare declining.
- 6- The demand for private healthcare services is expected to increase significantly as a result of several factors, including population growth and the consequent widespread practice of unhealthy lifestyle habits, leading to an increase in chronic diseases such as obesity, diabetes and cardiovascular diseases. Furthermore, the application of compulsory insurance is expected to increase the demand for healthcare services.
- 7- It should be noted that the private sector is expected to witness price pressures due to the new payment mechanisms that are still under study (e.g. pay for performance). In light of the establishment of DHC, it is expected that healthcare providers from the Public Sector will tend to improve efficiency in order to reduce government subsidies. In this case, they will directly compete with the private sector service providers in the future.

## Overview of Market and Industry in Bahrain

The government of the Kingdom of Bahrain ("Bahrain") has sought to promote healthcare standards across Bahrain by increasing public spending on healthcare. In Bahrain, the total expenditure on healthcare increased at a CAGR of 8% from SAR 6.1 billion in 2015G to SAR 7.6 billion in 2018G due to population growth, changes in population structure, changes in lifestyle and consequent diseases. Given the demographic characteristics and future economic prospects of Bahrain, healthcare spending is projected to increase by 7% annually to SAR 10.9 billion by 2023G. The status of healthcare providers has not been changed as the government is expected to continue funding two thirds of the healthcare costs. Prospects of health expenditure in Bahrain are based on a number of factors, including a significant increase in the population by 25% to 2 million by 2030G, with elderly people representing 9%, and a higher number of citizens suffering from chronic diseases as a result of unhealthy lifestyle habits.

## Summary of Financial Information and KPIs

The financial information and key performance indicators ("KPIs") stated below must be read in conjunction with the audited consolidated financial statements for the year ended 31/12/2018G and the notes attached thereto, in addition to the special purpose audited consolidated financial statements for the Financial Years ended 31/12/2016G and 31/12/2017G and the notes attached thereto, and the interim consolidated financial statements for the three-month period ended 31/03/2019G which have been included in section 19 "Financial Statements and the Auditor's Report" of this Prospectus.

**Table (3): Summary of financial information and KPIs for Financial Years ended 31 December 2016G, 2017G and 2018G and the three-month period ended 31 March 2019G.**

| SAR '000                                   | Financial Year ended 31 December 2016G | Financial Year ended 31 December 2017G | Financial Year ended 31 December 2018G | Q1 FY 2019G |
|--------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|-------------|
| <b>Statement of Income</b>                 |                                        |                                        |                                        |             |
| Revenues                                   | 4,617,236                              | 4,379,026                              | 4,587,633                              | 1,247,072   |
| Cost of revenues                           | (2,974,158)                            | (3,113,642)                            | (3,225,624)                            | (823,705)   |
| Gross profit                               | 1,643,078                              | 1,265,384                              | 1,362,009                              | 423,367     |
| Selling and marketing expenses             | (343,557)                              | (197,591)                              | (158,487)                              | (58,446)    |
| G&A expenses                               | (369,223)                              | (412,534)                              | (401,999)                              | (116,745)   |
| Operating income                           | 930,298                                | 655,260                                | 801,524                                | 248,176     |
| Group's share in profits of the Associates | 13,654                                 | 7,297                                  | 5,810                                  | 1,562       |
| Financing expenses                         | (2,192)                                | (19,409)                               | (19,319)                               | (6,369)     |
| Other revenues                             | 113,414                                | 83,512                                 | 93,389                                 | 16,579      |



| SAR '000                                                            | Financial Year ended 31 December 2016G | Financial Year ended 31 December 2017G | Financial Year ended 31 December 2018G | Q1 FY 2019G          |
|---------------------------------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------|
| Income before tax                                                   | 1,055,175                              | 726,660                                | 881,404                                | 259,947              |
| Zakat                                                               | (39,841)                               | (70,755)                               | (81,330)                               | (26,328)             |
| <b>Income for the Period</b>                                        | <b>1,015,334</b>                       | <b>655,905</b>                         | <b>800,074</b>                         | <b>233,619</b>       |
| Gain (loss) of re-measurement of employees' end of service benefits | (6,654)                                | (11,576)                               | 8,104                                  | (1,496)              |
| Total comprehensive income for the period                           | 1,008,681                              | 644,329                                | 808,178                                | 232,123              |
| <b>Statement of Financial Position</b>                              |                                        |                                        |                                        |                      |
| Current assets                                                      | 3,227,481                              | 3,293,721                              | 3,210,652                              | 3,225,670            |
| Non-current assets                                                  | 3,492,256                              | 3,705,811                              | 4,330,511                              | 4,644,769            |
| <b>Total Assets</b>                                                 | <b>6,719,737</b>                       | <b>6,999,532</b>                       | <b>7,541,164</b>                       | <b>7,870,438</b>     |
| Current liabilities                                                 | 1,221,450                              | 1,303,080                              | 1,364,162                              | 1,471,696            |
| Non-current liabilities                                             | 1,084,288                              | 1,147,370                              | 1,619,743                              | 1,819,360            |
| <b>Total Liabilities</b>                                            | <b>2,305,738</b>                       | <b>2,450,451</b>                       | <b>2,983,904</b>                       | <b>3,291,056</b>     |
| Equity attributable to Shareholders of the Parent Company           | 4,274,020                              | 4,318,611                              | 4,328,022                              | 4,350,606            |
| Non-controlling equity                                              | 139,979                                | 230,470                                | 229,237                                | 228,776              |
| <b>Total Equity</b>                                                 | <b>4,413,999</b>                       | <b>4,549,081</b>                       | <b>4,557,259</b>                       | <b>4,579,382</b>     |
| <b>Total Liabilities and Equities</b>                               | <b>6,719,737</b>                       | <b>6,999,532</b>                       | <b>7,541,164</b>                       | <b>7,870,438</b>     |
| <b>Statement of Cash Flows</b>                                      |                                        |                                        |                                        |                      |
| Net cash from operating activities                                  | 901,910                                | 1,094,220                              | 1,447,374                              | 379,924              |
| Net cash used in investing activities                               | (1,250,849)                            | (408,337)                              | (819,674)                              | (146,401)            |
| Net cash from/ (used in) financing activities                       | 120,353                                | (416,689)                              | (399,118)                              | (102,030)            |
| Cash and cash equivalents at the end of the year                    | 871,343                                | 1,140,537                              | 1,369,118                              | 1,500,611            |
| <b>KPIs</b>                                                         |                                        |                                        |                                        |                      |
| Total profit margin                                                 | 35.6%                                  | 28.9%                                  | 29.7%                                  | 33.9%                |
| Income from operation margin                                        | 20.1%                                  | 15.0%                                  | 17.5%                                  | 19.9%                |
| Net income margin                                                   | 22.0%                                  | 15.0%                                  | 17.4%                                  | 18.7%                |
| Return on assets                                                    | 15.1%                                  | 9.4%                                   | 10.6%                                  | 10.4% <sup>(1)</sup> |
| Return on equity                                                    | 23.0%                                  | 14.4%                                  | 17.6%                                  | 17.9% <sup>(2)</sup> |

Source: The Group's audited consolidated financial statements for the Financial Year ended 31 December 2018G, the audited consolidated special-purpose financial statements for the Financial Years ended 31 December 2016G and 2017G, and the interim audited consolidated financial statements for the three-month period ended 31 March 2019G.

(1) Return on assets has been calculated by dividing the net income of the last twelve months by total assets as at 31 March 2019G.

(2) Return on equity has been calculated by dividing the net income of the last twelve months by total equity as at 31 March 2019G.



## Summary of Risk Factors

Prospective investors should carefully consider all the information contained herein before subscribing to the Offer Shares including, in particular, the risk factors detailed in section 2 “**Risk Factors**” of this Prospectus. Below is a summary of these factors; however, this summary does not contain all the information that may be important to prospective investors.

### Risks related to the Group’s business and operations

- 1- Risks Related to the Difficulty in Hiring Highly Competent Health Practitioners and Managerial Staff
- 2- Risks Related to Hiring Public Sector Health Practitioners
- 3- Risks Related to the Group’s Reputation and Brand
- 4- Risks Related to Infringement of the Group’s Intellectual Property Rights
- 5- Risks Related to Technical Services Provided by Cloud Solutions
- 6- Risks Related to the Quality of Health Services
- 7- Risks Related to the Group’s Lack of Full Control over its Associate Companies and Strategic Partnership Projects
- 8- Risks of Health Facilities Revenue Concentration on a Limited Number of Clinics
- 9- Risks of Concentration on a Limited Number of Health Facilities and Geographical Concentration in the Central Region
- 10- Risks Related to the Group’s Revenues Concentration on Insurance Company Clients as a Result of Changed Strategy of the Group
- 11- Risks Related to Government Clients
- 12- Risks Related to Rejected Claims
- 13- Risks Related to the Inability to Renew or Modify Existing Contracts
- 14- Risks Related to Contracts and Transactions with Related Parties
- 15- Risks Related to the Inability to Renew or Modify Existing Leases
- 16- Risks Related to Involvement of some Selling Shareholders and Directors in Competitive Business with the Group
- 17- Risks Related to Expiry or Suspension of Licenses, Permits and Regulatory Approvals
- 18- Risks Related to Non-Renewal or Issuance of Main Medical Accreditations
- 19- Risks Related to Legal Restrictions Related to the Group’s Pharmaceutical Facilities
- 20- Risks Related to Legal Actions and Fines
- 21- Risks Related to Zakat
- 22- Risks Related to Management and Treatment of Healthcare Waste
- 23- Risks Related to Difficulty in Recruiting and Maintaining Key Employees
- 24- Risks Related to the Group’s Revenue Growth Rates
- 25- Risks Related to Increased Cost of Revenues and Operating Expenses
- 26- Risks Related to the Group’s Exposure to Operational Risks and Unforeseen Challenges
- 27- Risks Related to Financing
- 28- Risks Related to Effectiveness of Information and Disaster Recovery Systems and Retention of Confidential Patient and Employee Data
- 29- Health Risks Posed by Infectious Diseases
- 30- Risks Related to Inadequacy of Insurance Coverage
- 31- Risks Related to Medical Errors
- 32- Risks Related to Violation of Code of Professional Conduct and Internal By-Laws
- 33- Risks Related to Deferred Revenues and Late Payment or Non-Collection of Receivables
- 34- Risks Related to Keeping up with Developments in Medical Technology
- 35- Risks Related to Implementation of Future Projects



- 36- Risks Related to Reliance on External Suppliers and Subcontractors
- 37- Risks Related to Experience in Managing Listed Companies in the Saudi Stock Exchange
- 38- Risks Related to Recent Formation of Board Committees and the Effectiveness of Governance
- 39- Risks Related to Exclusive Rights in the Pharmaceutical and Health Products Market
- 40- Risks Related to Substantial Dependence on Revenue Sharing Agreements with Group's Physicians

## **Risks related to the market and regulatory environment**

- 1- Risks Related to Change of Regulatory Environment
- 2- Risks Related to Competition in KSA
- 3- Risks Related to Competition in the UAE and the Kingdom of Bahrain
- 4- Risks Related to Competition Law
- 5- Risks Related to the Group's Application of IFRS
- 6- Risks Related to Non-Compliance with Saudization Requirements
- 7- Risks Related to the Kingdom and the Global Economy
- 8- Risks Related to Adoption of the Corporate Governance Regulations and Companies Law in the Kingdom, which impose additional restrictions on the Group
- 9- Risks Related to Foreign Exchange Rates
- 10- Risks Related to Adverse Changes in Interest Rates
- 11- Risks Related to Adoption of VAT and its Impact on the Group
- 12- Risks Related to Vacant Lands Tax Law and its Impact on the Group
- 13- Risks Related to Natural Disasters and Sabotage
- 14- Political and Security Risks in the Region and their Impact on the Group's Operations
- 15- Risks Related to Reliance on the Insurance Market
- 16- Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees
- 17- Risks Related to Change in the Calculation Mechanism of Zakat and Income Tax
- 18- Risks Related to Changes in Prices of Energy, Electricity, Water and Related Services

## **Risks related to the Offer Shares**

- 1- Risks Related to Effective Control by Current Shareholders
- 2- Risks Related to Absence of a Prior Market for Trading in the Group's Shares
- 3- Risks Related to Potential Fluctuations in the Market Share Price
- 4- Risks Related to Dividend Distributions
- 5- Risks Related to Selling a Substantial Number of Shares in the Market
- 6- Risks Related to Issuance of New Shares in the Market after the Offering





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## 1- Terms and Definitions

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Advisors</b>                    | The Company's Advisors in relation to the Offering whose names appear on pages (vi) and (vii) of this Prospectus.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Afia Pharmacies</b>             | Afia Pharmacies Company or Al Afia Pharmacies for Medicines Company with Commercial Registration No. 1010462436 issued on 07/09/1440H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Afia Pharmacy 1</b>             | Afia Pharmacies Company or Al Afia Pharmacies for Medicines Company 1 with Commercial Registration No. 1010462519 issued on 07/09/1440H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Afia Pharmacy 2</b>             | Afia Pharmacies Company or Al Afia Pharmacies for Medicines Company 2 with Commercial Registration No. 1010462521 issued on 07/09/1440H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Afia Pharmacy 3</b>             | Afia Pharmacies Company or Al Afia Pharmacies for Medicines Company 3 with Commercial Registration No. 1010464428 issued on 04/01/1438H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Afia Pharmacy Khobar</b>        | Afia Pharmacies Company or Al Afia Pharmacies for Medicines Company-Khobar with Commercial Registration No. 2051225585 issued on 12/08/1440H.                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Ajaji Dental</b>                | Dr. Abdulaziz Ibrahim Al-Ajaji Dental Clinic Group Company with Commercial Registration No. 1010218565 issued on 24/03/1427H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Ajaji Dental Khobar</b>         | Dr. Abdulaziz Ibrahim Al-Ajaji Dental Clinic Group Company-Khobar with Commercial Registration No. 2051226042 issued on 08/09/1440H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Ajaji Dental Olaya</b>          | Dr. Abdulaziz Ibrahim Al-Ajaji Dental Clinic Group Company-Olaya with Commercial Registration No. 1010222433 issued on 28/07/1427H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Ajaji Dental Qassim</b>         | Dr. Abdulaziz Ibrahim Al-Ajaji Dental Clinic Group Company-Qassim with Commercial Registration No. 1131051383 issued on 27/03/1435H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Ajaji Dental Rayan</b>          | Dr. Abdulaziz Ibrahim Al-Ajaji Dental Clinic Group Company-Rayan with Commercial Registration No. 1010402647 issued on 27/03/1435H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Ajaji Dental Suweidi</b>        | Dr. Abdulaziz Ibrahim Al-Ajaji Dental Clinic Group Company-Suweidi with Commercial Registration No. 1010465604 issued on 17/02/1438H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Ajaji Dental Takhassusi</b>     | Dr. Abdulaziz Ibrahim Al-Ajaji Dental Clinic Group Company-Takhassusi with Commercial Registration No. 1010402646 issued on 27/03/1435H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Al-Habib Pharmacies</b>         | MEP, Afia Pharmacies and Pharmachoice, collectively.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Antab Al Riyadh</b>             | Antab Al Riyadh for Operation and Maintenance with Commercial Registration No. 1010320541 issued on 26/12/1432H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Application Form</b>            | The application form used by the Participating Entities to bid for the Offer Shares during the book building process. This term (as applicable) includes the supplementary application form for adjustment of the price range.                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Articles of Incorporation</b>   | The Articles of Incorporation of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Associate Companies</b>         | <p>An associate company is an entity on which the Group has significant influence. Significant influence is the ability to engage in adopting financial and operational policies and decisions at an investee, rather than control or joint control over such policies. The Group has invested in the following Associate Companies:</p> <ul style="list-style-type: none"> <li>• Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company; and</li> <li>• Serco Saudi Services Company.</li> </ul> <p>(For further details, please refer to the companies stated in Table 6.4 of this Prospectus).</p> |
| <b>Auditor</b>                     | Ernst & Young & Co (Public Accountants).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Authority or CMA</b>            | The Capital Market Authority of the Kingdom.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Authorized Person</b>           | A person who is authorized to carry out securities business by the CMA.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Beneficial ownership</b>        | The beneficial ownership of the share (including any rights related to the share such as the right to profits) provided that the ownership registered in the official documents is for the benefit of another person as an agent of the owner.                                                                                                                                                                                                                                                                                                                                                            |
| <b>Board or Board of Directors</b> | The Company's Board of Directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Bookrunners</b>                 | Jadwa Investment Company, Riyadh Capital Company and EFG Hermes KSA                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Business day</b>                | Any day (with the exception of Fridays, Saturdays and official holidays) on which the Receiving Agents are open for business in the Kingdom).                                                                                                                                                                                                                                                                                                                                                                                                                                                             |



|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bylaws                               | The Company's Bylaws approved by the General Assembly.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| CAP                                  | College of American Pathologists.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| CCHI                                 | Council of Cooperative Health Insurance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| CEO                                  | Chief executive officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Chairman                             | The chairman of the Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Cloud Solutions                      | Cloud Solutions Communications and Information Technology or Hulool Al Sahabah for IT & Communication Company with Commercial Registration No. 1010384104 issued on 15/09/1434H.                                                                                                                                                                                                                                                                                                                                                              |
| Cloud Solutions Srilanka             | Cloud Solutions Communications and Information Technology (Srilanka) with Commercial Registration No. 121728 issued on 08/05/2017G.                                                                                                                                                                                                                                                                                                                                                                                                           |
| CME                                  | Continuous Medical Education.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Collaborating Physicians             | Physicians and Health Practitioners who work in the Public Sector and are hired by private healthcare facilities, where they work outside their official business hours at the Public Sector.                                                                                                                                                                                                                                                                                                                                                 |
| Companies Law                        | Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G) as amended.                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Company or Issuer                    | Dr. Sulaiman Al-Habib Medical Services Group Company (HMG).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Competition Law                      | Competition Law promulgated under Royal Decree No. M/25 dated 04/05/1425H (corresponding to 21/06/2004G), as amended.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Control                              | The ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively, with a relative or affiliate, or through any of the following:<br>1- Holding 30% or more of the voting rights in the Company.<br>2- The right to appoint 30% or more of the administrative staff.<br>The word “ <b>control</b> ” shall be construed accordingly.                                                                                                                                                     |
| Corporate Governance Regulations     | The Corporate Governance Regulations issued by the CMA Board in accordance with Resolution No. 8-6-2017 dated 16/05/1438H (corresponding to 13/02/2017G) (according to the Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G)), as amended by CMA Board Resolution No. 3-57-2019 dated 5/9/1440H (corresponding to 20/05/2019G), as amended.                                                                                                                                                       |
| CT- or CAT-Scan                      | X-Ray Computed Tomography                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Current Shareholders                 | All below Current Shareholders of the Company whose names and ownership percentages are set out in Table 5.1 “The Company's Shareholding Structure before and after the Offering”:<br><ul style="list-style-type: none"> <li>• Sulaiman Abdulaziz Sulaiman Al-Habib;</li> <li>• Thabat Business Company Ltd.;</li> <li>• Mohammed Abdulaziz Al-Habib and Sons Holding Company;</li> <li>• Jawharat Al Bahr Investment Company;</li> <li>• Hesham Sulaiman Abdulaziz Al-Habib; and</li> <li>• Mohammed Sulaiman Abdulaziz Al-Habib.</li> </ul> |
| DHA                                  | Dubai Health Authority                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| DHC                                  | Dubai Healthcare Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| DHCA                                 | Dubai Healthcare City Authority                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| DHCC                                 | Dubai Healthcare City                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Directors or Board Members           | The Company's Board of Directors appointed by the General Assembly of the Company whose names appear in section 5 “ <b>Company's Organizational Structure</b> ” of this Prospectus.                                                                                                                                                                                                                                                                                                                                                           |
| Dubai Branch or Dubai Medical Center | Dr. Sulaiman Al-Habib Hospital FZ-LLC. Dubai Healthcare City (Dubai Branch), registered with Commercial Registration No. 807161 issued on 15/05/2018G.                                                                                                                                                                                                                                                                                                                                                                                        |
| Dubai Hospital                       | Dr. Sulaiman Al-Habib Hospital FZ-LLC. - Dubai Healthcare City with Commercial Registration No. 26 issued on 30/05/2004G.                                                                                                                                                                                                                                                                                                                                                                                                                     |
| ERP                                  | Enterprise Resource Planning System.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Exchange or Tadawul                  | The Saudi Stock Exchange ( <b>Tadawul</b> ).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |



|                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Extraordinary General Assembly                                 | An Extraordinary General Assembly of the Shareholders convened in accordance with the Company's Bylaws.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Financial Advisor                                              | Jadwa Investment Company and Riyadh Capital Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Financial Year or FY                                           | Financial Year of the Company, starting from 1 January to 31 December of each Financial Year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| G                                                              | Gregorian.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| GAZT                                                           | The General Authority for Zakat and Income Tax (formerly Department of Zakat and Income Tax).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| GCC or the Council                                             | Cooperation Council for the Arab States of the Gulf.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| GE                                                             | General Electric.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| General Assembly                                               | An Extraordinary General Assembly and/or an Ordinary General Assembly; General Assembly shall mean any General Assembly of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Government                                                     | Government of Saudi Arabia; and the word “ <b>government</b> ” shall be interpreted accordingly.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Gross Domestic Product (GDP)                                   | Saudi gross domestic product, unless the context requires otherwise. It is the market value of all products and services produced within the Kingdom of Saudi Arabia within a specified period of time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Group                                                          | The Company and its Subsidiaries.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| H                                                              | Hijri.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Health Practitioner                                            | A person authorized to practice health professions, which includes the following categories: Physicians, dentists, pharmacists and health professionals in: radiology, nursery, anesthesia, laboratory and pharmacy, optometry, epidemiology, prosthetics, physiotherapy, dental care and implants, CT scan, nuclear therapy, lasers and operations, psychologists and social workers, nutritionists and public health specialists, midwifery, EMTs, speech and hearing treatment, vocational qualification, occupational therapy, medical physics, and other health professions agreed between the Minister of Health and Civil Service and the Saudi Commission for Health Specialties. |
| HHC                                                            | Home Healthcare Company with Commercial Registration No. 1010320537 issued on 26/12/1432H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| HMG Bahrain                                                    | A branch of Dr. Sulaiman Al-Habib Medical Services Holding Company in Bahrain, with Commercial Registration No. 81609-1 issued on 12/06/2012G.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| ICU                                                            | Intensive care unit.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| ICU Company                                                    | Intensive Care Company for Healthcare with Commercial Registration No. 1010497146 issued on 25/04/1438H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| IFRS                                                           | The International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and the standards and other publications approved by the Saudi Organization for Certified Public Accountants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Individual Investors                                           | Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have minor children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit provided that any such woman provides evidence that she is the minor child's mother and that she is widowed or divorced, and GCC natural persons.                                                                                                                                                                                                                                                                                           |
| Instructions on Book Building and Allocation of Shares in IPOs | Instructions on Book Building and allocation of shares in IPOs issued pursuant to CMA Board Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G), as amended under CMA Board Resolution No. 4-4-2018 dated 23/04/1439H (corresponding to 10/01/2018G).                                                                                                                                                                                                                                                                                                                                                                                                               |
| Investment Funds Regulations                                   | Investment Funds Regulations issued by CMA Board Resolution No. 1-219-2006 dated 03/12/1427H (corresponding to 24/12/2006G), in accordance with CMA Law promulgated by Royal Decree No. M/30 dated 02/06/1424H, as amended by CMA Board Resolution No. 1-61-2016 dated 16/08/1437H (corresponding to 23/05/2016G).                                                                                                                                                                                                                                                                                                                                                                        |
| IPO                                                            | Initial Public Offering                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| ISO                                                            | International Standards Organization.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| IVF                                                            | In vitro fertilization Center.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| IVF Center                                                     | A branch of Olaya Medical Company with Commercial Registration No. 1010203221 issued on 11/10/1425H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |



|                         |                                                                                                                                                                                                                                                        |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Jadwa                   | Jadwa Investment Company.                                                                                                                                                                                                                              |
| JCI                     | Joint Commission International.                                                                                                                                                                                                                        |
| Khobar Hospital         | Sehat Al Sharq Medical Limited Company.                                                                                                                                                                                                                |
| Khobar Hospital Branch  | Sehat Al Sharq Medical Limited Company, with Commercial Registration No. 2051221372 dated 16/08/1439H.                                                                                                                                                 |
| KSA                     | The Kingdom of Saudi Arabia.                                                                                                                                                                                                                           |
| Labor Law               | Saudi Labor Law, promulgated by Royal Decree No M/51 dated 23/08/1426H (corresponding to 27/09/2005G) as amended.                                                                                                                                      |
| Lead Manager            | Riyad Capital.                                                                                                                                                                                                                                         |
| Listing                 | Admission of the Company's Shares to listing on the Exchange in accordance with Listing Rules.                                                                                                                                                         |
| Listing Rules           | The Listing Rules issued by the CMA pursuant to Resolution No 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) as amended pursuant to CMA's Board Resolution No. 1-115-2018 dated 13/02/1440H (corresponding to 22/10/2018G).               |
| Lock-up Period          | The period during which Substantial Shareholders are subject to a six-month lock-up period, starting from the date of the commencement of trading of the Company's shares in Tadawul, so that they may not dispose of their shares during this period. |
| LYNX                    | HMG Enterprise Resource Planning System.                                                                                                                                                                                                               |
| Management              | The Company's management.                                                                                                                                                                                                                              |
| Market Study Consultant | Strategy&.                                                                                                                                                                                                                                             |
| Maternity Hospital      | Al Mustaqbal for Hospitals Development Company with Commercial Registration No. 1010208562 issued on 18/03/1426H.                                                                                                                                      |
| MD Labs                 | Al Mokhtabarar Diagnostic Medical Company with Commercial Registration No. 1010362523 issued on 04/09/1440H.                                                                                                                                           |
| MEP                     | Middle East Pharmacies Company or Asharq Alawsat Pharmacies Company with Commercial Registration No. 1010252818 issued on 27/06/1429H.                                                                                                                 |
| MEP Buraidah            | MEP Buraidah with Commercial Registration No. 1131028710 issued on 24/04/1430H.                                                                                                                                                                        |
| MEP Olaya 1             | MEP Olaya 1 with Commercial Registration No. 1010152000 issued on 13/08/1419H.                                                                                                                                                                         |
| MEP Olaya 2             | MEP Olaya 2 with Commercial Registration No. 1010198159 issued on 06/04/1425H.                                                                                                                                                                         |
| MEP Olaya 3             | MEP Olaya 3 with Commercial Registration No. 1010295615 issued on 05/11/1431H.                                                                                                                                                                         |
| MEP Olaya 4             | MEP Olaya 4 with Commercial Registration No. 1010295620 issued on 05/11/1431H.                                                                                                                                                                         |
| MEP Rayan 6             | MEP Rayan 6 with Commercial Registration No. 1010433953 issued on 02/08/1436H.                                                                                                                                                                         |
| MEP Takhassusi 5        | MEP Takhassusi 5 with Commercial Registration No. 1010357168 issued on 24/01/1434H.                                                                                                                                                                    |
| Ministry of Finance     | The Saudi Ministry of Finance.                                                                                                                                                                                                                         |
| MOH                     | The Saudi Ministry of Health.                                                                                                                                                                                                                          |
| MOHP                    | UAE Ministry of Health and Prevention.                                                                                                                                                                                                                 |
| North Jeddah Hospital   | Al Muhammadiya Hospital for Healthcare Company with Commercial Registration No. 4030794665 issued on 19/07/1439H.                                                                                                                                      |
| North Riyadh Hospital   | Shamal Al Riyadh for Healthcare Company with Commercial Registration No. 1010946027 issued on 24/06/1439H.                                                                                                                                             |
| OECD                    | Organization for Economic Cooperation and Development.                                                                                                                                                                                                 |
| Offer Price             | SAR (50) per share.                                                                                                                                                                                                                                    |
| Offer Shares            | Fifty-two million and five hundred thousand (52,500,000) ordinary shares, representing 15% of the Company's share capital.                                                                                                                             |
| Offering                | Offering of fifty-two million and five hundred thousand (52,500,000) ordinary shares, representing 15% of the Company's share capital for public subscription on the Saudi Stock Exchange.                                                             |



|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Offering Period</b>           | The Offering Period will commence on Wednesday 02/07/1441H (corresponding to 26/02/2020G) and will remain open for a period of 7 days, including and up to the last day of the subscription on Tuesday 08/07/1441H (corresponding to 03/03/2020G).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>OGS</b>                       | Other government sectors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Olaya Medical Company</b>     | Sehat Al Olaya Medical Complex Company with Commercial Registration No. 1010196728 issued on 23/02/1425H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Olaya Medical Complex</b>     | It includes Olaya Medical Company that operates the Outpatient Clinics Complex and its branches Spinal Hospital, Maternity Hospital, and IVF Center.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Ordinary General Assembly</b> | An Ordinary General Assembly of the Shareholders convened in accordance with the Company's Bylaws.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>PACS</b>                      | Picture Archiving and Communication System.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Participating Entities</b>    | Participating Parties who are actually involved in the book building process.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Participating Parties</b>     | <p>The entities that are entitled to participate in the book building process are:</p> <ul style="list-style-type: none"> <li>a- Public and private funds investing in securities listed in Tadawul where the terms and conditions of a fund allow them to do so, subject to the provisions and restrictions of the Investment Fund Regulations and Instructions on Book Building.</li> <li>b- Authorized Persons who are licensed to deal as a principle, in accordance with the Prudential Rules upon submission of the Application Form.</li> <li>c- Clients of a person authorized by CMA to conduct managing activities in accordance with the provisions and restrictions of Book Building Instructions.</li> <li>d- Any legal persons allowed to open an investment account in the Kingdom, and an account with the Depository Center, except for non-resident foreign investors –other than QFIs as per the QFI Rules.</li> <li>e- Any government agency, or international body recognized by CMA, the Exchange, or any other stock exchange recognized by CMA, or the Depository Center.</li> <li>f- Government-owned companies whether directly or through a private portfolio manager.</li> <li>g- GCC companies, and GCC funds, if the terms and conditions of the fund permit that.</li> <li>h- QFIs.</li> <li>i- An ultimate beneficial owner of a legal person in a swap agreement with an Authorized Person in accordance with the terms and conditions of such swap agreement.</li> </ul> |
| <b>PCM</b>                       | A self-service device for patients, primary care management.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Person</b>                    | A natural or legal person.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Pharmachoice</b>              | Pharmachoice, a company owned by Dubai Hospital, with Commercial Registration No. 811387 issued on 23/07/2018G.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Prospectus</b>                | This prospectus, which is prepared by the Company in relation to the Offering.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Prudential Rules</b>          | Prudential Rules issued in accordance with CMA Board Resolution No. 1-40-2012 dated 17/02/1434H (corresponding to 20/12/2012G), as amended.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Public</b>                    | <p>Any person other than those listed below:</p> <ul style="list-style-type: none"> <li>1- Affiliates of the Issuer;</li> <li>2- Substantial Shareholders of the Issuer;</li> <li>3- Directors and Senior Executives of the Issuer;</li> <li>4- Directors and Senior Executives of the affiliates of the Issuer;</li> <li>5- Directors and Senior Executives of the Substantial Shareholders of the Issuer;</li> <li>6- Any Relatives of the persons referred to in (1, 2, 3, 4, or 5) above;</li> <li>7- Any company controlled by any person referred to in (1, 2, 3, 4, 5, or 6) above.</li> <li>8- Persons acting together and, collectively, holding 5% or more of the share class to be listed.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Public Sector</b>             | The public and semi-public sectors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Qassim Hospital</b>           | Buraidah Al Takhassusi Hospital for Healthcare Company with Commercial Registration No. 1010237325 issued on 09/08/1428H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |



|                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| QFI                   | A qualified foreign investor authorized, in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, to invest in listed securities. The qualification application shall be submitted to a licensed person for evaluation and acceptance in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| QFI Rules             | Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued under CMA Board Resolution No. 1-42-2015 dated 15/07/1436H (corresponding to 04/05/2015G), as amended by CMA Board Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Qurtoba Hospital      | Al Wosta Medical Limited Company with Commercial Registration No. 1010238625 issued on 14/09/1428H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Rawafed               | Rawafed Al Seha International Company with Commercial Registration No. 1010222551 issued on 07/08/1427H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Rayan Hospital        | Al Rayan Hospital for Healthcare Company with Commercial Registration No. 1131025857 issued on 04/09/1440H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Rayan Maintenance     | Al Rayan for Maintenance and Operation Company with Commercial Registration No. 1010418255 issued on 26/08/1435H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Real GDP              | Real GDP of the Kingdom, unless the context requires otherwise. It is the market value of all products and services produced within the Kingdom of Saudi Arabia within a specified period of time, without inflation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Real GDP per capita   | Real gross domestic product per capita in the Kingdom, unless the context requires otherwise. It is the GDP divided by the population and represents the average per capita income in the Kingdom of Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Receiving Agents      | The Receiving Agents whose name mentioned in page (viii) of this Prospectus.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Related Party/Parties | <p>In this Prospectus, the term “<b>Related Party</b>” or “<b>Related Parties</b>” in accordance with Glossary of Defined Terms used in the Regulations &amp; Rules of the Capital Market Authority issued by CMA Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 4/10/2004G), as amended by CMA Board Resolution No. 1-7-2018 dated 01/05/1439H (corresponding to 18/01/2018G) includes:</p> <ul style="list-style-type: none"> <li>a- Affiliates of the Issuer;</li> <li>b- Substantial Shareholders of the Issuer;</li> <li>c- Directors and Senior Executives of the Issuer;</li> <li>d- Directors and Senior Executives of the affiliates of the Issuer;</li> <li>e- Directors and Senior Executives of the Substantial Shareholders of the Issuer;</li> <li>f- Any Relatives of the persons referred to in (A), (B), (C), (D), and (E) above;</li> <li>g- Any company controlled by any person referred to in A), (B), (C), (D), (E), and (F) above.</li> <li>h- For the purpose of Paragraph (G), “<b>control</b>” shall mean the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (A) holding 30% or more of the voting right in a company; (b) having the right to appoint 30% or more of the members of the administrative staff; and the word “<b>controlling party</b>” shall be construed accordingly.</li> </ul> |
| Relatives             | <p>The husband, wife and minor children. For the purposes of the Corporate Governance Regulations:</p> <ul style="list-style-type: none"> <li>• Parents, mothers, grandparents, grandmothers, and ascendants thereof.</li> <li>• Children, grandchildren, and descendants thereof.</li> <li>• Full brothers and sisters, paternal half-brothers and sisters, and maternal half-brothers and sisters.</li> <li>• Husbands and wives.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| ROSCOs                | Rules of Offering Securities and Continuing Obligations issued by CMA Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) (in accordance with the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, and amended by CMA Board’s Resolution No. 3-45-2018 dated 07/08/1439H (corresponding to 23/04/2018G).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| SAIBOR                | The Saudi Arabian Inter Bank Offer Rate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| SAR or Saudi Riyal    | Saudi Riyal, the official currency of the Kingdom.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |



|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Saudi Vision Realization Programs (VRPs) | The 12 strategic programs developed by the Kingdom and aimed at achieving Vision 2030.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Secretary                                | Secretary of the Board of Directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Selling Shareholders                     | <p>The below Current Shareholders of the Company whose names and shareholding percentages are set out in Table 5.1 “<b>The Company's Shareholding Structure before and after the Offering</b>” and who will sell part of their shares in the Offering:</p> <ul style="list-style-type: none"> <li>• Sulaiman Abdulaziz Sulaiman Al-Habib</li> <li>• Mohammed Abdulaziz Al-Habib and Sons Holding Company</li> <li>• Mohammed Sulaiman Abdulaziz Al-Habib</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Senior Executives                        | Any natural person who is charged - individually or jointly with other persons - by the Board of Directors of the Company or by a member of the Board of Directors of the Company with the functions of supervision and management, and directly reports to the Board of Directors or a member of the Board of Directors of the Company or the CEO.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Senior Management                        | The Company's senior management whose names appear in section 5.4 “ <b>Senior Management</b> ” of this Prospectus.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Serco Services                           | Serco Saudi Services Company with Commercial Registration No. 1010242254 issued on 28/12/1428H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Shareholders                             | Any of the Company's Shareholders.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Shares                                   | Three hundred and fifty million (350,000,000) fully paid shares in the Company with a nominal value of SAR 10 (ten Saudi Riyals) per share.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| SOCPA                                    | Saudi Organization for Certified Public Accountants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| South West Jeddah Hospital               | Gharb Jeddah Hospital Company with Commercial Registration No. 4030538330 issued on 19/05/1438H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Spinal Hospital                          | The Bone, Joint and Spine Hospital Company with Commercial Registration No. 1010236902 issued on 30/07/1428H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Subscribers                              | Participating Entities and Individual Investors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Subscription Application Form            | The Subscription Application Form that Individual Subscribers and Participating Entities (as applicable) shall complete to subscribe to the Offer Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Subsidiaries                             | <p>They are all investee companies controlled by the Group. The Management considers that the Group controls an entity when the Group is exposed to risks or has rights to receive variable returns arising from its association with the investee company and when the Group has the ability to use its power over the investee company to affect the value of such returns through its ability to direct activities of investee companies. They are as follows:</p> <ul style="list-style-type: none"> <li>• Olaya Medical Company</li> <li>• MEP</li> <li>• Dubai Hospital</li> <li>• Maternity Hospital <sup>(1)</sup></li> <li>• Qassim Hospital</li> <li>• Rayan Hospital</li> <li>• HHC</li> <li>• Antab Al Riyadh</li> <li>• Takhassusi Hospital</li> <li>• MD Labs</li> <li>• Suweidi Hospital</li> <li>• Cloud Solutions</li> <li>• Rayan Maintenance</li> <li>• Rawafed <sup>(2)</sup></li> </ul> |



|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Subsidiaries (Continued)     | <ul style="list-style-type: none"> <li>• Afia Pharmacies</li> <li>• ICU Company</li> <li>• Sehat Al Sharq Medical Limited Company</li> <li>• Al Wosta Medical Limited Company</li> <li>• South West Jeddah Hospital</li> <li>• North Riyadh Hospital</li> <li>• Al Muhammadiya Hospital for Healthcare Company</li> </ul> <p>(1) During Q2 2019G, Maternity Hospital was completely transformed from the Issure's subsidiary y to a branch of Olaya Medical Company.</p> <p>(2) On 1 January 2019G, the Company transferred Rawafed Al Seha International Company to a Related Party at net carrying value.</p> <p>(For further details, please refer to Table 6.3 in section 6, "<b>Management Discussion and Analysis of Financial Position and Results of Operations</b>").</p> |
| Substantial Shareholders     | Any person holding 5% or more of the Issuer's shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Sulay Branch                 | A branch of Dr. Sulaiman Al-Habib Medical Services Group Company in Sulay, with Commercial Registration No. 1010357146 issued on 24/01/1434H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Suweidi Hospital             | Sehat Al Suweidi Medical Company with Commercial Registration No. 1010361683 issued on 09/03/1434H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Takhassusi Hospital          | Al Gharb Al Takhassusi Hospital for Healthcare Company with Commercial Registration No. 1010236901 issued on 30/07/1428H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Tangible Equity              | Tangible equity can be calculated by deducting intangible assets (such as goodwill, patents, trademarks, etc.) and total liabilities from the Group's total assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Tawuniya                     | The Company for Cooperative Insurance (Tawuniya)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| The Capital Market Law (CML) | The Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G) as amended.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| UAE                          | The United Arab Emirates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| UMC                          | University Medical Center-King Abdullah Medical City Bahrain, which is operated by Dr. Sulaiman Al-Habib Medical Services Holding Company - a foreign company branch.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Underwriter                  | Jadwa Investment Company and Riyadh Capital Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Underwriting Agreement       | The underwriting agreement to be entered into between the Company, the Selling Shareholders and the Underwriter in relation to the Offering.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| VIDA                         | Health information systems for patients.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Vision 2030                  | The National Strategic Economic Program, which aims to reduce dependence on the oil and petrochemical industry, diversify the Saudi economy and develop public services.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |



## 2- Risk Factors

Prospective investors should carefully consider the following risk factors and all other information contained in this Prospectus prior to making an investment decision with respect to the Offer Shares. However, the risks outlined below may not necessarily include all of the risks the Group may encounter or the risks related to an investment in the Offer Shares. There may be other risks or factors which are unforeseen or unknown to the Group, or that the Group does not consider to be material, to the best of its knowledge and belief, as of the date of this Prospectus, which may materially and adversely affect the Group's business, financial position, results of operations and future prospects if they materialize.

The Group's business, financial position, results of operations and future prospects may be adversely affected if any of the following risks or any other risks that have not been identified by the Group or the Board of Directors actually occur, whether in whole or in part. As a result of such risks or other factors that may affect the Group, the business, future expectations, and expansion plans described in this Prospectus may not occur in the manner expected by the Group or the Board of Directors, if at all. This could lead to a drop in Offer Share price and affect the Group's ability to distribute dividends to Shareholders. Shareholders may also lose the entire value of their investment in the Offer Shares as a result thereof. Investors should consider all forward-looking statements in this Prospectus in light of these explanations and should not place any reliance on forward-looking statements without conducting further investigations.

The Directors acknowledge that, to the best of their knowledge and belief, there are no other material risks, besides those mentioned in this section, that, if omitted, may affect the prospective investors' decisions to invest in the Offer Shares as of the date of this Prospectus.

Prospective investors wishing to invest in the Offer Shares should assess the risks and benefits of this investment, the Offer Shares in general, and the economic, and the regulatory and market environment in which the Group operates in particular. Investment in the Offer Shares is only suitable for investors who are able to assess the risks and benefits of such investment and who have sufficient resources to bear any loss that might result from such investment. In the event that a prospective investor has doubts concerning the actions that they should take, a financial advisor licensed by CMA for the investment in the Offer Shares should be consulted.

In the event that the risks that the Group or the Board of Directors believe to be material occur, or in the event that risks that are not believed to be material at the present time or that are unknown as at the date of this Prospectus occur, the value of the Offer Shares may decline, the Group's ability to distribute dividends to Investors may be affected, and Investors may lose all or part of the value of their investment in the Group.

The risks set out below are not presented according to their importance or their expected impact on the Group. The Group may also face other risks that are unknown or that the Group may consider immaterial at the present time although they may have the same impact or consequences as set out in this Prospectus. Accordingly, the risks described in this section or in any other section of this Prospectus may: (A) not include all risks affecting the Group, its operations, business, assets or the markets in which it operates and/or (B) not disclose all the risks that investment in the Offer Shares may involve.

### 2.1 Risks Related to the Group's Business and Operation

#### 2.1.1 Risks Related to the Difficulty in Hiring Highly Competent Health Practitioners and Managerial Staff

The Group's business and activities at its various medical facilities are dependent on highly qualified Health Practitioners and managerial staff. The reputation of the Health Practitioners who provide medical services at the Group's facilities, their communication abilities, and their ability to establish close relationships with patients are necessary factors which allow the Group to provide optimal health services to its patients in order to become their first choice for treatment. However, due to the limited number of qualified Health Practitioners and managerial staff in the Kingdom and other markets in which the Group operates in, hiring qualified staff is one of the difficulties that the Group faces. Furthermore, the Group competes with other medical service providers inside and outside the Kingdom with respect to hiring and retaining qualified Health Practitioners and managerial staff. Health Practitioners weigh a number of factors when making a decision about employment, including with respect to salaries, allowances, working hours, quality of health equipment and facilities at the provider, quality of the nursing

and managerial staff, work environment and the provider's reputation. Should the Group be unable to compete with other medical service providers in all of the above-mentioned aspects, it may not be able to recruit and hire the best medical competencies for its various medical facilities. Furthermore, political factors in the neighboring countries to the Kingdom or in the region may affect the willingness of non-Saudi national Health Practitioners to work in the region.

The difficulty of recruiting Saudi or non-Saudi Health Practitioners and managerial staff may force the Group to offer higher salaries than those paid in other countries or by other providers, which will affect the Group's profit margins. Additionally, there are a number of legal requirements that must be completed for the recruitment process which can be lengthy in nature, which include, but are not limited to: the issuance of work visas (for non-Saudis), compliance with the policies, regulations and Saudization rates issued by Ministry of Labor, registration and classification of Health Practitioners by the Saudi Commission for Health Specialties, issuance of professional licenses for Health Practitioners, or completion of the regular training imposed by the Saudi Commission for Health Specialties. The Group's inability to meet such requirements may limit its ability to recruit and retain qualified Health Practitioners and managerial staff. Therefore, the Group does not guarantee that it will be able to recruit competent Health Practitioners or qualified managerial staff, or that they will receive the same degree of classification for which they have been recruited for by the Saudi Commission for Health Specialties. Therefore, the Group may not be able to perform its business as required or may not be able to provide high-quality medical services, which will adversely affect the Group's reputation, business, financial position, results of operations and future prospects. (please refer to section 4.8.3 **"Saudization Requirements"** for further details on Saudization).

In addition, the Group may have to redouble its efforts and incur additional presently unanticipated expenses to recruit and retain highly competent Health Practitioners and managerial staff, as they may receive job offers from other health providers inside and outside the Kingdom and, in particular, non-Saudis Health Practitioners and managerial staff may wish to return to their home countries. The occurrence of any of the above risks may have an adverse material effect on the Group's business, results of operations, financial position and future prospects.

## 2.1.2 Risks Related to Hiring Public Sector Health Practitioners

The Group benefits from the services of a number of Collaborating Physicians (please refer to section 1 **"Terms and Definitions"**). As of the date of this Prospectus, no regulations or rules, except for those issued for Public Sector physicians who are faculty members in Saudi universities, have been issued to regulate Public Sector physicians' work in the private sector. As at 31/03/2019G, the group receives services from 468 Collaborating Physicians other than physicians employed by Saudi university faculties who accounted for 22.4% of the total number of the Group's doctors as of 31/03/2019G (please refer to section 12.7 **"Material Agreements"** for further details on these agreements). The direct revenues realized by the Group from the services provided by the Collaborating Physicians accounted for 11.4%, 11.9%, 14.5% and 16.2% of the Group's total revenues in 2016G, 2017G, 2018G and the three-month period ended 31/03/2019G, respectively.

On 10/03/1427H, Council of Ministers issued Decree No. 1879/MB, which stipulates that "all national medical and health professionals shall be allowed (in principle) to work in the private health sector outside the official working hours under regulations that ensure observance of government work requirements. The Saudi Health Council shall consider this matter in cooperation with the Ministry of Civil Service and the Ministry of Finance." No regulations have been issued to date in this regard. However, enforcement or newly issued regulations may impose limits on or reduce the working hours that public physicians can provide to the private sector or prevent such physicians entirely from working in the private sector. This, in turn, may limit the ability of the Group or make it unable to hire the Collaborating Physicians, resulting in decrease in the direct and indirect revenue realized through such Collaborating Physicians.

In April 2014G, the Government confirmed the on-going implementation of the laws and regulations issued since 2001G that impose restrictions or prevent public physicians from providing their services to private health institutions, except for physicians who are faculty members in Saudi universities, as they can work in the private sector under the conditions stipulated in the relevant laws and regulations. Competent authorities have deemed this to be a violation of the relevant laws and regulations by the Group and Collaborating Physicians, as well as a violation by the Collaborating Physicians of their employment contracts with government authorities, which may expose the Group to financial fines ranging between of SAR 10,000 and of SAR 100,000 per violation. In addition, hiring the Collaborating Physicians may result in a conflict of interest for such physicians in their work at the Group and their official work in the Public Sector. The Group has been subject to such violations where, the total fines for such violations during the years 2016G, 2017G, 2018G and the period ended 31/03/2019G amounted to SAR

390,000. The Group has paid SAR 290,000 with respect to such fines and appealed against fines in the amount of SAR 100,000 to the competent authorities, which resulted in the cancellation of the relevant fine.

In the event that the competent authorities enforce laws and regulations that impose restrictions or prevent public physicians from providing services to private health institutions, or such competent authorities have issued new regulations in relation to the provision of services by public physicians to private health institutions outside the official working hours. The occurrence of any such risks may make the Group unable to procure the services of qualified Collaborating Physicians and therefore negatively affect the Group's revenues in addition to exposing the Group to the risk of fines or potential breaches of relevant regulations in the future. The occurrence of any of the above-mentioned risks could have a material adverse impact on the Group's business, results of operations, financial position and future prospects.

### 2.1.3 Risks Related to the Group's Reputation and Brand

Since its establishment, the Group has sought to build a good reputation to associate with its trademarks. The Group strives to maintain its reputation and trademarks and to counter any illegal use of its trademarks by third parties. To that end, the Group has registered all of the trademarks on which it relies for its business in the Kingdom, the GCC and other countries (please refer to section 12.16 "**Intellectual Property**" for further details on trademarks). In the event that the intellectual property rights associated with the Group's trademarks are infringed, including as a result of unauthorized use or a failure to protect such rights by the competent authorities in accordance with the regulations of the relevant countries, the Group may have to take costly judicial proceedings and divert the attentions of a number of its technical and managerial staff to such proceedings in order to protect its trademarks. Additionally, trademark disputes may require the Group to enter into franchising or licensing arrangements for the use of trademarks, which may be concluded on terms unfavorable to the Group. The occurrence of any of the above risks would have a material adverse impact on the Group's business, results of operations, financial position and future prospects.

### 2.1.4 Risks Related to Infringement of the Group's Intellectual Property Rights

The Group provides a number of technical products, services and software solutions through its subsidiary, Cloud Solutions, to its Subsidiaries and other Parties. Cloud Solutions develops technology solutions, software and products either on its own as a developer or through acting as an authorized agent or distributor to other specialized companies. As of the date of this Prospectus, the Group has not registered any copyrights with respect to software solutions developed by Cloud Solutions, making these solutions and products vulnerable to infringement. Such infringement would limit the Group's ability to make full or partial use of such solutions and products. The Group could also be subject to judicial or quasi-judicial claims regarding infringement of intellectual property with respect to such solutions or face liability regarding software or technical products and solutions it provides, which may result in judicial or quasi-judicial judgments that are adverse to the Group's interests. Such judgments may impose damages on the Group beyond its ability to satisfy. The occurrence of any of the above risks would have a material adverse impact on the Group's business, results of operations, financial position and future prospects.

### 2.1.5 Risks Related to Technical Services Provided by Cloud Solutions

Cloud Solutions offers a set of technical products and services and software solutions to both Group and third-party companies. Revenue realized from Cloud Solutions accounted for 0.1%, 0.1%, 0.6% and 0.3% of the Group's total revenues for the Financial Years ended 31/12/2016G, 31/12/2017G and 31/12/2018G and the period ended 31/03/2019G, respectively.

The IT sector is characterized by continuous and rapid development, including, but not limited to, the development of safety and security standards, effective and appropriate new software and solutions that meet the changing needs of customers. The Group's success in IT solutions depends on its ability to develop and improve its existing technical and professional portfolio and develop new services to meet customer needs within a short time frame at a reasonable and effective cost. There is no guarantee that Cloud Solutions will succeed in delivering or responding to such developments in a timely and cost-effective manner. Moreover, there is no guarantee that these services, technologies or products will succeed even if Cloud Solutions is able to keep up with such developments. Cloud Solutions may not be able to provide new or improved services due to the lack of sufficient demand from its customers for such services or may not succeed in providing or developing these new services effectively.



In addition, the Group does not guarantee the ability of Cloud Solutions to retain existing customers or attract and retain new customers. Neither does the Group provide any guarantee with respect to Cloud Solutions' ability to protect their systems and software from penetration or hacking. The Group also does not guarantee Cloud Solutions' ability to maintain the confidentiality of their clients' data and information or to protect such data from infringement or loss (please refer to section 4.2 **"Group's Activities"** of this Prospectus for further details on the products and services provided by Cloud Solutions). The occurrence of any of the above risks could have an adverse material effect on the Group's business, results of operations, financial position and future prospects.

### 2.1.6 Risks Related to the Quality of Health Services

The quality of health services depends on several factors including, but not limited to, the effectiveness of diagnosis and treatment, the experience and accessibility of Health Practitioners, the availability of the most recent and highly developed medical and technical equipment, the state of health facility infrastructure, the manner in which Health Practitioners and other staff treat patients, short waiting periods for patients, the provision of health services in accordance with applicable regulations, standards and professional protocols, billing and documenting health services in accordance with applicable regulations, and avoiding the need for repeat medical visits. The failure of the Group to provide or maintain the quality of health services provided to its patients would result in a material adverse impact on its trademarks and reputation.

In addition, the Group may be exposed to negative publicity, which may damage its reputation, as a result of its inability to provide high quality health services. This would lower the attraction for the Group's health facilities to patients or, in certain cases, may expose the Group to legal action. In the event that the Group is unable to maintain the quality of health services provided to its patients, there could be a material negative impact on the Group's trademarks and reputation, which could result in a material negative impact on the Group's business, results of operations, financial position and future prospects.

### 2.1.7 Risks Related to the Group's Lack of Full Control over its Associate Companies and Strategic Partnership Projects

The Group has entered into strategic partnerships with other Shareholders to establish the following Associate Companies: (1) Ajaji Dental (which operates dental clinics in the Group's health facilities), 50% of which is owned by the Group, with the remaining share being owned by Dr. Abdulaziz Al-Ajaji (please refer to section 12 **"Legal Information"** for further details about Ajaji Dental), and (2) Serco Services Company (which provides maintenance services for the Group and third-party facilities), 40% of which is owned by the Group, with the remaining share being owned by Serco Saudi Arabia Company, which is a subsidiary of Serco Group, a company located in the United Kingdom and registered on the London Stock Exchange.

The Group has also entered into strategic partnerships with other Shareholders and Related Parties to own, design, establish and manage certain health facilities which are managed as Subsidiaries by the Group, where the Group owns 50% of such entities, with the remaining share being owned by other shareholders (**"Strategic Partnership Projects"**). These projects are: (1) Khobar Hospital, which began its trial operations during Q2 of 2019G and 50% of which is owned by the Group, with the remaining share being owned by Jarir for Commercial Investment Company; (2) South West Jeddah Hospital, 50% of which is owned by the Group, with the remaining share being owned by Al-Andalus Real Estate Company, a joint stock company listed on the Saudi Stock Exchange and partially owned by Related Parties (please refer to section 12.12 **"Material Contracts with Related Parties"** for further details about South West Jeddah Hospital; and (3) Qurtoba Hospital, 50% of which is owned by the Group with the remaining share being owned by Jarir for Commercial Investment Company.

The Group may not be able to exert effective control over these Associate Companies or Strategic Partnership Projects, particularly where there is disagreement, differences in opinion, or disputes between the Group and other Shareholders in these Subsidiaries with respect to the management of these Associate Companies and Strategic Partnership Projects. The Group has not entered into independent shareholder agreements that set out rights and obligations of the shareholders with respect to the following companies: (1) Khobar Hospital, (2) Qurtoba Hospital and (3) Ajaji Dental. Rather, the Group relies on a combination of articles of incorporation and management agreements concluded with each relevant Group company in its administration of these companies. This may make the Group unable to amend or renew management agreements or bylaws, delay decision-making, or disagreement on important issues related to the business of those Associate Companies and Strategic Partnership Projects. The occurrence of any of the above risks could have an adverse material effect on the Group's business, results of operations, financial position and future prospects.

## 2.1.8 Risks of Health Facilities Revenue Concentration on a Limited Number of Clinics

Revenues from the largest five clinics in health facilities (obstetrics, gynecology and its subspecialties, pediatrics, internal medicine and its subspecialties, ENT, and emergency) accounted for 51.0% of the Group's total revenues in the three months period ended 31/03/2019G. These clinics also constituted 49.1%, 50.8% and 51.1% of the Group's revenues in 2016G, 2017G and 2018G, respectively. Consequently, any reduced demand for these clinics or if the Group is unable to provide and maintain high quality services in these clinics will result in a decrease in the Group's total revenues and will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

## 2.1.9 Risks of Concentration on a Limited Number of Health Facilities and Geographical Concentration in the Central Region

It should be noted that the share of revenues from each of the Group's healthcare facilities as a percentage of the Group's total revenues ranged from 1.1% to 26.7% in 2016G, from 7.2% to 23.4% in 2017G, from 6.7% to 21.5% in 2018G and from 7.0% to 22.0% in Q1 2019G. Geographically, a large part of the Group's revenues is dependent on revenues realized from its health facilities located in the Central Region of the Kingdom. Revenues from healthcare facilities in the Central Region constituted 74.4%, 73.9%, 71.7% and 72.3% of the Group's total revenues in 2016G, 2017G and 2018G and the threemonth period ended 31/03/2019G, respectively. As a result, if the Group's operations at one of its main health facilities or in the Central Region are exposed to any factors that may affect the operation of such a facility, or if there is increased competition from other private health facilities, or if there is a decrease in the number of insured persons, there will be a decrease in the Group's total revenues, which will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

## 2.1.10 Risks Related to the Group's Revenues Concentration on Insurance Company Clients as a Result of Changed Strategy of the Group

Contemporaneously with the decrease in revenues from government entities, further described below in "Risks Related to Government Clients", the Group altered its strategy to focus on the insurance sector clients, which resulted in increased revenues from insurance companies. Such revenues comprised 51.2%, 59.2%, 60.2% and 61.8% of the Group's revenues for the Financial Years ended 31/12/2016G, 31/12/2017G and 31/12/2018G and for the three-month period ended 31/03/2019G, respectively. Notably, the health insurance sector is dominated by a small number of insurance companies. Therefore, revenues generated through dominant insurance companies constitute a large proportion of the Group's revenues. There are two insurance companies whose revenues for each represent more than 20% of the Group's revenues for the Financial Year ended 31/12/2018G and for the three months period ended 31/03/2019G. As a result of the concentration, the Group may be forced to reduce the fees it agrees with such insurance companies for health services or may be subject to increased rejection rates with respect to medical claims submitted to such insurance companies. A significant portion of the Group's success also depends on its ability to maintain good relations and conclude and renew numerous agreements with insurance companies. Contracts with insurance companies have a term ranging from one to four years and are automatically renewed, although there no guarantee that they will be renewed (please refer to section 12.7 "Material Agreements" of this Prospectus for further details).

In addition, insurance companies may reject, delay fail to pay, or deduct amounts from compensation claimed for medical services provided to insured customers. Delays in payment for compensation claims for medical services provided to insured customers may occur for a variety of reasons, including, but not limited to, the medical necessity of the services provided by the Group, errors in the transmission of information by the Group to the insurance companies, or as a result of breakdowns in the Group's information systems. Moreover, potential future financial or regulatory difficulties faced by insurance companies may cause disputes with the Group. The occurrence of any of the above risks will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

## 2.1.11 Risks Related to Government Clients

Government health facilities also refer some of their patients to private health facilities, including the Group's health facilities. Revenues generated from services provided to patients referred from government entities represented 11.2%, 3.6%, 3.9%, and 5.5% of the Group's revenues for the Financial Years ended 31/12/2016G and 31/12/2017G and 31/12/2018G and for the three-month period ended 31/03/2019G, respectively. Increased



capacity in government health facilities, increased competitiveness in the private sector, and any changes in relation to the health services provided or the referral and claim mechanism may result in a decrease in the total number of referred patients and consequently lower revenues at the Group level.

Through its referral program (“Ehalati”), MOH refers patients to specialized or referral hospitals, including private sector hospitals without entering into agreements with service providers. The referrals occur at MOH approved prices for each private health facility. MOH automatically displays patients’ cases through Ehalati system which can be subsequently accepted by health facilities wishing to receive them. After a patient is admitted, the health facility develops a treatment plan for the patient, with the MOH conducting periodic visits to follow up on and supervise the treatment plan. Upon completion of the treatment, medical claims for the treatment are submitted at the facility’s MOH approved price list. In December 2016G, MOH approved a specific pre-announced price list for several treatment programs for health facilities according to criteria based on the size and medical accreditations of the relevant facility (the price list was updated in January 2018G). Pursuant to this system, admitting a patient for treatment by a private health facility is deemed to be health facility’s assent to the MOH pre-announced price list for treatment programs at that facility. In November 2017G, MOH appointed a third-party administrator to manage approvals and claims, and supervise treatment plans related to Ehalati referral patients. This development resulted in amending the mechanism for approving treatment plans and medical claims, whereby approval of treatment plans and medical claims is now made on a monthly basis and not upon completion of treatment. In December 2016G, the Group entered into a final settlement agreement with MOH regarding claims due from MOH prior to the appointment of the third-party administrator. Pursuant to this agreement, the Group wrote off bad debts amounting to SAR 391.0 million (representing rejected claims) of the total receivables due from MOH against provisions for doubtful debts for 2016G. Accordingly, the Group does not guarantee that such settlements will not happen in the future as it is possible for MOH to lower the approved price list for health services, or amend the policy for accepting referrals, or for the MOH appointed third party administrator to change the procedures for accepting referrals, or rejection of insurance claims issued by the Group in whole or in part. The occurrence of any of the above risks will have a material adverse effect on the Group’s business, results of operations, financial position and future prospects.

### 2.1.12 Risks Related to Rejected Claims

The Group entered into contracts for the provision of healthcare services to patients referred by government entities and for the provision of health services to patients insured by insurance companies. The Group provides healthcare services to patients and then issues the claims to be reviewed and audited by those counterparties. Following such review, the claims are paid in accordance with the contractual terms of the agreements entered into between the Group and its clients. As a, a portion of the Group’s claims may be rejected for administrative or technical reasons, the most important of which are:

- Failure to complete or submit the required documentation in accordance with the contractual terms.
- Rejecting the nature of the health services provided to a patient.
- Failure to re-submit the claims after initial rejection.
- Delays in issuing and submitting the claims on the part of the Group.

Rejected claims amounted to SAR 464.5 million (including SAR 391.0 million relating to MOH claims), SAR 87.4 million, and SAR 41.4 million for the Financial Years ended 31/12/2016G, 31/12/2017G and 31/12/2018G, respectively. The full or partial rejection of future claims made by the Group could have a material adverse effect on the Group’s business, results of operations, financial position and future prospects.

### 2.1.13 Risks Related to Contracts and Transactions with Related Parties

The Group relies on a number of contracts and transactions entered into with Related Parties (including the Directors and the Selling Shareholders) for some of its operations. These contracts and transactions are for contracting services, property rental, provision of medical supplies, and for the sale and purchase of assets. The total value of financial transactions with such Related Parties amounted to SAR 56.7 million for the Financial Year ended 31/12/2018G and SAR 23.2 million for the three-month period ended 31/03/2019G. The amount of transactions with Related Parties for the year ended 31/12/2018G included SAR 13.8 million for a transaction with a Related Party completed during the first quarter of 2019G whose amount was recorded in that period as well. It is worth noting that the Company has awarded construction works contract to Masah Contracting Company (related party) with a value of SAR 348.9 million in connection with North Riyadh Hospital, and this Contract was approved by the Extraordinary General Assembly (please refer to section 12.12 “Material Contracts with Related Parties” and also section 4.9 “Future Projects” of this Prospectus for further details).



There is no guarantee that transactions entered into with Related Parties are on preferential terms and conditions and there is no guarantee that the Group could conclude such contracts on better terms with third parties or independent persons. In addition, there is no guarantee that the contracts with Related Parties will be renewed upon their expiry, as it is possible that the Company's Board of Directors or General Assembly may not agree to renew such contracts, or the relevant counterparties may not agree to renew them on conditions set by the Group. As the Group depends on such contracts, the failure to renew these contracts on favorable terms to the Group would have a material adverse impact on the Group's business, results of operations, financial position and future prospects.

#### **2.1.14 Risks Related to the Inability to Renew or Modify Existing Contracts**

The Group has entered into a number of service contracts and framework agreements with insurance companies, medical equipment maintenance companies, medical waste management companies, catering service providers, operation and maintenance companies, and other service providers. Some of these contracts and agreements will expire within one year, or less, from the date of this Prospectus while others will expire within the next few years. The terms of these agreements range from one to four years (please refer to section 12 "**Legal Information**"). There is no guarantee that such contracts can be renewed and, if renewed, there is no guarantee that they will be renewed on terms similar to the current contracts. The Group's failure to renew any of these contracts or if they are renewed on terms less advantageous to the Group would have a material adverse impact on the Group's business, results of operations, financial position and future prospects.

#### **2.1.15 Risks Related to the Inability to Renew or Modify Existing Leases**

The operations of the Group at Qassim Hospital and Olaya Medical Complex rely on facilities or buildings renovated or constructed on land leased from third parties. Qassim Hospital was built on a plot of land leased by the Group for a period of 20 years from a government authority, Buraidah Municipality (as lessor), pursuant to a lease dated 05/01/2004G. The lease does not contain a renewal right upon expiry. Buraidah Municipality may recover the plot from the Group during the lease term for a compensation for planning purposes or for public interest reasons. Buraidah Municipality may also terminate the lease if the lessee fails to comply with the terms of the lease, or does not comply with the work, or the lessee fails or defaults in their operation of the hospital. There would be a material adverse impact on the Group's business, results of operations, financial position and future prospects if the Group is unable to renew the lease, unable renew it under favorable conditions, or if the lease is terminated or if Buraidah Municipality recovers the land subject of the lease.

Two buildings used by Olaya Medical Complex's facilities in Riyadh are leased for different terms (please refer to section 4.2.2 "**The Group's Health Facilities**" for further details on the Group's material leases). These buildings have been constructed, modified, renovated and re-designed by the Group to be fit for purpose as health facilities. However, should a competent regulator impose restrictions on the use of such buildings, or if the Group is unable to renew the leases or the leases are renewed on unfavorable terms, or if the Group is unable to renew the relevant health sector or other licenses due to these buildings being classified as residential buildings, this would have a material adverse impact on the Group's business, results of operations, financial position and future prospects.

#### **2.1.16 Risks Related to Involvement of some Selling Shareholders and Directors in Competitive Business with the Group**

A number of the Current Shareholders and Directors are engaged, either by virtue of board memberships or shareholding, in companies conducting activities similar to or which compete with the Group's business, whether directly or indirectly. Table 5.35 in section 5.7 "**Conflict of Interests**" of this Prospectus contains details regarding the Current Shareholders, Directors, names of the competing enterprises and the nature of the competing activity. Since those Shareholders and Directors are either board members or shareholders in potential competing entities, it is possible that this will lead to conflict of interests between the Group and such Selling Shareholders or Directors. This will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

Some Shareholders and Directors may have access to the Group's proprietary information and may use such information to further their own interests or in a manner which conflicts with the interests and objectives of the Group. If Shareholders or Directors conflicting interests have an adverse effect on the Group's decisions or use information available to them about the Group in a manner detrimental to the Group, this will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

As of the date of this Prospectus, no current Director, Senior Executive or Shareholder is a party to any agreement, arrangement or understanding under which they are subject to any obligation that would prevent them from competing with the Group or any similar obligation with respect to the Group's business. Directors' participation in competing business is subject to the approval of the General Assembly pursuant to Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

### 2.1.17 Risks Related to Expiry or Suspension of Licenses, Permits and Regulatory Approvals and Consents and Inability to Renew them

The Group must obtain and maintain the validity of licenses, permits and regulatory approvals required to operate in the health sector and pharmaceutical sector. In particular, the Group is required to obtain licenses for its operations, including: (1) licenses for the provision of multiple health services, (2) licenses for the provision of pharmaceutical services, (3) civil defense licenses, and (4) municipality licenses. The Group also must comply with regulatory requirements for the disposal of narcotic, psychotropic and controlled drugs as well as with respect to the handling and transport of medical waste. The Group is subject to ongoing reviews and assessments by MOH, the Saudi Food and Drug Authority, the Saudi Commission for Health Specialties, CCHI and their equivalent bodies in Bahrain and the UAE (please refer to section 12 "**Legal Information**" for further details on all licenses and permits available to the Group).

In addition, the Group must periodically renew its licenses, permits, approvals, and consents. In addition, it might be necessary to adjust the scope of such licenses, permits, approvals, and consents at times, including with respect to matching the number of beds in each hospital with the number contained in the operating license of the hospital. Most of these licenses, permits, approvals, and consents (including approvals issued by CCHI) contain conditions, which if breached, could result in their suspension or cancellation (please refer to section 12 "**Legal Information**" for further details on the licenses and permits available to the Group's existing health facilities). Moreover, there is no guarantee that the competent authorities will renew, modify the scope of, or suspend these licenses and consents (CCHI previously suspended the approval for Rayan Hospital with respect to new and renewed health insurance policies on 29/10/2018G, although the relevant facility was permitted to continue providing services to valid insurance policies - the suspension was cancelled after 10 days on 08/11/2018G), or not impose additional orders and conditions that are unfavorable to the Group, resulting in the Group's inability to renew them or lift their suspension. The Group does not guarantee that it will be able to obtain additional licenses, permits, approvals or consents that may be required in the future.

As licenses, permits and certificates are issued for a specified period, the Group continuously renews such licenses, permits and certificates which expire from time to time (please refer to section 12 "**Legal Information**" for further details on such licenses, permits and certificates as at the date of this Prospectus). The following licenses granted to the Company are expired: MOH licenses granted to MD Lab and HHC, four licenses granted by the Ministry of Municipal and Rural Affairs regarding Spinal Hospital, Maternity Hospital, IVF Center and Cloud Solutions, civil defense certificates for the IVF Center, Spinal Hospital and Takhassusi Hospital, and the certificate granted by the Saudi Health Council regarding Suweidi Hospital. Furthermore, the Group's inability to renew or obtain licenses, permits and approvals on favorable terms or inability to adjust their scope may result in suspension, interruption or discontinuation of some or all of its operations as well as additional costs. This will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### 2.1.18 Risks Related to Non-Renewal or Issuance of Main Medical Accreditations

The Group has obtained all mandatory medical accreditations and some non-mandatory medical accreditations with respect to its existing medical facilities, including certificates by the Saudi Central Board for Accreditation of Healthcare Institutions (please refer to section 4 "**Overview of the Company and its Business**" of this Prospectus for further details about the medical accreditations obtained by the Group). A failure on the part of the Group to obtain, maintain or fulfill the terms of those certifications or accreditations would lead to suspending, interrupting or stopping some or all of its operations and being unable to perform its business. Consequently, this will adversely affect its reputation in the market or may lead to some public and private entities refraining from dealing with the Group, which would have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

Since medical accreditations by the Saudi Central Board for Accreditation of Healthcare Institutions ("**CBAHI**") are now mandatory, MOH now requires CBAHI accreditations as a precondition for renewing licenses and for the operation of health facilities. If the Group is unable to obtain, maintain or renew such accreditations in the future,

MOH will refuse to grant or renew the licenses of the Group's health facilities, which will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### 2.1.19 Risks Related to Legal Restrictions Related to the Group's Pharmaceutical Facilities

The Implementing Regulations of the Pharmaceutical Establishment and Preparations Law (Article 3/2/L) state that, in order to grant licenses to pharmacies in the cities of Riyadh, Makkah, Jeddah, Medina, Khobar, and Dammam, the owner, or at least one shareholder, shall be a Saudi pharmacist licensed to practice the profession. A partnership between a pharmacist and non-pharmacist shall be limited to five pharmacies, and in all cases, the total number of licensed pharmacies shall not exceed thirty pharmacies. Accordingly, the pharmacies inside other cities in KSA or inside those hospitals without outlets on the street are not subject to the above restriction set out in the Implementing Regulations of the Law of Pharmaceutical Establishment and Preparations. The Company has entered into partnership agreements (please refer to section 4.2.4 "**Pharmaceutical Facilities**" for further details on the ownership of these companies) with a Saudi pharmacist for the establishment of the MEP and Afia Pharmacies, of which 99% and 1% are owned by the Company and the Saudi pharmacist, respectively. The Group manages and operates 12 pharmacies in the Kingdom: (1) Olaya Medical Complex - main pharmacy, (2) Olaya Medical Complex - dermatology clinics pharmacy, (3) Olaya Medical Complex - Spinal Hospital pharmacy, (4) Rayan Hospital - main pharmacy, (5) Rayan Hospital - obstetrics & gynecology pharmacy, (6) Rayan Hospital - the emergency department pharmacy, (7) Takhassusi Hospital - main pharmacy, (8) Takhassusi Hospital - pharmacy 2, (9) Suweidi Hospital - main pharmacy, (10) Suweidi Hospital - pharmacy 2, (11) Qassim Hospital - main pharmacy, (12) Khobar Hospital - main pharmacy.

It should be noted that the Saudi pharmacist shareholder has assigned his beneficial rights in MEP and Afia Pharmacies to HMG so that the beneficial ownership of the Group in those entities is 100%. However, there is no guarantee that such assignment will be recognized or enforced by the competent judicial authorities, government bodies, or the heirs of the Saudi pharmacist shareholder in the event of his death. If the Group wishes to open additional pharmacies or renew existing pharmacy licenses requiring the presence of a licensed Saudi pharmacist, another Saudi pharmacist would have to be partnered with if the Group exceeds the limit prescribed by the Law. The occurrence of any of the above risks, including any amendment to the Law of Pharmaceutical Establishment and Preparations or its Implementing Regulations, or the terms of ownership, licensing or operating mechanisms, will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

### 2.1.20 Risks Related to Legal Actions and Fines

Legal actions and claims may be filed against the Group in the future by patients, visitors, shareholders in Subsidiaries and Associate Companies, suppliers, Health Practitioners, administrative staff, employees, or regulatory authorities. The Group does not guarantee the final outcome of such cases or the costs that may be incurred as a result of such lawsuits and proceedings. Therefore, any negative results arising from such lawsuits or proceedings will have an adverse effect on the Group's business and financial results. Such lawsuits and proceedings may include, but are not limited to, violations or irregularities with respect to any of the following: Private Health Institutions Law, intellectual property rights, medical errors and complaints, Zakat issues, Labor Law, and contractual disputes (please refer to section 12 "**Litigation and Procedures**" for further details). As of the date of this Prospectus, the Group is a party to four material cases as a defendant, with a total amount of about SAR 53 million claimed by the claimants (please refer to section 12.18 "**Lawsuits, Claims and Legal Proceedings**" for further details on material issues against the Company). No final judgment has been made with respect to any of these cases and the Group has not yet paid damages in respect thereof. The occurrence of any of the above risks will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

### 2.1.21 Risks Related to Zakat

The Group has submitted its consolidated Zakat returns to the General Authority of Zakat and Tax and received Zakat certificates until 2018G. The Group also received the final Zakat assessments for all years up to 2016G, assessed and recorded all the differences between the Zakat provision and the approved final assessments and paid all Zakat obligations resulting from those assessments. GAZT issued a Zakat assessment for the years 2007G to 2014G, which included an additional Zakat difference of SAR 45.0 million. The Group has objected to this assessment. GAZT partially accepted that objection and issued an adjusted Zakat assessment of SAR 36.0

million. The Group paid such amount without objection. For the years 2015G and 2016G, GAZT issued a Zakat assessment that included an additional Zakat difference of SAR 26.0 million. The Group has paid such amount without objection. Accordingly, the Group received the final Zakat assessments for such years. However, it has not yet received the final Zakat assessments for the years 2017G and 2018G as at the date of this Prospectus.

MEP received Zakat certificates until 2018G and the final Zakat assessments for all the years until 2016G, and was assessed and recorded all the differences between the Zakat provision and the approved final assessments and paid all Zakat obligations resulting from those assessments. GAZT issued a Zakat assessment for the years 2008G to 2016G, which included an additional Zakat difference of SAR 20.0 million. The Group has objected to this assessment. GAZT partially accepted that objection and issued an adjusted Zakat assessment of SAR 4.0 million. The Group paid such amount without objection. Accordingly, MEP has received the final Zakat assessments for such years. However, MEP has not received the final Zakat assessments for the years 2017G and 2018G until the date of this Prospectus. As for Afia Pharmacies, which was established in 2016G, Zakat certificates were received until 2018G. However, Afia Pharmacies has not received any final Zakat assessments as at the date of this Prospectus.

Khobar Hospital received Zakat certificates until 2018G and final Zakat assessments for all years until 2016G and there were no differences between the assessed amounts and the Zakat returns. Khobar Hospital has not yet received final Zakat assessments for the years 2017G and 2018G as at the date of this Prospectus. Qurtoba Hospital (which was established in 2007G) and South West Jeddah Hospital (which was established in 2017G) have received their Zakat certificates until 2018G. However, these companies have not received final Zakat assessments from the date of their establishment until the date of this Prospectus.

Based on the above, there is a risk that GAZT may revert to any previous year whose final zakat assessments have not been obtained, appeal the returns and require the Company or its Subsidiaries to pay additional Zakat or any future fines in respect thereof, which in turn may have a material adverse effect on the Group's business, results of operations, financial position and future prospects. It should be noted that the Current Shareholders will not bear any amounts or dues that may arise from the GAZT claims for previous years.

## 2.1.22 Risks Related to Management and Treatment of Healthcare Waste

The Group's operations are subject to regulations with respect to medical waste, and leakage of banned substances in the sewage network, including the GCC Uniform Law for Medical Waste Management (issued by Royal Decree M/53 dated 16/09/1426H) and the Law of Treated Sewage Water and Reuse (issued by Royal Decree M/6 dated 13/02/1421H) and its implementing regulations. The Group relies on licensed third-party companies to provide healthcare waste management and treatment services (please refer to section 12.7 "**Material Agreements**" for further details on these contracts), and the Group does not guarantee the compliance of such third party providers with regulatory standards and procedures for the management and treatment of healthcare waste, which may lead to the Group violating the relevant laws. Notably, Group has received three violations with respect of Rayan Hospital issued by the General Department for Water Services for violations of the Facilities Protection Law with a total value of SAR 60,000. Since the Group is exposed to such violations in the future, the occurrence of any of the above risks will have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

## 2.1.23 Risks Related to Difficulty in Recruiting and Maintaining Key Employees

The Group's success depends on the skills and efforts of the key personnel including the Executive Management team and senior employees at the Group's health facilities and their significant experience in the healthcare and other sectors. It should be noted that it is difficult to recruit individuals with managerial experience in the healthcare sector due to the intense competition with other service providers and lack of competencies. As a result, the Group may not be able to recruit and retain qualified employees to replace or succeed key employees should the members of the Senior Management team and senior employees decide to leave the Group.

Based on the above, the Group's inability to recruit or retain key employees, plan for the recruitment of future key employees, develop remuneration, salary, allowance and incentive programs, or invest in the development of their key skills, or in case of an unexpected departure of an executive manager or key employee will weaken the management experience and negatively affect the implementation of the Group's strategic plans, thereby affecting the Group's ability to effectively deliver healthcare services. The occurrence of any of these risks will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.



## 2.1.24 Risks Related to the Group's Revenue Growth Rates

The Group's revenues consist of revenue from hospitals, pharmacies and other business sectors, which are affected by various factors (please refer to section 6 **"Management Discussion and Analysis of Financial Position and Results of Operations"** for further details on the financial and operational performance of the business sectors and the factors affecting them). In addition, such sectors are subject to many of the risks mentioned in this section of this Prospectus, which, if occur, may affect the business of such sectors and hence the Group's revenue growth rates. Accordingly, the Group may not be successful in its efforts to increase its revenues or grow its business. Revenue growth rates in prior periods should not be considered as indicative of future growth rates. The Group may not be able to overcome the risks and difficulties it may face in the healthcare sector, as the demand for healthcare services in KSA may decline or the Group may be forced to cut back on healthcare services with resulted decrease in the Group's revenues as a whole, which will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

## 2.1.25 Risks Related to Increased Cost of Revenues and Operating Expenses

In the course of its business, the Group incurs operating costs and expenses principally in the cost of revenues, selling and marketing expenses and general and administrative expenses (please refer to section 6 **"Management Discussion and Analysis of Financial Position and Results of Operations"** for further details on the Group's financial and operational performance). Such operating costs and expenses increased during the review period in line with the growth of the Group's business in addition to several other factors that may be under or beyond the Group's control. Therefore, the cost of revenues and operating expenses are likely to further increase in the future at a faster rate than the growth of the Group's operations due to several factors that may not be under the Group's control. For example, there may be an increase in the salaries, wages, benefits, rents, materials, supplies, repairs, maintenance, fuel, water, electricity, and government fees or any other direct or indirect operating costs and expenses that are beyond the Group's control. The occurrence of any of these risks will result in a decline in the Group's profits and profit margins, which will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

## 2.1.26 Risks Related to the Group's Exposure to Operational Risks and Unforeseen Challenges

The Group's success depends largely on its continued and unhindered ability to carry on its activities, including with respect to its hospitals, pharmacies and other business sectors. The Group is exposed to a number of risks with respect to its operations, including power outages, disruption of medical equipment and devices, failure of information systems, criminal acts, fires, any risks described in this section or any other risks that may result in disruption of or impact on whole or part of the Group's operations, resulting in the Group's inability to meet its obligations or additional liabilities incurred by the Group, which may have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

## 2.1.27 Risks Related to Financing

### A- Risks Related to Existing Financing Arrangements

The Group depends on its ability to obtain appropriate financing to fund its projects and operations. The Group has obtained a number of loans and bank facilities from the Ministry of Finance and Saudi banks, where the total amount of loans and facilities utilized amounts to SAR 1.62 billion and SAR 1.68 billion as of 31/12/2018G and 31/03/2019G, respectively. Financing agreements include several conditions, including but not limited to: timely repayment of facilities utilized based on a specific repayment schedule, maintaining specific leverage, current asset to current liabilities, interest coverage, and debt coverage service ratios, and maintaining minimum equity rights. In addition, Group's obligations to the Ministry of Finance includes mortgages on the properties on which the financed projects were built on (except for the land relating to Qassim Hospital, as this plot was leased; instead, the Group provided a bank guarantee for the Ministry of Finance) (please refer to section 12.10 **"Ministry of Finance Loan Agreements"**, section 12.11 **"Finance Agreements with Commercial Banks"** and section 6 **"Management Discussion and Analysis of Financial Position and Results of Operations"** for further details on those loans).

Pursuant to the relevant facility agreements, the lending banks are entitled to cancel, suspend or reduce the facility amounts at any time without notice, as well as to request the full payment of the existing loans. There is



no guarantee that the lending banks will not take any action against the Group. If the Group breaches any of the financing conditions included in financing agreements entered into with the Ministry of Finance, the Ministry of Finance may oblige the Group to repay all outstanding amounts and may claim against pledged assets to secure the loan or seize the Group's seizable movable and immovable properties to satisfy the rights of the state. Due to its reliance on these facilities, a failure by the Group to comply with the restrictions imposed on it by the financiers or its inability to repay such loans and facilities will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

## **B- Risks Related to Funding Sources Required to Develop and Expand the Group's Business**

The Group's ability to expand its business depends on a number of factors (please refer to section 2.1.34 "**Risks Related to Implementation of Future Projects**" for further details on these factors), the most important of which is its ability to guarantee internal and external sources of funding. The Group has benefited in the past from loans granted at favorable terms by the Ministry of Finance and Saudi banks for the purpose of setting up its health facilities in Qassim Hospital, Maternity Hospital, Suweidi Hospital, Spinal Hospital, Rayan Hospital, Takhassemi Hospital and Khobar Hospital (please refer to section 12.10 "**Ministry of Finance Loan Agreements**", section 12.11 "**Finance Agreements with Commercial Banks**", and section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**", for further details on such loans). If these loans are no longer available nor granted on the same terms by the Ministry of Finance or banks, or if the Group incurs higher financing costs, or is unable to guarantee alternative sources of funding at the appropriate time and on favorable terms, the Group might not be able to expand its business, which would have a material adverse effect on the Group's future strategy, business, results of operations, financial position, and future prospects (please refer to section 4.9 "**Future Projects**" of this Prospectus for further details on the Group's future projects).

### **2.1.28 Risks Related to Effectiveness of Information and Disaster Recovery Systems and Retention of Confidential Patient and Employee Data**

The Group's information and disaster recovery systems are necessary for a number of important areas relating to its business, including the patient health information system (VIDA), which, inter alia, reserves and schedule patients' appointments, issues patient bills and insurance claims, manages electronic documents, and keeps patient records, and the ERP system (please refer to section 4.2.5 "**HMG Solutions**" of this Prospectus for further details about the Group's IT system).

Risks related to internal and external IT systems include, but are not limited to, malware, viruses, programming defects, network intrusion attempts, lack of required updates or modifications, failure to link programs, technical problems during the testing period, data leaks and human errors. These risks pose a direct threat to the Group's services and data (including electronic documents and patient records). The Group's networks may also be disrupted by force majeure beyond the control of the Group, such as natural and other disasters. Such events may also risk the confidentiality of information about the Group, its customers or assets, or the security of or access to that information, which could result in the loss or leakage of this information either by the Group or by any other party entrusted therewith. Moreover, the Group may incur significant operating costs and liabilities as a result of updating its own technical systems, or due to the Group adopting additional measures to protect its data or IT systems. Furthermore, they may lead to suspension, discontinuation or stopping of some or all of the Group's operations and impose additional costs thereon. This will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

The Group relies heavily on the availability, completeness, and confidentiality of information, including, but not limited to, patients' credit cards, personal data, medical records, and employee information. Consequently, the Group's reputation and performance could be adversely affected by any issues or claims lodged against it in case of failure to protect this information, maintain its confidentiality, and ensure its compliance with the relevant regulations in disclosing information in a timely and accurate manner through appropriate channels. Any of these factors will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.1.29 Health Risks Posed by Infectious Diseases**

Medical services provided by the Group include treatment of patients who suffer from various infectious bacterial and viral diseases. If healthy individuals contract such infectious diseases during a stay at or work in the Group's medical facilities, they could be entitled to compensation from the Group. The Group's reputation may suffer as



a result of negative press coverage and reports around the spread of infectious diseases at the Group's medical facilities. Moreover, such infectious diseases could be transmitted to physicians, employees and administrative staff, which would limit the Group's ability to provide treatment and medical services to patients.

It is also possible that any of the above factors could result in restrictions being placed on the Group's medical facilities, such as a quarantine or occasional closure of hospital wings for sterilization, or the imposition of other regulatory restrictions or the removal of licenses, permits, or approvals given to the relevant medical facilities. Any of the above factors could result in a decreased utilization at the Group's medical facilities, which would have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

### **2.1.30 Risks Related to Inadequacy of Insurance Coverage**

The Group's insurance policies cover insurable risks, such as warehouse insurance, vehicle fleet insurance, money insurance, employee health insurance, building and property insurance and worker injury liabilities. This includes cash transfer insurance and insurance against fraud, fire, some natural disasters, and all risks related to assets and property. The Group may not be able to recover the sums and compensations related to those risks from its insurance companies if the Group's insurance policies do not cover sums and expenses that companies are obliged to pay. Certain situations and events might be excluded from insurance coverage, or insuring them might prove too costly. The insurance may be insufficient to cover such situations and events, or they might not be insurable. Furthermore, the Group might not be successful in defending the basis for its compensation claims from the insurance company before the relevant courts. An inability on the Group's part to obtain adequate insurance coverage could limit its health facilities or medical staff's ability to practice their profession as required, which would result in restrictions on the scope of the services offered by the Group. Any of the above factors would have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

### **2.1.31 Risks Related to Medical Errors**

Due to the nature of the Group's business, it may be exposed to or liable for the risks of medical errors committed by its Health Practitioners or by the failure of the Group to provide the Health Practitioners with the necessary medical facilities and equipment as set out in the Private Health Institutions Law. Legal claims or actions may be filed against the Group and may involve significant amounts claimed for various reasons, resulting in considerable legal costs to the Group. The Group provides no guarantee that such errors will not occur in the future.

The Group only maintains malpractice insurance against with respect to physicians it employs. In addition, the Group may not be able to obtain compensation for the costs of legal actions, claims, fines and compensation judgments issued by the competent court from the relevant insurance companies since the insurance cover obtained by the Group does not cover the full amounts or costs that the Group must pay to patients affected by medical errors or claimants or if the terms and conditions of the relevant insurance policies are not met. The Group has already been exposed to such claims, where from 01/01/2016G to the date of this Prospectus, the competent courts have issued eight final decisions against physicians that were not covered by the Group's insurance cover with a total amount of SAR 944,000. The Health Professions Regulations further stipulate that it is the responsibility of the health establishment to guarantee the payment of compensation due as a result of a final judgment against its employees. It is possible that the Group may incur expenses and or be required to pay compensation in the case of absence of insurance cover, the existence of exceptions to existing insurance cover, insufficient insurance cover with respect to the amounts payable to those affected persons, or if it is not possible to insure against the underlying risk resulting incident or loss.

The Group has not, except with respect to its doctors, obtained medical malpractice insurance for its health facilities or Health Practitioners. The Health Profession Practice Law stipulates that cooperative medical malpractice insurance cover is mandatory for all doctors and dentists working in public and private health institutions. Accordingly, the Group may incur losses, damages or costs with respect to medical errors committed by its uninsured Health Practitioners. The Group has already been exposed to such claims, where from 01/01/2016G to the date of this Prospectus, the competent courts have issued four final decisions totaling SAR 457,500 against the Group's health facilities regarding such medical errors.

The occurrence of any of the above risks will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### 2.1.32 Risks Related to Violation of Code of Professional Conduct and Internal By-Laws

Health Practitioners must comply with the code of professional conduct set out in the laws and regulations regulating the practice of health professions (e.g. the Health Profession Practice Law issued by the Royal Decree No. M/59 dated 04/11/1426H and its implementing regulations issued by Ministerial Resolution No. 4080489 dated 02/01/1439H) and the ethical guidelines issued of the Saudi Commission for Health Specialties regarding Health Practitioner. However, the Group does not guarantee that its Health Practitioners will comply with the codes of professional conduct and internal rules regulating its Health Practitioners. In addition, the Group does not guarantee the sufficiency of internal rules and procedures regarding the application of the codes of professional conduct. The Group or its Health Practitioners may be subject to financial or disciplinary penalties if they do not comply with the provisions and requirements of these laws and rules, which may affect the Group's reputation. The occurrence of any of the above risks will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### 2.1.33 Risks Related to Deferred Revenues and Late Payment or Non-Collection of Receivables

The Group's deferred revenues constitute the largest proportion of the Group's total revenues, representing 67.5%, 67.9%, 69.1% and 70.8% of the Group's total revenues for the Financial Years ended 31/12/2016G, 31/12/2017G, and 31/12/2018G and for the period ended 31/03/2019G, respectively. Deferred revenues include: (i) revenues from insurance companies for the Group's service provision to customers insured by those companies; (ii) revenues from government entities for the Group's service provision to patients referred to the Group for treatment, and (iii) other deferred revenues including revenues from bodies, institutions, embassies and other private entities that refer their patients to the Group's health facilities for treatment. Deferred revenues from insurance companies accounted for 51.2%, 59.2%, 60.2% and 61.8% of the Group's total revenues during the same period, respectively. Deferred revenues from government agencies accounted for 11.2%, 3.6%, 3.9% and 5.5% of the Group's total revenues during the same period, respectively. Other deferred revenues constituted 5.1%, 5.1%, 5.0% and 3.5% of the Group's total revenues during the same period, respectively.

The Group's total receivables amounted to SAR 2.0 billion, SAR 1.7 billion, SAR 1.4 billion and SAR 1.4 billion for the Financial Years ended 31/12/2016G, 31/12/2017G, 31/12/2018G and for the period ended 31/03/2019G, respectively. The receivables from MOH constitute the largest proportion of the total receivables related to government entities with an average of 98% during the above periods. In December 2016G, the Group approved a final settlement agreement with MOH regarding claims due from the MOH. Based on such agreement, the Group has written off bad debts related to such settlement. Accordingly, the Group has written off SAR 391.0 million of total receivables from MOH against the provision for doubtful debts during 2016G. Accordingly, the Group does not guarantee that this will not happen in the future as it is possible for MOH to lower the approved price list of health services or change the policy of accepting referrals, or for the MOH appointed third party administrator to change the procedures for accepting referrals or reject insurance claims issued by the Group in whole or in part, which would have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

The average net receivables period was 224 days, 201 days, 149 days and 127 days for the Financial Years ended 31/12/2016G, 31/12/2017G, and 31/12/2018G and for the period ended 31/03/2019G, respectively (please refer to section 6, "**Management Discussion, Analysis of Financial Position and Results of Operations**" for further details on current assets, details of debtors, maturity, movement of debt allocation and the Group's policy with respect to credit, collection and write-off of bad debts).

The Group's dependence on deferred revenues may expose the Group to the risks of insurance companies or government entities refusing or delaying payment of claims made by the Group for health services provided to customers of those clients. The Group's delay in collecting its financial claims from insurance companies and government entities or the failure of insurance companies and government entities to pay these claims in whole or in part will limit the cash available to the Group, and thus will make it difficult for the Group to finance its working capital or future projects. This may result in the Group being unable to meet its financial obligations to third parties, including liabilities to employees, suppliers, contractors, banks and other financiers. Moreover, this may limit the Group's ability to complete future expansion plans or may limit its ability to distribute dividends to Shareholders.

The occurrence of any of the above risks will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

### 2.1.34 Risks Related to Keeping up with Developments in Medical Technology

Technological developments in the medical field have advanced rapidly. In order to keep up with these rapid advancements, the Group must continue to assess its need for technical and medical devices, machinery and equipment ("**equipment and devices**") at its facilities. The Group must upgrade such equipment and devices to cope with the technical advances in this field and maintain its competitive advantages. Given that such equipment requires significant capital outlay, the Group must avoid excess investment in equipment that will not be used regularly. On the other hand, Group must not refuse entirely to invest in such equipment for long periods of time, in order not to miss out on opportunities to acquire state of the art healthcare technologies. If it is unable to keep abreast of modern technologies, including, but not limited to, telemedicine and renewable technology in certain devices and equipment, the Group will fail to provide modern services in line with the latest developments in medical technologies. In addition, this may lead to Health Practitioners and administrative staff leaving the Group to work with its competitors as well as patients seeking out competitors who are using the latest technologies. If the Group is not able to invest in modern technologies or if it invests in equipment that exceeds its needs, the Group will incur additional costs related to the depreciation and operation of these assets. The occurrence of any of the above risks will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### 2.1.35 Risks Related to Implementation of Future Projects

#### A- Risks Related to Costs of New Medical Facilities and Construction Time

The Group depends on external independent developers and contractors and Related Parties with respect to certain construction works relating to building new medical facilities which are an integral part of the Group's growth and expansion strategy in the Kingdom and the GCC, including with respect to foundations, structure, electromechanical works, electrical equipment, provision of technical and medical devices, and furniture. (please refer to section 12.12 "**Material Contracts with Related Parties**" for further details on Related Parties, and section 4.9 "**Future Projects**" for further details on the Group's future projects.)

There are many risks related to designing and building new medical facilities. In addition, obtaining government approvals and permits for these facilities could take more time and consume more resources than original expectations. These risks can lead to increased capital costs and lower revenues. Moreover, these new facilities might not be completed on time and within budget for a number of reasons, including shortages of resources, equipment, and non-Saudi labor, unfavorable weather conditions, natural disasters, disputes with developers and contractors, accidents, changes in government laws, or an inability to enter into favorable contracts with reliable developers and contractors to complete various projects.

Any delay or inability to build new health facilities or the occurrence of any of the above risks will have a material adverse effect on the Group's growth strategy and thus its business, financial position, results of operations and future prospects.

#### B- Risks Related to the Group's Ability to Have Distinctive Sites

The Group may not be able to find suitable sites for building new health facilities for a number of reasons. In general, health service providers and companies operating in other sectors compete for distinctive locations. This competition may limit the number of suitable sites available to the Group, thereby enhancing the bargaining power of owners of such properties so that the sale or lease of such properties will not be on terms favorable to the Group. This will have an adverse effect on the Group's growth strategy, business, results of operations, financial position and future prospects.

#### C- Risks Related to the Inability to Employ Health Practitioners and Administrative Staff

The Group will seek to attract and recruit the administrative staff required to effectively operate the new health facilities. In the event that the Group fails to employ and maintain qualified Health Practitioners and administrative staff to operate these new health facilities, this will have an adverse effect on the Group's growth strategy, business, results of operations, financial position and future prospects.

## **D- Risks Related to the Integration of Future Operations into the Group's Existing Operations**

The Group's strategy is to expand its operations over the coming years whenever there are opportunities available and compatible with its strategy by designing, managing the development of, establishment, and operation of the new health facilities, whether wholly or partially owned, in the Kingdom and the GCC.

In addition, the Group's past success in integrating its past projects with its existing projects does not guarantee the same competitive advantage in its current operational, financial and supervisory processes and nor does it guarantee the expected competitive advantages of such integration in the future. Furthermore, the costs of achieving these competitive advantages may be higher than anticipated by the Group. The occurrence of any of the above factors will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

## **E- Risks Related to Contracting with Government Entities**

The Group has established a new company (ICU Company) to manage and operate intensive care departments in non-Group owned health facilities. The Group considers government entities as the target customers for this service. The risks involved in government contracts revolve around the contracting process itself, including the delay in obtaining internal approvals from the relevant entities to enter into contracts, and political and economic factors that may affect the number, value and terms of contracts being offered or awarded by those entities. Government contracts also contain stricter terms than other commercial contracts and it is difficult to amend the terms and conditions of these contracts as compared to other commercial contracts due to regulatory restrictions imposed on government entities. Delays in payment by government entities or the failure of the Group to enter into such contracts under favorable terms will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.1.36 Risks Related to Reliance on External Suppliers and Subcontractors**

The Group obtains the majority of medical supplies, pharmaceuticals, equipment and devices from local and external suppliers and agents, many of whom are outside the Kingdom (for further details, please refer to section 4.6.8 "**Logistics Department**" of this Prospectus). The Group may be subject to a shortage of supplied goods due to the use of local and external suppliers/agents and subcontractors, in delays in customs clearance procedures, quality control risks and other potential problems that may impede external suppliers and subcontractors from meeting their obligations.

Although the Group attempts to institute a multiple supplier policy to reduce its reliance on any particular source or suppliers, this may not be possible with respect to products provided by a sole supplier who is an agent or distributor in the Kingdom or the GCC. There are also other factors that may adversely affect any or all of the Group's suppliers at the same time, including, but not limited to, changes in laws and regulations relating to suppliers' activities, registration procedures, customs clearance and release delays and charges imposed thereon. Additionally, the Group might be unable to continue to rely on suppliers and contractors, either because of an adverse change in their relationship, increased costs for obtaining the products, or an inability on the part of an external supplier or sub supplier to provide the Group with the quantity and quality of products required in a timely manner.

The occurrence of any of these risks would have an adverse material effect on Group's business, results of operations, financial position, and future prospects (please refer to section 12 "**Legal Information**" for further details on all of the Group's suppliers).

### **2.1.37 Risks Related to Experience in Managing Listed Companies in the Saudi Stock Exchange**

Since its formation, the Group has been managed as a private company, and hence Senior Management has limited or no experience in managing publicly-traded companies and in complying with the regulations and laws regulating joint-stock companies listed in the Saudi Stock Exchange. In particular, the Senior Management and Board of Directors should make additional efforts to ensure the Company's compliance with regulatory and disclosure rules imposed on companies listed in the Saudi Stock Exchange, which could reduce the time spent by Senior Management to manage the Company's daily activities. The Company's failure to abide by the laws and regulations imposed on listed companies, disclosure requirements and continuing obligations in a timely manner and without

any delay will place the Company in violation of rules set by the CMA or other regulatory authorities, which could consequently lead to the imposition of fines on the Company. The imposition of such fines or penalties on the Company will negatively affect the Company's business and reputation, financial position and future prospects.

### **2.1.38 Risks Related to Recent Formation of Board Committees and the Effectiveness of Governance**

On 09/05/2019G, the General Assembly adopted new corporate governance manuals and approved an update to existing manuals, namely: (i) The Audit Committee Charter; (ii) the Nominations and Remuneration Committee Charter; (iii) Policy of Remuneration and Compensation of Directors, Committee Members and Senior Management, and (iv) Policies, Standards and Procedures for Membership in the Board of Directors of the Company. The Company formed the Audit Committee on 10/12/2018G and the Executive Committee on 16/12/2018G for their new terms. On 17/04/2019G, the Board of Directors approved the Executive Committee Charter and the Charter of Patient Safety and Healthcare Quality Committee. On 27/05/2019G, the Board of Directors formed the following committees: (1) Nominations and Remuneration Committee, and (2) Patient Safety and Healthcare Quality Committee.

The recent formation of these committees and recent implementation of the Group's internal corporate governance systems means that any failure on the part of these committee members to perform their tasks, and to follow procedures that ensure protection of the interests of the Group and its Shareholders, may affect corporate governance and the effectiveness of the Board of Directors' supervision of the Group's business through these committees. Accordingly, the Group may not be in compliance with the continuing disclosure requirements after listing on the one hand, and may be subject to operational, administrative and financial risks on the other hand. Consequently, this will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.1.39 Risks Related to Exclusive Rights in the Pharmaceutical and Health Products Market**

In the markets where the Group operates, health products are distributed and traded by distributors and suppliers appointed by the manufacturers which can sometimes be on an exclusive basis, which gives the distributor or supplier an advantage in negotiation when selling such products that may result in inability of the consumer - private health facility - to negotiate for better prices. If the Group is unable to continue negotiating with exclusive distributors and suppliers for competitive prices or if the exclusive distributors and suppliers increase their product prices and there are no alternative products in the market, the Group may be forced to pay higher prices for such products and thus increase the cost of revenues. The occurrence of any of the above factors could have an adverse material effect on the Group's business, results of operations, financial position and future prospects.

### **2.1.40 Risks Related to Substantial Dependence on Revenue Sharing Agreements with Group's Physicians**

The Group has entered into revenue sharing agreements with a number of physicians, pursuant to which such physicians use the Group's clinics to provide medical services to patients. These agreements provide space for clinics and other support services such as appointments, reception, nursing, accounting and basic administrative services including cleaning, maintenance and operation services. In addition, the agreements set out the rights and obligations of the parties, including how many hours or days the physician appear in the clinic and how revenues are shared, which varies from one physician to the other. The Group relies in its operations on maintaining and renewing those agreements. If the Group is unable to renew these agreements, such physicians will leave seek employment from competing hospitals. If such physicians request higher fees for their services, which if accepted by the Group, will lead to increased operational costs. This, in turn, will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.





## 2.2 Risks Related to the Market, Industry and Regulatory Environment

### 2.2.1 Risks Related to Change of Regulatory Environment

The healthcare and pharmaceutical sectors are subject to laws and regulations in all regions where the Group conducts its business – specifically in the KSA, UAE, and Bahrain – and in the regions where the Group intends to expand its activities in the future. In general, the laws and regulations in the countries where the Company operates touch on several key issues directly relevant to the Group's operations, including: (1) professional ethics and conduct; (2) licensing of facilities and services; (3) renewal of licenses; (4) changes in fees for non-Saudi staff; (5) fixed pricing for services or classification of service pricing according to specific bands; (6) adequacy and quality of healthcare services provided; (7) quality of medical equipment, devices and services; (8) qualifications of physicians and administrative staff; (9) issues related to confidentiality, maintenance and security; (10) issues related to medical and patient records; (11) examination of patients suffering from emergency conditions, to ensure their condition is stable and that such patients are shifted to intensive care and recovery units if necessary; (12) standards for the accreditation of health facilities; (13) the limits of medical insurance coverage; (14) regulatory compliance standards, and (15) changes to the pricing and dispensation mechanisms for medicines.

The Group is unable to anticipate changes in the regulatory environment in the countries where the Company operates. Its regulatory environment may be subject to numerous changes, including, amongst other measures: changes in tax laws, the adoption of more stringent antitrust regulations, changes in fixed pricing, and corporate governance. In the event that the Group fails to comply with some or all of the requirements incumbent on it pursuant to applicable laws and regulations, penalties or fines will be imposed on the Group, which will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

In addition, the Group is unable to predict the future decisions of government authorities in the countries where the Company operates, which may affect the Group's business, including, by way of example, government decisions to completely or partially close roads or streets on which the Group's health facilities are located, which will negatively affect customers' visits. Consequently, this will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

A number of events could reduce the profit margins of services and products provided by the Group, including as a result of MOH imposing mandatory prices according to specific criteria for certain health services provided by private health facilities, changes by regulatory and supervisory bodies to prices of health services, or the reduction of the price or profit margins of medicines by the Saudi Food and Drug Authority or another regulator. The occurrence of any of the above risks could have a material adverse effect on the Group's revenues, financial position, results of operations and future prospects.

### 2.2.2 Risks Related to Competition in KSA

The Group operates in a competitive environment and faces strong competition with other health facilities. Competition among medical facilities is based on a number of factors including reputation, excellence of healthcare services, technical excellence, and patient satisfaction. In recent years, the amount of competition over patients among medical service providers is on the rise. Therefore, there has been an increase in competition and the number of medical service providers in the Kingdom in particular are on the rise. The Group does not give any guarantees that it will be able to compete with them effectively. This competition could lead the Group, for purposes of maintaining its customers, to, among other things, decrease the prices it charges for its health services and thereby reducing profitability. This will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

In addition, the Group could face additional competition in the future from global healthcare companies with developed capabilities or expertise which provide, or intend to provide, healthcare services in the Kingdom since the Kingdom's Private Health Institutions Law allows foreign companies to have 100% ownership in the healthcare sector. The Group also faces competition from medical facilities located in Europe and America that offer high-value, complex services, as they encourage citizens of the Kingdom and GCC states to visit their facilities for medical tourism.

It is possible that potential mergers of private healthcare facilities will take place, with the Group's competitors forging alliances in pursuit of a larger share and control of the healthcare sector market. Moreover, such alliances within the healthcare sector or similar potential moves by the Group's competitors could improve their competitive position in the market and thereby weakening the Group's position.



A number of government agencies have in the past set up medical facilities in the Kingdom. If more of these government agencies set up additional medical facilities, it is possible that the private sector share of the healthcare market could significantly decrease. If government agencies transfer the management of their medical facilities to private sector hospitals or fully privatize or restructure these medical facilities to improve its effectiveness in the light of Vision 2030, there will be a material adverse effect on the Group's business, financial position, results of operations, and future prospects.

MOH issued Ministerial Decree No. (1440-1513079) dated 19/7/1440H establishing an advisory committee for a health holding company project to (1) complete the establishment of and launch a health holding company; (2) supervise the work of the health clusters which were formed by ministerial resolutions and provide the competent person with proposals for establishing new health clusters, and (3) have all the powers delegated to the boards of directors of the health clusters in respect of which resolutions have been issued, so that the committee shall have the supreme authority to supervise such boards. This change will create greater competition with private health facilities and will exert pressure on prices offered by the private sector which will lead to a reduction in the private sector's share of the healthcare sector. The Group does not give any guarantee of its ability to compete effectively either now or in the future. Changes to the competitive environment may cause a decline in prices or profit margins or the Group's loss of market share, which will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### 2.2.3 Risks Related to Competition in the UAE and the Kingdom of Bahrain

In the UAE and the Kingdom of Bahrain, the Group manages and operates Dubai Hospital as well as Dubai Medical Center and KAMC UMC in Bahrain.

In Dubai, the sector is highly competitive, with health facilities competing on a number of factors including reputation, excellence of healthcare services, medical technology, excellence, and patient satisfaction. In 2017G, 10 companies in the private healthcare sector competed for nearly 60% of the number of private health facility beds. The establishment of the DHA is expected to impose new measures on government healthcare providers to enhance efficiency and reduce government subsidies. Thus, government healthcare providers may become competitors to private healthcare providers in the future.

In the healthcare sector in Bahrain, three government hospitals dominate the market with respect to provision of patient services. The Group does not guarantee that it will be able to maintain or renew the management and operation agreement with UMC if new competitors enter the market.

Based on the above, the Group does not give any guarantees of its ability to compete effectively either now or in the future. Changes to the competitive environment may cause a decline in prices or profit margins or the Group's loss of market share, which will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### 2.2.4 Risks Related to Competition Law

In the event that the Group has or is deemed or classified by the General Authority for Competition as having a dominant position in the market, the Group's operational activities shall be subject to the terms and conditions set out in the Saudi Arabian Competition Law, which seeks to protect fair competition in the Saudi markets, and promote/establish market rules and free/transparent prices. In the event that the Group violates the provisions of the Competition Law and a judgment is issued against the Group with respect to such violation, the Group may be subject to a fine not exceeding ten million Saudi Riyals or such higher fines as may be determined by the General Authority for Competition in the future. In addition, the General Authority for Competition is entitled to request (partial or full) suspension of the Group's activities temporarily or permanently in case of repeated violations. Moreover, defending against such proceedings may be lengthy and costly to the Group. The occurrence of any of the above risks could have a material adverse effect on the Group's revenues, financial position, results of operations and future prospects.

## 2.2.5 Risks Related to the Group's Application of IFRS

In line with the regulatory requirements of previous years, the Group has prepared its consolidated financial statements in accordance with the accounting standards issued by SOCPA for the Financial Years ended 31/12/2016G and 31/12/2017G. As per the SOCPA Board of Directors' Resolution providing for the application of the IFRS from the beginning of 2017G for listed companies in the Saudi Stock Exchange and from the beginning of 2018G for the other entities, IFRS was adopted by the Group since the beginning of 2018G. The Group has also prepared special-purpose consolidated financial statements for the Financial Years ended 31/12/2016G and 31/12/2017G to be compared with the consolidated financial statements for the Financial Year ended 31/12/2018G and be included in this Prospectus, as well as submitted to the CMA in the Kingdom with regard to the Group's request to offer its shares in an IPO. However, these special-purpose consolidated financial statements may not be accurately comparable to the consolidated financial statements for the Financial Year ended 31/12/2018G. They have been prepared in accordance with a number of accounting policies, judgments, estimates and assumptions that may not be fully consistent with the IFRS requirements.

There are a number of significant differences between IFRS and the accounting standards issued by SOCPA, resulting in a change in the accounting treatments for a number of items in the Group's consolidated financial statements for the Financial Year ended 31/12/2018G. These are the first consolidated financial statements prepared in accordance with IFRS adopted in the Kingdom and IFRS 1 "First-time Adoption of International Financial Reporting Standards". These changes include, but are not limited to, the revenue recognition policy due to adoption of IFRS 15, classification method of loans granted by the Ministry of Finance to the Group's health facilities due to adoption of IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", classification and measurement method of financial instruments and specifically the recognition policy of expected credit losses of trade receivables due to adoption of IFRS 9 "Financial Instruments" and the method of calculating the actuarial estimate of certain employee benefits. The Group is in the process of adopting IFRS 16 "Leases" as of 2019G and is currently conducting a detailed assessment of the impact thereof.

The Group has also classified leases as operating leases and disclosed future liabilities of such contracts as off-budget items for the Financial Years prior to 2019G in accordance with the accounting standards adopted by SOCPA at that time. However, as of the beginning of 2019G, the Group has adopted IFRS 16 'Leases' which will have an impact on the Group's financial statements, as the Group will have to record the right-of-use assets and lease liabilities arising from lease commitments in the Group's financial position. If it is a negative impact, it will have a material adverse effect on the Group's business, results of operations, financial position and future prospects. Based on the Group's impact assessment of the application of IFRS 16 'Leases', the impact of accounting policy changes on the Group's statement of financial position as of 01/01/2019G is as follows:

- The right-of-use assets of SAR 227.6 million have been recognized and showed under property and equipment in the primarily consolidated statement of financial position.
- Lease receivables of SAR 209.0 million have been recognized.
- Prepaid expenses and other assets of SAR 18.6 million relating to previous operating leases have been reclassified to the right-of-use assets.

The impact of this accounting policy change on the Group's results of operations for the period ended 31/03/2019G is as follows:

- Depreciation increase of SAR 7.0 million related to recognized additional assets (**right-of-use asset**).
- Rental expense decrease of SAR 11.5 million related to previous operating leases.
- Financing cost increase of SAR 2.0 million related to interest expense on recognized lease receivables.
- Increase in cash flows from financing activities by SAR 6.9 million and decrease in cash flows from financing activities by SAR 10.2 million, representing principal and interest payments.

Based on the above, the Group's adoption of International Financial Reporting Standards (IFRS) resulted in changes to its consolidated financial position, financial performance and cash flows for the year ended 31/12/2018G and for the period ended 31/03/2019G. In addition, it will result in similar changes in subsequent Financial Years or other material changes whose effect has not yet been shown or may not be known by the Group. The recent adoption of IFRS may result in erroneous or inaccurate application of these standards and, consequently, inaccuracies in the Group's consolidated financial statements. Moreover, regulatory entities may, as a result of the IFRS adoption development, require the application of a new or amended standard as adopted in the Kingdom in the coming years, which could result in significant changes to the Group's consolidated financial statements.

Any of the above risks will result in a material adverse effect on the Group's business, financial position, results of operations and future prospects.

### **2.2.6 Risks Related to Non-Compliance with Saudization Requirements**

Saudization rules and regulations require that all companies operating in the Kingdom, including the Group, must employ and maintain a certain percentage of Saudi employees as part of their employees. The minimum percentage of Saudi employees varies according to the activities of each entity.

Compliance with Saudization requirements requires companies operating in the Kingdom to employ a certain percentage of Saudi citizens. The Company cannot guarantee that it will continue to comply with the requirements of the Saudization and "Nitaqat" programs. With applicable Saudization requirements, the Group may face penalties imposed by government authorities, such as suspending visa applications, transferring sponsorship to non-Saudi employees and being disqualified for government tenders and loans. It may be difficult for the Group to maintain the Saudization rate required by the Saudization program. In addition, the Group may fail to employ the required manpower or number of Saudi employees, or recruit non-Saudi employees, physicians and administrative staff in its existing and future health facilities on favorable terms or at all. There may be a significant increase in salary costs if the Group recruits a larger number of Saudi employees. The occurrence of any of the foregoing will affect the Group's business, results of operations, financial position and future prospects.

### **2.2.7 Risks Related to the Kingdom and the Global Economy**

The Group's performance depends heavily on the economic condition of the Kingdom. Despite the Kingdom's policies for income diversification, the oil sector significantly contributes to Saudi GDP. Fluctuations in oil prices, specifically the significant and substantial drop in prices, may directly affect economic activity in the Kingdom, including the healthcare sector in which the Group operates. For example, the Government may reduce costs and expenses, including the provision of health services, which may lead to canceling or postponing the implementation of current and future contracts. In the event of any changes in the economy, market or political situations in the future, this will negatively affect the Kingdom's macro-economy and then the Group's business, results of operations, financial position and future prospects.

In addition, if a factor or macroeconomic indicator has changed in the Kingdom, including economic growth, currency exchange rates, interest rates, inflation, wage levels, and volume of foreign investments and world trade, this will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

The Group's operations in Dubai and the Kingdom of Bahrain will also be affected by economic factors. These areas have faced economic difficulties in recent years, resulting in the return of many expatriates to their home countries. Given that the proportion of expatriates in these areas compared to the total population is relatively high, this has led to lower expenditures. Accordingly, in the event of any changes in the economy, market or political situations in the future, this will adversely affect the overall economy of Dubai or the Kingdom of Bahrain and thus the Group's operations therein, which will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.2.8 Risks Related to Adoption of the Corporate Governance Regulations and Companies Law in the Kingdom, which impose additional restrictions on the Group**

The Group's management, business and various activities are subject to the provisions of the Companies Law, which came into force on 25/07/1437H (corresponding to 02/05/2016G). On 16/01/1438H (corresponding to 17/10/2016G), the CMA Board issued the regulatory rules and procedures for the implementation of the Companies Law with respect to listed companies. On 16/05/1438H (corresponding to 13/02/2017G), the CMA Board also issued the Corporate Governance Regulations that became effective from 22/04/2017G and amended on 05/09/1440H (corresponding to 20/05/2019G) except for specific provisions entered into force on 31/12/2017G. The Companies Law and Corporate Governance Regulations provide new regulatory and corporate governance requirements to which the Group must adhere. This requires the Group to take certain actions to comply with these new requirements, including management of conflicts of interest. In addition, the current law imposes stricter penalties for violating its mandatory provisions and rules. Therefore, the Group may be subject to

penalties if it fails to comply with the requirements of such regulations, which would have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.2.9 Risks Related to Foreign Exchange Rates**

Some of the Group's transactions are denominated in currencies other than the Saudi Riyal, particularly the US Dollar. As part of the Kingdom's policy, the Saudi Riyal is, as of the date of this Prospectus, pegged to the US Dollar at an exchange rate of SAR 3.75/USD 1. However, there is no guarantee that the Saudi Riyal will remain stable against the US Dollar. Fluctuations or changes in the value of the Saudi Riyal against foreign currencies (including the US Dollar) used by the Group could increase costs which would have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.2.10 Risks Related to Adverse Changes in Interest Rates**

The Group's expansion and development depend on obtaining financing and facilities from external financiers such as commercial banks, government lending entities and other financiers. Therefore, external financing arrangements for interest rates may be significantly affected, which in turn are highly sensitive to a number of factors beyond the control of the Group, including government, monetary and tax policies, as well as local and global economic and political conditions. The increase in interest rates leads to higher financing costs and thus lower cash flows. Consequently, negative fluctuations in interest rates may have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

In addition, the higher commission rates applied by banks, whether fixed or variable (known in the Kingdom as SAIBOR), and paid by the Group to the financiers, will increase the cost of finance required by the Group to fund its expansions. This will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.2.11 Risks Related to Adoption of VAT and its Impact on the Group**

On 02/05/1438H, the Council of Ministers approved the Unified VAT Agreement for the GCC Countries, which came into force on 01/01/2018G, as a new tax to be added to the system of taxes and other fees on specific sectors in the Kingdom, including the healthcare sector in which the Group operates. Notably, the state currently bears the VAT for Saudi citizens benefiting from private health services, however, there is no guarantee that this exception will continue. The VAT rate is 5% and is borne by the consumer. If the VAT rate increases in the future, the Group may not be able to raise prices of its services due to several factors and considerations, including the nature of the contractual relationship with some customers or competitive factors prevailing in the market, which will lead to the Group to incur the amount of VAT not collected from customers, which will have an adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.2.12 Risks Related to Vacant Lands Tax Law and its Impact on the Group**

The Vacant Lands Tax Law was promulgated by Royal Decree No. M/4 dated 12/02/1437H and its implementing regulations were issued by the Council of Ministers Resolution No. 379 of 08/09/1437H. This legislation imposes an annual tax of 2.5% on the value of vacant lands with an area of 10,000 square meters or more located in a specified urban area. The Group has five plots of land, three of which are located in Jeddah and two are located in Riyadh, which the Group believes will be subject to the fees imposed by this legislation.

The Group has provided the Ministry of Housing with information regarding lands (the land allocated for Qurtoba Hospital Project, the lands allocated for the North Jeddah Hospital Project, the land allocated for the North Riyadh Hospital Project, and the land allocated for the South West Jeddah Hospital Project) that, it believes, may be subject to the Vacant Lands Tax Law. Except as described below, as at the date of this Prospectus, the Group has not received any invoice for the duties, penalties, or fines imposed due to violation of this Law in general or due to a delay in submitting the required information. Article 6 of the Law provides for that "any person who contravenes the provisions of the Law and the Regulations shall be subject to a fine not exceeding the amount of the duty payable on the related land, and this shall not release such person from its obligation to pay the due duty".

On 24/7/2019G, the Group was notified of three decisions relating to fees for a vacant plot no. (NA/B/1) of plan no. (444/G/S), located in Al-Faihaa district in Jeddah and owned by Gharb Jeddah Hospital Company under the title deed No. (720226012103) dated 20/06/1438H. They are as follows:

- 1- Decision notifying a fee for vacant land for request (24451) dated 23/07/1438H, in the amount of (SAR 915,044.59) “nine hundred fifteen thousand, forty-four riyals and fifty-nine halalas”.
- 2- Decision notifying a fee for vacant land for request (24451) dated 23/07/1439H, in the amount of (SAR 918,553.38) “nine hundred eighteen thousand, five hundred fifty-three riyals and thirty-eight halalas”.
- 3- Decision notifying a fee for vacant land for request (24451) dated 23/07/1440H, in the amount of (SAR 793,582.65) “seven hundred ninety-three thousand, five hundred eighty-two riyals and sixtyfive halalas”.

The Group submitted an objection to the Committee for Hearing Vacant Lands Tax Law Violations and Objections with respect to the above decisions in accordance with Article 8 of the Vacant Lands Tax Law, which stipulates that the land owner has the right to object to issued decisions that impose a fee on his land within sixty days from the decision notification date, as the land - subject of objection - is intended for purely commercial use rather than residential use in any way or even mixed residential and commercial use, based on the issued building permit for such plot. As of the date of this Prospectus, the Committee for Hearing Vacant Lands Tax Law Violations and Objections has not decided on the objection submitted by the Group. If the duties imposed on the Group's land or the fines imposed due to breaches of the Law are significant, the Group will incur large sums of money, which will have an adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.2.13 Risks Related to Natural Disasters and Sabotage**

Any damage to the Group's health facilities, utilities or to its employees as a result of natural disasters beyond the control of the Group, such as floods, earthquakes, natural events and other disruptive acts, may result in significant and substantial costs to the Group. It also would have a severe effect on the Group's ability to perform and exercise its operations, thus reducing its operating results. The occurrence of natural disasters or other disruptive acts that cause damage to the Group's facilities will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.2.14 Political and Security Risks in the Region and their Impact on the Group's Operations**

Prospective investors should consider geopolitical risks in the Middle East, which will have a material adverse effect on the Kingdom's economy, the Group and its clients as well as operations. These risks may adversely affect the willingness of foreign physicians and workers to be present in the region and would have an adverse effect on the Group's business, results of operations, financial position and future prospects.

### **2.2.15 Risks Related to Reliance on the Insurance Market**

Revenues of the health facilities depend largely on customers insured by insurance companies under a cooperative health insurance policy. Therefore, any risks or changes related to the health insurance market will have a material adverse effect on the Group's business, financial position, results of operations and future prospects. In addition, the financial performance of insurance companies largely depends on the local and international economic conditions that may affect companies operating in KSA. The growth of health insurance market in Saudi Arabia might not be high or stable in terms of the number of insured persons, premium value subscribed or claims incurred by insurance companies or realization of returns on their investments from the net cash of subscribed insurance premiums. This may result in insurance companies negotiating with private health facilities for greater discounts with regard to medical services provided to insured customers by these companies or increasing the rejection of medical claims between private health facilities and insurance companies. Given that the insured customers represent a significant proportion of the Group's customers, this will have a material adverse effect on the Group's operations, financial position, results of operations and future prospects.

The insurance companies operating in the Kingdom are subject to a number of rules and regulations. In the event that such companies are unable to comply therewith, they may be obliged not to admit new Subscribers in all or part of their insurance activities, or they may be suspended, or their licenses may be withdrawn and they will be prevented from selling their insurance products. Consequently, this will lead to a decrease in the number of insurance companies operating in the Kingdom and thus lead to concentrating the insurance market in general, and the health insurance sector in particular, on a limited number of companies. Therefore, the exposure of the insurance companies to the above-mentioned penalties will adversely affect their business and, accordingly, that of the private health facilities dealing with these companies. The occurrence of any of the above risks will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.



Insurance companies operating in the health insurance field in the Kingdom are also subject to a number of regulations and legislations issued by CCHI. In the event that the insurance companies operating in health insurance field do not comply with the instructions, laws and procedures of the CCHI, they may be obliged to stop accepting any new health insurance, or they may be disqualified and prevented from selling health insurance products. This will reduce competition among insurance companies operating in the Kingdom and thus lead to concentrating health insurance activities to a limited number of companies. Therefore, the exposure of the insurance companies to the above-mentioned penalties will adversely affect their business and, accordingly, that of the private health facilities dealing with these companies. Any of the above risks will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

Moreover, the CCHI may make any amendments to the Cooperative Health Insurance Policy including, but not limited to, increasing the deductible paid by the insured in some categories of health facilities or reducing the benefits and limits of insurance coverage or reducing the maximum doctor consultation fees under the policy. Insurance companies may also reduce their network of approved medical service providers included under their health insurance policies, which could exclude the Group from the list of service providers. This would have an adverse effect on the Group, as it may result in decreasing the number of the Group's customers and patients or the Group, in order to maintain its customers, reducing the prices of its health services, and thus lower profitability. The occurrence of any of the above risks would have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

The market study refers to a decline in the number of insured persons from 12 million in 2017G to 10.8 million in 2018G. The continued decline in the number of insured persons will have a material adverse effect on the revenues of private health facilities in general and on the Group's business in particular. The Group may be forced to reduce fees of its medical services provided to insured customers to maintain its market share or stimulate the insurance companies to include or keep the Group's health facilities within the network of health facilities that they deal with. The continued decline in the health insurance market, the decrease in the number of insured persons, or the failure to include the Group's health facilities within the private health facilities network that the insurance companies deal with will have a material adverse effect on the Group's operations, financial position, results of operations and future prospects.

It should be noted that according to the Market Study, three insurance companies control approximately 80% of the health insurance market share in 2017G. This economic concentration may reduce the level of competition among insurance companies or give them a dominant position in the health insurance market in particular. Therefore, it may lead to private health facilities reducing the fees they charge for health services or to an increase in the rejection of medical claims between private health facilities and insurance companies. Moreover, it is expected that there will be a number of mergers and acquisitions among insurance companies. Such transactions in the insurance sector will increase the market shares of new entities resulting from these mergers or increase the shares of acquirors, thereby increasing their bargaining and negotiation power to reduce fees of medical services. This will increase the competition between private health facilities to serve customers insured by insurance companies. Any of the above risks will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

The CCHI is also preparing to launch the Saudi Health Insurance Bus ("SHIB"), a national project aimed at linking electronic transactions of the health insurance. SHIB has certain requirements for integration that the Group must adhere to and implement. A financial consideration will be paid by health providers to use SHIB. CCHI will also provide the unified electronic health file, the integration of which will also be required in accordance with the provided technical requirements that the Group must adhere to and implement. Consequently, the information of all the Group's customers may be available to third parties. Moreover, CCHI or the healthcare regulators in the Kingdom also intend to introduce a diagnosis-related group (DRG) system, a new pricing system for healthcare services. As such programs are new for the health and insurance sector in the Kingdom, the Group cannot predict their effects at the present time, and the Group does not guarantee that they will not have a material adverse effect on the Group's business, results of operations, financial position and future prospects.



## **2.2.16 Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees**

The Saudi government approved a number of resolutions aimed at implementing comprehensive reforms in the Saudi labor market by imposing additional charges on every non-Saudi employee who works for Saudi institutions as of 14/4/1439H (corresponding to 01/01/2018G), along with additional fees on the issuance of residence permits and renewal fees for non-Saudi families (which came into force as of 07/10/1438H (corresponding to 01/07/2017G), noting that they will gradually increase from four thousand eight hundred Saudi Riyals (SAR 4,800) up to nine thousand six hundred Saudi Riyals (SAR 9,600) per year for each employee in 2020G. Once these decisions and increases come into effect, they will increase government fees paid by the Group for the issuance and renewal of residence permits for its non-Saudi employees in general and will result in higher prices for services provided to the Group's customers. In addition, increases with respect to the issuance of residence permits and renewal fees incurred by non-Saudi employees for their families will result in higher living costs. This may result in non-Saudi employees looking for jobs in other countries with lower living costs. If this were to occur, it will be difficult for the Group to retain its non-Saudi employees, and this will affect the Group's ability to maintain its customers in the health sector and attract new customers. The Group may incur additional government fees related to the issuance and renewal of residence permits of non-Saudi employees, resulting in higher financial liabilities of the Group. Total government fees relating to the issuance and renewal of residence permits of non-Saudi employees are estimated at SAR 34.5 million and SAR 8.7 million during the period ended 31/12/2018G and 31/03/2019G, respectively. Consequently, high government fees and the difficulty of maintaining non-Saudi employees and foreign workforce will have an adverse effect on the Group's business, results of operations, financial position and future prospects.

Moreover, the increase in government fees applied to non-Saudi employees has led to a decrease in the number of non-Saudi residents in the Kingdom. This decline could adversely affect the number of patients in the Kingdom and the demand for health services, which will lead to more competition among health service providers, thus negatively impacting the prices and profitability of the Group and adversely affect the Group's business, results of operations, financial position and future prospects.

## **2.2.17 Risks Related to Change in the Calculation Mechanism of Zakat and Income Tax**

The General Authority for Zakat and Income Tax (GAZT) has issued the Circular No. 6768/16/1438 dated 05/04/1438H (corresponding to 04/12/2016G) which requires Saudi companies listed in Tadawul to calculate income and Zakat on the basis of the nationality of the Shareholders and the actual ownership between the Saudi and Gulf citizens and others as stated in the "Tadawulaty system" at the end of the year. Prior to this circular, companies listed in Tadawul were generally subject to the payment of Zakat or tax on the basis of the ownership of their founders in accordance with its bylaws. The fact that shares were listed was not a consideration in determining the Zakat base. This circular was to be applied to the year ended 31/12/2016G and subsequent years. However, GAZT has issued Letter No. 12097/16/1438 dated 19/04/1438H (corresponding to 17/01/2017G) postponing the implementation of the circular for the Financial Year ended 31/12/2017G and subsequent years. Until GAZT issues its directives regarding the mechanisms and procedures for implementing this circular, the implementation of this circular, including the final requirements to be met, are still under consideration, as well as the rules that impose income tax on all non-Gulf residents who have shares in Saudi listed companies which apply the withholding tax on dividends of non-resident Shareholders irrespective of their nationalities. The Group did not assess the financial impact of this circular and take sufficient steps to ensure compliance therewith, as it is a closed joint stock company owned by Saudi shareholders. If the financial impact of this circular is significant or if the Group incurs additional costs to take the necessary steps to ensure compliance therewith, this will have an adverse effect on the Group's business, results of operations, financial position and future prospects.

## **2.2.18 Risks Related to Changes in Prices of Energy, Electricity, Water and Related Services**

The Council of Ministers issued the Resolution No. 95 dated 17/03/1437H (corresponding to 28/12/2015G) which increased the prices of energy (including fuel), the electricity consumption tariff, and water and sanitation services for the residential, commercial and industrial sectors in 2018G. As part of the Kingdom's policies aimed at increasing energy efficiency, reducing government subsidies through the direct delivery of such services to beneficiaries through various government initiatives, the Ministry of Energy, Industry and Mineral Resources issued a statement on 24/03/1439H (corresponding to 12/12/2017G) regarding the Financial Balance Program Plan to adjust the prices of energy products which resulted in higher prices of 91 and 95 octane gasoline, diesel

for industry and utilities, and diesel for transportation as well as kerosene on 14/04/1439H (corresponding to 01/01/2018G).

Expenses related to public utilities (including fuel, water and electricity) amounted to SAR 38.5 million and SAR 8.5 million for the year ended 31/12/2018G and the three-month period ended 31/03/2019G, respectively. The increase in public utility prices, as well as any other potential increases, may result in lower disposable income for the Group's customers in general. Therefore, the volume of demand for services provided by the Group may be adversely affected. These increases in prices will also increase the Group's operating expenses. Any of the foregoing matters will adversely affect the Group's business, results of operations, financial position and future prospects.

## 2.3 Risks Related to the Offer Shares

### 2.3.1 Risks Related to Effective Control by Current Shareholders

Upon completion of the Offering, the Current Shareholders will own 297,500,000 shares, i.e. (85%) of the Group's issued share capital. Therefore, they, collectively, will be able to influence the Group's decisions by having a majority stake in the Group's General Assemblies. Accordingly, they will be able to control matters requiring Shareholders' approval, including mergers and acquisitions, asset sale, election of Board members, capital increase or decrease, issuance or non-issuance of additional shares and dividend distributions, or any changes to the Group. It should be noted that Current Shareholders' interests may differ from those of other Shareholders. As such, if the interests of the Current Shareholders conflict with that of the other Shareholders, this will have a material adverse effect on the other Shareholders' interests and investment plans in the Group. The Current Shareholders may impose their control over the Group in a manner that adversely affects the Group's business, financial position, results of operations and future prospects.

### 2.3.2 Risks Related to Absence of a Prior Market for Trading in the Group's Shares

There is currently no market for trading the Group's shares, and there may be no active and sustainable market for the Group's shares following the Offering. If an active, continuous and liquid stock market is not available, it may adversely affect the share trading price.

The Offer Price has been determined based on several factors including the Group's financial position, future prospects, and the market in which it competes, as well as the evaluation of operational and financial results of the Group. Factors such as variation of financial results, general circumstances, general economic conditions, the regulatory environment within which the Group operates and other factors that are beyond the Group's control could cause significant volatility in the trading liquidity and the price of the Company's shares in the market.

### 2.3.3 Risks Related to Potential Fluctuations in the Market Share Price

The Offer Price may not be indicative of the price at which the Shares will be traded in Tadawul following completion of the Offering. The Subscribers may not be able to resell the Offer Shares at or above the Offer Price or may not be able to sell them at all. The price of shares in Tadawul following the Offering may be adversely affected by several factors, including, but not limited to, the following:

- Negative fluctuations in the Group's operating performance and improved performance of its competitors;
- Actual or anticipated fluctuations in quarterly or annual operating results;
- Securities analysts publishing research reports about the Group or its competitors or the health service sector;
- The public reaction to the Group's press statements and other public announcements;
- The Group or its competitors being contrary to analysts' expectations;
- Resignation of the key employees;
- The Group or its competitors taking important and strategic decisions or existence of changes in the business strategy;
- Regulatory environment changes affecting the Group or the health services sector;
- Changes in accounting regulations and policies adopted;

- Outbreak of terrorist acts, wars or civil unrest;
- Emergence of natural disasters and others, and
- Changes in general market conditions and economic conditions.

The occurrence of any of the aforementioned risks or other factors may result in a significant decline in the share price in Tadawul.

In general, Tadawul is occasionally subject to fluctuations in price and volume of supply. Market fluctuations may lead to severe volatility in the share prices, which in turn leads to a decline in the value of the shares, as well as higher price volatility due to lower share trading, negatively affecting the investments of the Subscribers in the Group's shares.

#### 2.3.4 Risks Related to Dividend Distributions

Future dividend distributions will depend on several factors: including, but not limited to, future profits, financial position, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. For further details on the Company's dividend policy (please refer to section 7 "**Dividend Distribution Policy**"). In addition, the Company may not be able to distribute dividends to Shareholders. Dividend distribution may not be recommended by the Board of Directors and approved by the Shareholders. Moreover, the Company may be subject to future financing agreements restricting dividend distributions. The Company may incur expenses or liabilities that reduce the cash available for distribution or result in its loss. If the Company does not distribute dividends to the Shareholders, they may not receive any returns on investment in the shares except by selling the shares at a price higher than the purchase price.

The Company does not guarantee that it will be able to distribute dividends to the Shareholders, or that dividend distributions will be recommended by the Board of Directors or approved by the Shareholders, which could have a material adverse effect on the expected revenues of the Subscribers.

#### 2.3.5 Risks Related to Selling a Substantial Number of Shares in the Market

Sales of substantial amounts of the Shares in Tadawul following the completion of the Offering, or the perception that these sales will occur could adversely affect the market price of the Shares. The Company's existing Substantial Shareholders, who own 5% or more of the Company's shares, will be subject to a lock-up period starting from the date of trading in the Company's shares commences in the market. Accordingly, they will not be able to dispose of any of their shares. However, after the expiration of the lock-up period which lasts for six months from the date on which trading in the Company's shares commences, there is no guarantee that the Substantial Shareholders will not sell a significant part of their shares, since the Current Shareholders will, collectively, hold 85% of the shares upon completion of the Offering. If a significant number of shares are sold on the market after the end of the lock-up period, or if such selling is expected, this will have a material adverse effect on the share price of the Group.

#### 2.3.6 Risks Related to Issuance of New Shares in the Market after the Offering

If the Company decides to raise additional capital through the issuance of new shares, it may adversely affect the share price in the Tadawul and may reduce the percentage of ownership of the actual Shareholders if they do not subscribe to the new shares issued at that time, which will have a material adverse effect on the expected revenues of Subscribers.

In addition, if the Company decides to raise its capital through issuing new shares and allocating them only to the employees of the Group and its Subsidiaries, the issuance of these new shares may affect the share price in Tadawul and may reduce the percentage of ownership of the actual Shareholders, which will have a material adverse effect on the expected revenues of Subscribers.



### 3- Market and Industry Information

The information for this section is based on the report prepared exclusively for the Company by Market Study Consultant (Strategy& was founded in 1914 and is a subsidiary of Price Waterhouse Coopers. Strategy& has over 3,000 employees in more than 730 offices around the world) in May 2019G. For more information on the Market Study Consultant, please visit [www.strategyand.pwc.com](http://www.strategyand.pwc.com).

Neither Strategy& nor any of its shareholders, partners, subsidiaries, sister companies, members of its board of directors, managers, or any of their relatives owns any stake or interest in the Company or its Subsidiaries. Strategy& has given, and has not withdrawn as of the date of this Prospectus, its written consent to use its name, logo, statements, market information and data in the format and wording provided in this Prospectus.

The Company and Directors believe that third-party information and data included in this Prospectus, including the report submitted by Strategy& are reliable. But neither the Company, the Directors, the Current Shareholders nor the Advisors have independently verified such information, and therefore, none of them can assume responsibility for its accuracy or completeness.

All data included in this section and related to the year 2017G has been extracted from the Strategy& report as well as other sources, including reports issued by MOH in Saudi Arabia, SAMA and DHA, among other sources. It is worth noting that all information and statistics included in this section are based on the most up-to-date available data on covered markets and sectors where the Group operates. However, other information has been estimated based on previous growth data in cases where relevant statistics or data are not available. For example, 2018G figures are estimated based on 2015G – 2017G CAGR. In addition, the information included in this section does not include the future medical projects expected to be operational within the coming years in KSA, UAE and Bahrain.

#### 3.1 Healthcare and retail pharmacy sectors in KSA

##### 3.1.1 Healthcare Sector

###### 3.1.1.1 Overview of the private healthcare market

- 1- Saudi Arabia is a leading economy in the Middle East and has the largest population among Gulf Cooperation Council countries.
- 2- The youth comprise the largest portion of its population. Yet, it has high incidence of chronic diseases due to unhealthy practices. 35% and 18.5% of the adults have been categorized as obese and diabetic, respectively, the highest percentage compared to the OECD average. Nevertheless, the quality of healthcare has been improving in KSA as showcased by key health metrics that will be comparable to, and in some cases better than, international benchmarks.
- 3- The quality of healthcare has been improving in KSA as showcased by key health metrics. Infant mortality and general death rates declined at a CAGR of 5% and 9% respectively during 2014G-2017G. Life expectancy increased by 0.3% during the same period.
- 4- The private healthcare sector in Saudi Arabia growth has been driven primarily by several key factors, including population growth, associated demographic and lifestyle changes, as well as the introduction of mandatory health insurance requiring employers to provide health insurance to Saudi and expat employees working in the private sector and their dependents. However, this has not been fully enforced yet. As showcased by metrics, the non-government healthcare expenditures and number of beds per capita are low.
- 5- Looking ahead, as the life expectancy rises, and additional population segments are enforced under the mandatory health insurance scheme (insured people is expected to increase to nearly 5.7 million upon full implementation of the mandatory health insurance), the demand for private healthcare services is expected to grow. In addition, a major national healthcare transformation is underway in the government sector, one of the goals of which is to increase private sector participation in the public healthcare system, which will further generate opportunities for private healthcare players.
- 6- However, competition from the government is expected. This is given as the government healthcare transformation may result in a more attractive public healthcare system that could draw patients away from the private sector.

### 3.1.1.2 Economic and demographics overview of KSA

In the following section, we share with you an overview of the macroeconomic and demographic situation in Saudi Arabia. KSA's GDP and Population accounted for SAR 2.8 trillion and 33.4 million respectively during 2018G. Such population is the largest among the GCC, most of which is young. Around 49% of the total population are under the age of 30. Nevertheless, chronic diseases in KSA are high compared to OECD countries as a result of unhealthy habits. In addition, the quality of healthcare has been improving in KSA as showcased by key health metrics to become comparable to, and in some cases better than, international benchmarks.

#### Leading economy in the Middle East

With nearly 20% of the world's conventional oil reserves, Saudi Arabia is one of the Middle East's largest economy, with an estimated GDP of SAR 2.8 trillion as of 2018G, a large portion of which is dominated by oil revenues. KSA embarked in recent years on Vision 2030, a national transformation which aims to diversify the economy, reduce its reliance on oil and foster the development of new sectors, such as mining, defense, retail, renewable energy, healthcare and others.

#### Large population concentrated in few major regions

Saudi Arabia is divided into 13 administrative regions, namely Riyadh, Makkah, Medina, Al Qassim, Eastern Region, Asir, Tabuk, Hail, Northern Border Region, Jizan, Najran, Bahah and Jawf. Out of the GCC's largest population of 33.4 million people as of 2018G, Saudis and expats account for 62% and 38%, with more than 50% residing in a few key regions, as follows: 25% reside in Riyadh region, 14% reside in Jeddah (the largest city in Makkah region), 10% reside in the Eastern region, and 4% reside in Al Qassim region. The remaining 46% reside in other regions, including Makkah, Medinah, and Tabuk.

#### Young population demographic with high incidence of lifestyle diseases

The median age of the total population in KSA is relatively young at 28 years, the youngest among the GCC countries. Around 49% of the total population are under the age of 30, and nearly 46% are aged between 30 and 44 years, while 5% are older than 60 years. Saudi Arabia's youth comprises the largest portion of the population. Yet, it has high incidence of chronic diseases due to unhealthy practices compared to OECD countries, including Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. It is estimated that 35% of KSA's adults were categorized as obese, as shown by 2016G metrics, while nearly 18.5% of KSA's adults were diagnosed with diabetes, as shown by 2017G metrics.

**Table (3-1): Diabetes and Obesity Rates by Country**

| Country | Median Age (Years) 2017G | Diabetes in Adults 2017G | Obesity in Adults 2016G |
|---------|--------------------------|--------------------------|-------------------------|
| KSA     | 28                       | 18.5%                    | 35%                     |
| Bahrain | 32                       | 16.2%                    | 30%                     |
| UAE     | 30                       | 15.6%                    | 32%                     |
| UK      | 41                       | 6.9%                     | 28%                     |
| Germany | 47                       | 12.2%                    | 22%                     |
| OECD    | 37                       | 6.8%                     | 20%                     |

Source: World Development Indicators, World Health Organization, International Diabetes Federation, OECD, Strategy& analysis.

#### Improvements in quality of care

Quality of healthcare has been improving in KSA as showcased by key health metrics to become comparable to, and in some cases better than international benchmarks. For instance, infant mortality rate per 1,000 live births has dropped by around 5% CAGR since 2014G, reaching 6.3 per 1,000 live births in 2017G. Moreover, crude death rate per 1,000 population has improved by around 9% CAGR since 2014G, reaching 2.9 per 1,000 population in 2017G. The crude death rate is the number of deaths occurring among the population of a given geographical area during a given year, per 1,000 population of the given geographical area during the same year. Lastly, life



expectancy has been increasing slightly at a rate of around 0.3% CAGR during the same period, reaching 74.9 years. Yet, there is still room to enhance these health indicators, particularly life expectancy to be comparable to the OECD countries, as life expectancy stands at 79 years in such countries.

**Table (3-2): Selected Health Indications (2017G, or latest available data)**

| Country | Infant mortality<br>(1,000 live birth) | General death rate<br>(1,000 population) | Life expectancy<br>(Years) |
|---------|----------------------------------------|------------------------------------------|----------------------------|
| KSA     | 6.3                                    | 2.9                                      | 74.9                       |
| Bahrain | 6.5                                    | 1.9                                      | 77.0                       |
| UAE     | 7.8                                    | 1.6                                      | 77.4                       |
| UK      | 3.9                                    | 9.2                                      | 81.1                       |
| Germany | 3.4                                    | 11.7                                     | 80.8                       |
| OECD    | 6.6                                    | 8.4                                      | 79.0                       |

Source: MOH, Bahrain information and e-Government Authority, UK Office for National Statistics, World Bank, OECD.

In fact, as detailed in the table below, cardiovascular diseases, cancer and other respiratory diseases and diabetes caused more than 50% of deaths in 2016G in KSA.

**Table (3-3): Root Causes of Mortality in KSA (2016G)**

| Mortality Causes                              | % of total deaths |
|-----------------------------------------------|-------------------|
| Cardiovascular diseases                       | 37%               |
| Other non-communicable diseases               | 20%               |
| Injuries                                      | 16%               |
| Communicable diseases                         | 11%               |
| Cancer                                        | 10%               |
| Others (e.g., respiratory diseases, diabetes) | 6%                |

Source: World Development Indicators, World Health Organization, CIA Factbook, OECD, Strategy& analysis.

### 3.1.1.3 Healthcare Spending in KSA

Saudi Arabia's steady population growth and associated demographics, lifestyle and disease burden changes has led to an increase in the total healthcare expenditure, up from SAR 141 billion in 2015G to SAR 150 billion in 2018G. Out of the SAR 150 billion spend on healthcare, government spending accounts for almost 75% of spending while non-government spending accounts for 25%. Yet, the PPP healthcare spending (based on calculations of power purchase differences) remains low compared to OECD countries' average. Looking forward, healthcare spending, especially non-government spending, is expected to grow.

**Table (3-4): Healthcare Spend Indicators (2017G, or latest available data)**

| Country | Healthcare spend / capita<br>(SAR PPP) | Median Age of Total Population<br>(Years) |
|---------|----------------------------------------|-------------------------------------------|
| KSA     | 11,345                                 | 28                                        |
| Bahrain | 9,375                                  | 32                                        |
| UAE     | 9,720                                  | 30                                        |
| UK      | 16,165                                 | 41                                        |
| Germany | 20,400                                 | 47                                        |
| OECD    | 14,965                                 | 37                                        |

Source: Fitch Solutions, Goldman Sachs, OECD, World Bank, CIA Factbook.

Government healthcare spending per capita (e.g., government employees, retired and unemployed Saudis and domestic workers) is nearly SAR 15,375, 2.5 times higher than non-government healthcare spending of SAR 6,225



per capita (e.g., insured expats and Saudis and under insured expats and Saudis). This highlights the low non-government spending on healthcare services, covering more than a third of the population in KSA. The apparent low spending could be explained by having a large segment of Saudis being uninsured and expats, even if insured, seeking some medical services outside of KSA.

## Growing healthcare expenditure

The total healthcare expenditure in KSA grew at 2% CAGR, up from SAR 141 billion in 2015G to nearly SAR 150 billion in 2018G. This was primarily driven by population growth, associated demographics, lifestyle, and disease burden changes. In addition, the implementation of mandatory health insurance led to an increase in healthcare spending and capacity of healthcare facilities to meet the demand for their services.

**Table (3-5): Healthcare Spending Evolution (2015G - 2018G)**

|                                | 2015G | 2018G<br>(estimates) | CAGR |
|--------------------------------|-------|----------------------|------|
| Population (million)           | 31.5  | 33.4                 | 2.0% |
| Healthcare spend (SAR billion) | 141.3 | 150.0                | 2.0% |

Source: MOH, Fitch Solutions.

Given that healthcare spending correlates with population median age, healthcare spending per capita (purchasing power parity) in KSA is reasonable compared to other countries as shown in the below table, given that nearly 49% of the population is under 30 years old. However, as the life expectancy rise the spending on healthcare will likely grow as well.

### 3.1.1.4 Overview of the healthcare ecosystem in KSA

With the growing healthcare expenditure in Saudi Arabia, the government is undertaking a major national healthcare transformation in line with Vision 2030. Currently, the healthcare regulatory landscape consists of nine government entities overseeing all pillars of healthcare. The government provides free public healthcare to all nationals at government health facilities.

On the other hand, the addressable population for private sector healthcare providers are the private sector employees, their dependents, patients who are treated at their own expense, and patients referred from government hospitals and other hospitals of government entities (e.g., Saudi Aramco). In 2018G, ~33% of total population had private insurance coverage. Stricter enforcement measures of 2019G mandatory health insurance by the Saudi government are expected to increase private health insurance coverage. In addition, the national healthcare transformation is expected to increase private sector participation in the public healthcare system, which will further generate opportunities for private healthcare players.

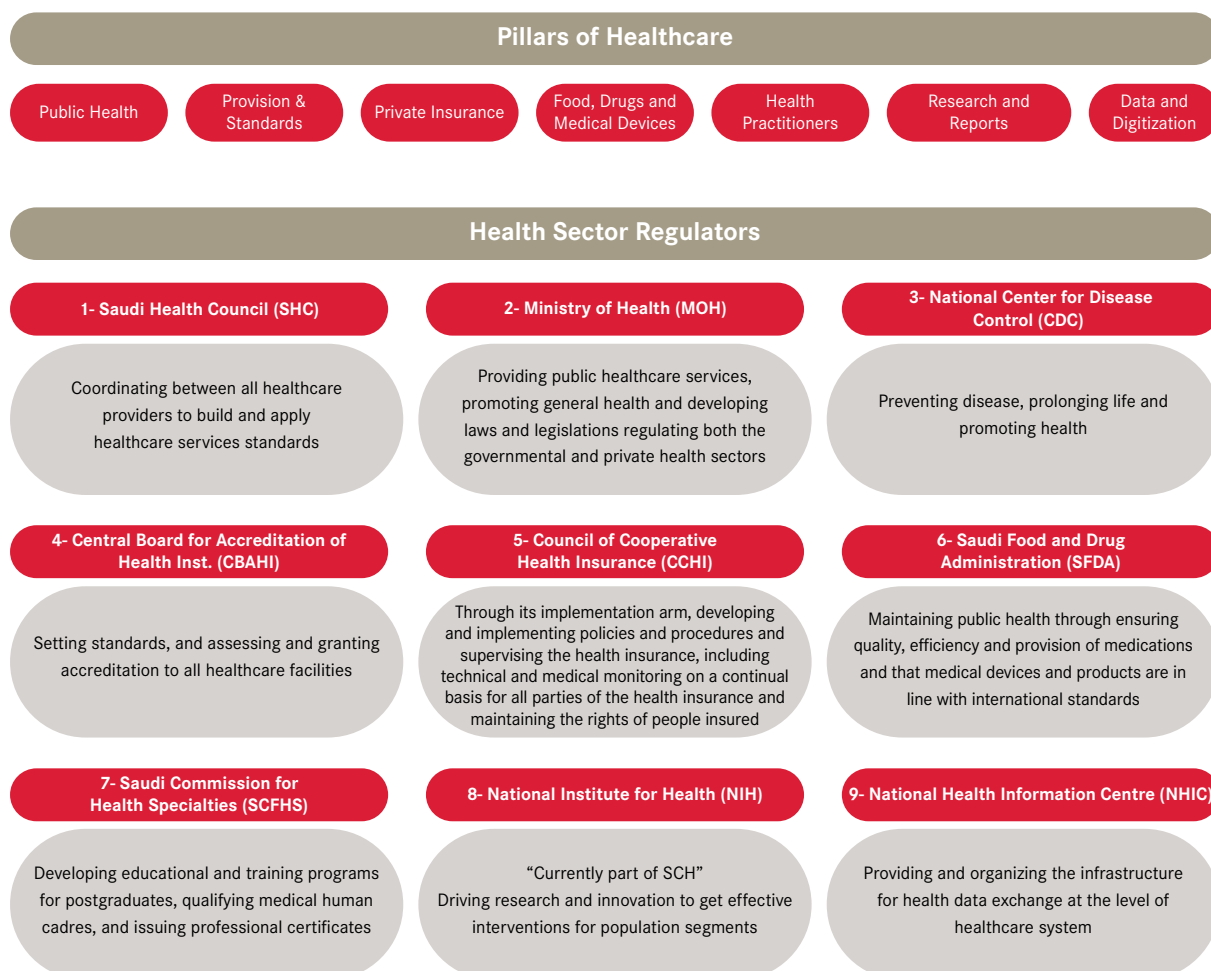
In terms of provision capacity, Saudi Arabia healthcare sector is similar to GCC countries, compared to the services provided to populations of similar age. However, KSA is still lagging behind other OECD countries. In terms of workforce participation, while healthcare providers rely heavily on expats in nursing and physician professions, the number of Saudi physicians is on the rise. For instance, expat's share of total physicians working in KSA dropped from almost 75% to 68% in 2018G.

## Healthcare Regulatory Landscape

The current healthcare regulatory landscape in KSA consists of nine government entities, overseeing all pillars of healthcare i.e., (1) public health of population; (2) government and private healthcare service providers; (3) private insurance; (4) food, drugs, and medical devices; (5) health practitioners; (6) research and reports; (7) data and digitization. The current landscape presents several challenges including the lack of a sector wide regulator, duplicated regulatory roles and lack of sufficient monitoring. However, KSA has devised a plan to design an enhanced regulatory ecosystem for the future, with implementation expected to start as of 2021G.



**Table (3-6): Healthcare Regulatory Landscape in KSA**



The Saudi government provides a free public healthcare to all nationals at government hospitals or through referring patients to private healthcare facilities. All employees in the private sector are mandated to have private health insurance for themselves and their dependents – which gives them access to private sector hospitals. However, this has not been fully enforced on some segments of the population such as: (1) domestic workers (nearly 2 million) in 2018G and (2) some Saudi nationals employed in the private sector (nearly 3.6 million) as of 2018G. CCHI has completed the electronic requirements for the application of compulsory health insurance to all Saudis working in the private sector and their families by electronic link with the National Information Center in order to verify the number of employees registered in the private sector facilities and to ensure employers commitment to provide health insurance for all Saudi employees and their dependents, starting from 1 January 2019G.

Given the above structure, Saudi citizens working in the private sector have the opportunity to not only receive care in the private sector hospitals but to also receive free care at government hospitals. It is worthwhile to note that government hospitals have limited capabilities to accept private insurance patients and/or cash patients compared to the demand for health services.

## Insurance sector

### Implementation of mandatory health insurance

In 2018G, ~33% of total population had private insurance coverage. The private health insurance market has been growing at nearly 1% CAGR since 2015G, with written insurance premiums reaching around SAR 19.9 billion in 2018G. The market has been growing, mainly driven by an increase in the insured population, with gradual application of mandatory health insurance, including stricter measures to ensure that mandatory insurance is widely applied across KSA. For example, medical insurance is now a requirement to renew residency for expats. Despite the increase in the number of insured residents in 2017G, the situation was different in the first half of 2018G, where a number of insured expats and their dependents had left the country driven in part by recent reforms that had led to low health insurance market. However, as a result of several factors, the most important of

which is the CCHI completion of electronic requirements for the application of mandatory health insurance to all Saudis working in the private sector as mentioned earlier, gross written health insurance premiums increased by 24% during Q1 2019G compared to Q1 2018G, up from SAR 5.6 billion to approximately SAR 7 billion, according to preliminary monthly statistics released by SAMA.

Future stricter enforcement measures by the Saudi government are expected to increase medical insurance coverage across the private sector, particularly amongst SMEs. The growth from enforcing health insurance is expected to grow the share of mid and basic tier plans, and fuel further growth in private healthcare. Moreover, the Council of Cooperative Health Insurance (CCHI) increased the benefit schedule for insured and health insurance coverage limit, up from SAR 250,000 to SAR 500,000. As a result, we expect higher demand for services of the private healthcare facilities.

**Table (3-7): Gross Written Health Insurance Premiums (2015G – 2018G)**

|                                                                    | 2015G | 2016G | 2017G | 2018G | CAGR |
|--------------------------------------------------------------------|-------|-------|-------|-------|------|
| Gross Written Health Insurance Premiums (SAR billion)              | 19.0  | 18.6  | 19.0  | 19.9  | 1.6% |
| Insured Population (million, estimates)                            | 10.8  | 12.1  | 12.1  | 10.8  | 0.0% |
| Gross Written Health Insurance Premiums / Insured Population (SAR) | 1,756 | 1,540 | 1,573 | 1,841 | 1.6% |

Source: SAMA, and CCHI.

### Health Insurance Companies

The health insurance market is dominated by a small number of insurance companies, with Bupa and Tawuniya securing almost 70% of gross written health insurance premiums as of 2017G. These companies have a strong bargaining power and are able to negotiate lower prices from healthcare providers. This will increase the competition between private health facilities to serve customers insured by insurance companies.

**Table (3-8): Market share of health insurance players by gross written health insurance premiums**

| Market Players | 2016G | 2017G |
|----------------|-------|-------|
| Bupa           | 43%   | 41%   |
| Tawuniya       | 28%   | 30%   |
| Medgulf        | 12%   | 9%    |
| SAICO          | 2%    | 2%    |
| Others         | 15%   | 18%   |

Source: SAMA, and CCHI.

### Healthcare provision capacity

In line with the quality of care, KSA compares well at a regional level in terms of healthcare provision capacity, for populations of similar age. This applies for infrastructure (beds), and also manpower (physicians and nurses). However, KSA is still lagging behind other OECD countries.

**Table (3-9): Healthcare Provision Capacity (2017G)**

| Country | No. of beds / 1,000 capita | No. of physicians / 1,000 capita | No. of nurses / 1,000 capita |
|---------|----------------------------|----------------------------------|------------------------------|
| KSA     | 2.2                        | 2.9                              | 5.7                          |
| Bahrain | 1.7                        | 2.3                              | 3.9                          |
| UAE     | 1.5                        | 2.4                              | 5.7                          |
| UK      | 2.6                        | 2.1                              | 6.4                          |
| Germany | 6.1                        | 6.2                              | 14.9                         |
| OECD    | 4.6                        | 3.3                              | 9.0                          |

Source: KSA annual statistic book, Bahrain information and e-Government Authority, UAE Federal Competitiveness and Statistics Authority, Fitch Solutions, OECD, and World Bank.



## Healthcare providers

The healthcare providers market in KSA consists of three types of providers: (1) private healthcare providers, (2) MOH healthcare providers, and (3) healthcare providers of other government sectors (“OGS”). In general, private healthcare providers are responsible for providing care to privately insured patients employed by the private sector, their dependents and clients receiving treatment at their own expense. MOH hospital providers are responsible for the provision of care to nationals, working in government sectors that do not provide healthcare to their employees and underinsured expats such as domestic workers. OGS healthcare providers are responsible for the provision of care for their own employees and their dependents, for example those employed by the Ministry of Defense, Ministry of Interior or Ministry of the National Guard.

## Health Practitioners

In terms of workforce participation, while healthcare providers rely heavily on expats for the nursing and physician professions, the number of Saudi physicians is on the rise. For instance, expat’s share of total physicians working in KSA dropped from almost 75% in 2015G to 68% in 2018G (estimates), mainly driven by an increase in Saudi physicians in the private sector, in addition to exodus of some expats working in the medical field. For nurses, the share of Saudis has remained almost unchanged over the last few years, with Saudi nurses accounting for nearly 36% of total nurses.

**Table (3-10): Health Practitioners <sup>(1)</sup> by healthcare provider type (2015G - 2018G)**

| Provider Type                | Physicians      |                         |                         |                | Nurses          |                         |                          |                |
|------------------------------|-----------------|-------------------------|-------------------------|----------------|-----------------|-------------------------|--------------------------|----------------|
|                              | 2015G           | 2018G (estimates)       |                         |                | 2015G           | 2018G (estimates)       |                          |                |
|                              | Share of Saudis | No. of Saudis           | No. of non-Saudis       | Total          | Share of Saudis | No. of Saudis           | No. of non-Saudis        | Total          |
| MOH healthcare providers     | 31%             | 18,316<br>(37%)         | 30,688<br>(63%)         | 49,003         | 59%             | 62,115<br>(57%)         | 47,095<br>(43%)          | 109,209        |
| OGS healthcare providers     | 52%             | 9,545<br>(53%)          | 8,551<br>(47%)          | 18,096         | 16%             | 4,705<br>(13%)          | 31,526<br>(87%)          | 36,231         |
| Private healthcare providers | 3%              | 5,717<br>(15%)          | 32,197<br>(85%)         | 37,913         | 5%              | 2,923<br>(6%)           | 45,069<br>(94%)          | 47,993         |
| <b>Total</b>                 | <b>25%</b>      | <b>33,577<br/>(32%)</b> | <b>71,436<br/>(68%)</b> | <b>105,013</b> | <b>37%</b>      | <b>69,743<br/>(36%)</b> | <b>123,690<br/>(64%)</b> | <b>193,433</b> |

Source: MOH, and Strategy& analysis.

(1) includes: (A) Health Practitioners in MOH healthcare providers who are working in government hospitals and primary healthcare centers; (B) Health Practitioners of OGS healthcare providers exclude around 400 physicians and 400 nurses who are working in other entities, e.g., Red Crescent; (C) Private sector’s Health Practitioners include employees in the private hospitals and polyclinics.

## Healthcare transformation

In line with Vision 2030, the healthcare transformation has already been through a series of high orders and endorsements to implement a national transformation of healthcare. In 2015G, the privatization of the healthcare was launched, with plans to transfer public hospitals and their budgets to a holding company. Under Vision 2030, the Saudi government plans to increase private sector participation in the healthcare sector from 25% in 2016G to 35% in 2020G. This would be achieved by the privatization of public healthcare assets as well as the formation of public-private partnerships (PPPs), in addition to inviting more private sector investment in the healthcare space. The Saudi government has identified several areas in healthcare eligible for privatization, including: Commissioning of hospital services and medical cities, commissioning of primary care clinics, commissioning of long-term care and rehabilitation facilities, commissioning of home care services, and commissioning of radiology, laboratory and hospital pharmacies. The privatization program would benefit the private sector, which currently holds a small share of healthcare assets in the market.

Moreover, the healthcare transformation aims to separate healthcare provision from the MOH by 2020G. Therefore, a high order was issued to establish a holding company and five regional entities to take over public health providers currently under the MOH. Delivery of public healthcare is expected to be provided through five public corporations, enabling MOH to focus solely on regulating the sector.

Overall, the National Transformation Program (NTP) outlined a number of healthcare initiatives, namely:

- **Corporatization of Healthcare Facilities:** This initiative aims to separate healthcare services from the MOH and transfer them to Accountable Care Organizations (ACOs) that compete on the basis of quality, efficiency, and productivity.
- **Health Insurance Program and Purchase of Health Services:** This involves supervising the purchase of healthcare services, which includes a package of comprehensive health benefits approved by the concerned authorities. These services cover all citizens and residents working in the government sector and their dependents.
- **Partnership between Public and Private Sectors:** This initiative aims to establish partnerships with the private sector to finance capital and operational projects which would increase capacity and efficiency, reduce capital expenditure and decrease waiting time.

The healthcare transformation has three main objectives: easy access to health services, improve quality and efficiency of healthcare services, and promote prevention of health risks.

**Table (3-11): Strategic Objectives and Key Performance Indicators for the healthcare sector**

| Strategic Objectives                                  | KPIs                                                                                                                 | Baseline         | 2020G Target |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------|--------------|
| Easy Access to Health Services                        | Percentage of basic healthcare services coverage available geographically (including remote areas)                   | 78%<br>(2016G)   | 88%          |
|                                                       | Percentage of referrals where the patient was examined by the specialized consultant within (4) weeks of the request | 38%<br>(2016G)   | 55%          |
|                                                       | Percentage of patients receiving treatment (discharged or admitted) in emergency department within 4 hours           | 36%<br>(2016G)   | 54%          |
| Improve Quality and Efficiency of Healthcare Services | Beneficiary satisfaction rate for inpatient experience                                                               | 79.9%<br>(2017G) | 85%          |
| Promote Prevention of Health Risks                    | Percentage of specified communicable diseases that achieved targeted reduction levels                                | 0%<br>(2017G)    | 50%          |
|                                                       | Percentage of health zones prepared for health crisis risks                                                          | 33%<br>(2017G)   | 75%          |

Source: KSA Vision 2030, and National Transformation Program.

To drive the transformation, seven programs have been put in place:

- Model of care:** Focuses on defining enhanced patient pathways that improve patient well-being and health.
- Corporatization:** Aims to transform geographic clusters of public healthcare providers into accountable care organizations (ACOs) responsible for the health of their patient population.
- Private Sector Participation:** Targets increasing share of private sector participation in healthcare to 35% by 2020G.
- Workforce:** Aims to enhance quantity and quality of workforce.
- E-Health:** Focuses on introducing new digital health platform and an enabling eHealth infrastructure and capabilities in KSA
- Purchasing Program:** Aims to create a separate entity that acts as a payer for services provided by the ACOs.
- Sector Governance:** Optimizes the healthcare ecosystem governance by transforming MOH into a “**super regulator**” overseeing all healthcare providers in KSA.



### 3.1.1.5 Historical evolution of the healthcare sector in KSA

Given the population growth and implementation of mandatory health insurance, the number of hospitals grew from 462 to 490 between 2015G and 2018G. Similarly, the overall demand for healthcare services has been increasing at a rate of 1.4% CAGR since, reaching approximately 145.9 million inpatient admissions and outpatient cases in 2018G. During the same period, the ratio of outpatient visits to inpatient admissions increased from 41 to 45, indicating a shift in treatment setting and more efficient enforcement measures to treat potential cases through outpatient clinics.

#### Expansion in healthcare provision capacity

Given the population growth and application of mandatory health insurance to all private sector facilities, between 2015G and 2018G, the number of hospitals grew from 462 to 490 at a rate of 2% CAGR, which led to increased demand for private healthcare services. In 2018G, MEED, an entity that collects and analyzes data of Middle East projects, reported the opening of three new hospitals, with all three being private: Al Dara Medical Center and Hospital in Riyadh, Dallah Namar Hospital in Riyadh, and Mouwasat Hospital in Khobar. In terms of bed capacity, the number of beds increased at nearly 3% CAGR from 2015G to 2018G, accounting for the opening of new hospitals in addition to the expansion of existing facilities.

**Table (3-12): KSA Hospitals and Beds (2015G – 2018G)**

| Service provider                        | No. of hospitals |                   |             | No. of beds     |                   |             | No. of clinics <sup>(1)</sup> |                   |             |
|-----------------------------------------|------------------|-------------------|-------------|-----------------|-------------------|-------------|-------------------------------|-------------------|-------------|
|                                         | 2015G            | 2018G (estimates) | CAGR        | 2015G           | 2018G (estimates) | CAGR        | 2015G                         | 2018G (estimates) | CAGR        |
| MOH healthcare providers                | 274<br>(59%)     | 282<br>(58%)      | 1.0%        | 41,297<br>(60%) | 44,470<br>(59%)   | 2.5%        | 2,282<br>(45%)                | 2,361<br>(46%)    | 1.1%        |
| OGS healthcare providers <sup>(2)</sup> | 43<br>(10%)      | 47<br>(10%)       | 3.0%        | 11,449<br>(16%) | 12,770<br>(17%)   | 3.7%        | N/A                           | N/A               | -           |
| Private healthcare providers            | 145<br>(31%)     | 161<br>(32%)      | 3.6%        | 16,648<br>(24%) | 18,170<br>(24%)   | 3.0%        | 2,747<br>(55%)                | 2,828<br>(54%)    | 1.0%        |
| <b>Total</b>                            | <b>462</b>       | <b>490</b>        | <b>2.0%</b> | <b>69,394</b>   | <b>75,410</b>     | <b>2.8%</b> | <b>5,029</b>                  | <b>5,189</b>      | <b>1.0%</b> |

Source: MOH, MEED project database.

(1) For MOH, # of clinics is equivalent to the primary healthcare centers; for private providers, # of clinics is equivalent to polyclinics.

(2) MOH annual statistic book does not include the # of OGS's primary healthcare centers.

#### Increased demand for healthcare services

The overall demand for healthcare services has been increasing at a rate of 1.4% CAGR between 2015G and 2018G, reaching approximately 145.9 million inpatient admissions and outpatient cases in 2018G. Outpatient visits grew by nearly 1.5% CAGR, while that of inpatient admissions dropped by 1.7% CAGR between 2015G and 2018G. During the same period, the ratio of outpatient visits to inpatient admissions increased from 41 to 45, indicating a shift in treatment setting and more efficient enforcement measures to treat potential cases through outpatient clinics and one-day surgery centers.

**Table (3-13): Outpatient and Inpatient Cases by Nationality in KSA (2015G - 2018G) <sup>(1)</sup>**

| Nationality  | # of Outpatients     |                      |             | # of Inpatients    |                    |             |
|--------------|----------------------|----------------------|-------------|--------------------|--------------------|-------------|
|              | 2015G                | 2018G (estimates)    | CAGR        | 2015G              | 2018G (estimates)  | CAGR        |
| Saudis       | 106,862,809<br>(78%) | 109,594,431<br>(77%) | 0.8%        | 2,460,794<br>(73%) | 2,327,454<br>(73%) | 1.8%        |
| Non-Saudis   | 29,740,562<br>(22%)  | 33,210,632<br>(23%)  | 3.7%        | 888,865<br>(27%)   | 852,345<br>(27%)   | 1.4%        |
| <b>Total</b> | <b>136,603,371</b>   | <b>142,805,063</b>   | <b>1.5%</b> | <b>3,349,659</b>   | <b>3,179,799</b>   | <b>1.7%</b> |

Source: MOH, and Strategy& analysis.

(1) MOH's cases include hospitals and primary healthcare centers; OGS's total cases exclude around 1.5 million cases reported in selected facilities (e.g., Red Crescent); Private sector's cases include hospitals and polyclinics.



## Healthcare specialties

For private hospitals, the focus seems to be more on general and internal medicine compared to public hospitals. For instance, it is estimated that 35% of beds in 2018G were allocated to general and internal medicine, versus 17% of beds in MOH hospitals and 20% of beds in OGS hospitals were allocated to the same lines of service. The difference in focus is justifiable, as private healthcare providers tend to focus more on less complex services.

**Table (3-14): Beds by Hospital Type and Specialty (2018G, estimates)**

| Specialty              | MOH Beds        | OGS Beds       | Private Beds   | Total Beds      |
|------------------------|-----------------|----------------|----------------|-----------------|
| General / Internal     | 7,437<br>(17%)  | 2,594<br>(20%) | 6,391<br>(35%) | 16,422<br>(22%) |
| Surgery                | 4,969<br>(11%)  | 1,716<br>(13%) | 2,918<br>(16%) | 9,602<br>(13%)  |
| Intensive care         | 6,329<br>(14%)  | 1,519<br>(12%) | 1,730<br>(10%) | 9,579<br>(13%)  |
| OBS/GYN                | 4,435<br>(10%)  | 1,666<br>(13%) | 2,492<br>(14%) | 8,594<br>(11%)  |
| Pediatrics             | 3,861<br>(9%)   | 1,913<br>(15%) | 2,192<br>(12%) | 7,966<br>(11%)  |
| Psychiatry / Neurology | 5,004<br>(11%)  | 219<br>(2%)    | 180<br>(1%)    | 5,402<br>(7%)   |
| Orthopedics            | 1,076<br>(2%)   | 378<br>(3%)    | 266<br>(1%)    | 1,719<br>(2%)   |
| Isolation              | 1,333<br>(3%)   | 233<br>(2%)    | 87<br>(<1%)    | 1,653<br>(2%)   |
| Others <sup>(1)</sup>  | 10,027<br>(23%) | 2,530<br>(20%) | 1,915<br>(10%) | 14,473<br>(19%) |
| <b>Total</b>           | <b>44,472</b>   | <b>12,768</b>  | <b>18,170</b>  | <b>75,410</b>   |

Source: MOH, and Strategy& analysis.

(1) Includes urology, ear nose and throat (ENT), ophthalmology, chest and fevers among others.

### 3.1.1.6 Study of KSA's healthcare sector baseline

Today, the private healthcare market capacity in Saudi Arabia is low, with 1.3 private beds per 1,000 capita versus 2.26 public beds per 1,000 capita as of 2018G. The distribution of hospitals across the Kingdom is more or less in-line with the population distribution across the main markets. From a private provider perspective, Jeddah has the highest share of private hospitals out of its total hospitals (given the high share of expatriates out of total population), followed by the Eastern region and then Riyadh region.

In Riyadh region, there are 107 hospitals in total, out of which 42 are private hospitals. Out of total beds, private beds account for nearly a third as of 2018G. The market in Riyadh region is slightly consolidated with top 3 players accounting for nearly 58% private bed share as of 2017G and those include Dr. Sulaiman Al-Habib Medical Services Group hospitals, Al Hammadi Company for Development & Investment hospitals, and National Medical Care Company hospitals.

In the Eastern region, there are 50 hospitals in total, out of which 22 are private hospitals. Out of total beds in the Eastern region, nearly 40% are private as of 2018G. Top 3 players accounted for almost 47% of private beds in that region as of 2017G, and those included Almana Group of Hospitals, Saad Specialist Hospital and Mouwasat Medical Services Company.

In Jeddah, out of total 57 hospitals, 40 are private. In fact, private beds account for nearly 41% of beds in Jeddah as of 2018G. In terms of specialty, the market is considerably fragmented, with top 7 players accounting for nearly 60% of private beds as of 2017G. Dr. Soliman Fakeeh Hospital is the only hospital with double digit bed share.



In Al Qassim region, the number of hospitals stands at 24, out of which only 5 are private hospitals as of 2018G. Dr. Sulaiman Al- Habib Medical Services Group hospitals account for nearly 50% of private beds as of 2017G.

As of June 2019G, Dr. Sulaiman Al-Habib Medical Services Group was the largest private player, with more than 1,762 beds across KSA.

**Table (3-15): Top 5 Private Healthcare Providers in KSA (in # of Beds, June 2019G)**

| Private Healthcare Providers                           | No. of beds <sup>(1)</sup><br>(June 2019G) |
|--------------------------------------------------------|--------------------------------------------|
| Dr. Sulaiman Al-Habib Medical Services Group           | 1,762                                      |
| Al Hammadi Company for Development & Investment        | 1,378                                      |
| Middle East Healthcare Company - Saudi German Hospital | 1,137                                      |
| Almana Group of Hospitals                              | 1,118                                      |
| Mouwasat Medical Services Company                      | 1,080                                      |

Source: Companies' Website.

(1) Does not account for planned expansions

### Large share of hospitals in major regions

The distribution of hospitals across the Kingdom is in-line with the population distribution across the main markets, with the highest concentration being in Riyadh region, followed by Jeddah. From a private provider perspective, Jeddah has the highest share of private hospitals out of its total hospitals (given the high share of expatriates out of total population), followed by the Eastern region and then Riyadh region.

**Table (3-16): Number of Hospitals by Region (2018G, estimates)**

| Hospital Type            | Riyadh               | Eastern Region      | Jeddah              | Al Qassim          | Others               | KSA          |
|--------------------------|----------------------|---------------------|---------------------|--------------------|----------------------|--------------|
| MOH hospitals            | 49<br>(46%)          | 20<br>(40%)         | 13<br>(23%)         | 19<br>(79%)        | 181<br>(71%)         | 282<br>(58%) |
| OGS hospitals            | 16<br>(15%)          | 8<br>(16%)          | 4<br>(7%)           | -                  | 19<br>(8%)           | 47<br>(10%)  |
| Private Sector hospitals | 42<br>(39%)          | 22<br>(44%)         | 40<br>(70%)         | 5<br>(21%)         | 52<br>(21%)          | 161<br>(32%) |
| <b>Total</b>             | <b>107<br/>(22%)</b> | <b>50<br/>(10%)</b> | <b>57<br/>(12%)</b> | <b>24<br/>(5%)</b> | <b>252<br/>(51%)</b> | <b>490</b>   |

Source: MOH, and Strategy& analysis.

This is also the case for distribution of clinics across KSA, where 83% of clinics and primary care centers in Jeddah are private, followed by 71% in Riyadh region and 65% in Eastern region.

**Table (3-17): Number of Primary Care Centers and Polyclinics by Hospital Type and Geographic Distribution (2018G, estimates)**

| Provider Type              | Riyadh                 | Eastern Region      | Jeddah               | Al Qassim           | Others                 | KSA            |
|----------------------------|------------------------|---------------------|----------------------|---------------------|------------------------|----------------|
| MOH's Primary Care Centers | 436<br>(29%)           | 143<br>(35%)        | 92<br>(17%)          | 181<br>(65%)        | 1,509<br>(61%)         | 2,361<br>(46%) |
| Private Polyclinics        | 1,050<br>(71%)         | 262<br>(65%)        | 436<br>(83%)         | 96<br>(35%)         | 984<br>(39%)           | 2,828<br>(54%) |
| <b>Total</b>               | <b>1,486<br/>(29%)</b> | <b>405<br/>(8%)</b> | <b>528<br/>(10%)</b> | <b>277<br/>(5%)</b> | <b>2,493<br/>(48%)</b> | <b>5,189</b>   |

Source: MOH, and Strategy& analysis.

Looking into private bed distribution by market, 41% of Jeddah's beds, 39% of Eastern region's beds and 30% of Riyadh region's beds are private.

**Table (3-18): # of Beds by Hospital Type and Geographic Distribution (2018G, estimates)**

| Provider Type                | Riyadh                  | Eastern Region          | Jeddah                 | Al Qassim             | Others                  | KSA             |
|------------------------------|-------------------------|-------------------------|------------------------|-----------------------|-------------------------|-----------------|
| MOH healthcare providers     | 8,723<br>(46%)          | 3,564<br>(34%)          | 3,228<br>(42%)         | 3,216<br>(89%)        | 25,741<br>(75%)         | 44,472<br>(59%) |
| OGS healthcare providers     | 4,372<br>(24%)          | 2,890<br>(27%)          | 1,514<br>(18%)         | -                     | 3,992<br>(12%)          | 12,768<br>(16%) |
| Private healthcare providers | 5,719<br>(30%)          | 4,113<br>(39%)          | 3,378<br>(41%)         | 398<br>(11%)          | 4,563<br>(13%)          | 18,170<br>(25%) |
| <b>Total</b>                 | <b>18,814<br/>(25%)</b> | <b>10,567<br/>(14%)</b> | <b>8,120<br/>(11%)</b> | <b>3,614<br/>(5%)</b> | <b>34,296<br/>(45%)</b> | <b>75,411</b>   |

Source: MOH, and Strategy& analysis.

## Outpatient visits and inpatient admissions in major cities and regions

In terms of outpatient visits per capita, rates vary across the different regions and cities in KSA, with Jeddah standing at 1.9 visits per capita (outpatients/total population in a given city or region), while Riyadh and Eastern region stand at 1.4 and 6.1 visits per capita, respectively. In Eastern region, both Saudis and expats contributed to the high visit rate (approximately 7.4 per Saudi capita and 4.5 per expat capita).

**Table (3-19): Outpatient Visits by City or Region (2015G - 2018G)**

| Outpatient Clinics                              | Riyadh     | Eastern Region | Jeddah    | Al Qassim | Others     | KSA         |
|-------------------------------------------------|------------|----------------|-----------|-----------|------------|-------------|
| Outpatient Visits (2015G)                       | 34,174,004 | 20,071,592     | 9,345,392 | 5,949,300 | 67,063,083 | 136,603,371 |
| Outpatient Visits (2018G, estimates)            | 34,691,547 | 20,237,706     | 9,266,806 | 5,644,604 | 72,964,399 | 142,805,063 |
| CAGR                                            | 0.5%       | 0.3%           | (0.3%)    | (1.7%)    | 2.9%       | 1.5%        |
| Outpatient Visits per Capita (2018G, estimates) | 4.1        | 6.1            | 1.9       | 3.9       | 4.7        | 4.3         |

Source: MOH, and Strategy& analysis.

In terms of inpatient visits per capita (inpatients / total population in a given city or region), Eastern region had the highest rate of 0.13 visits per capita. The remaining regions stand at nearly 0.09 per capita in 2018G.

**Table (3-20): Inpatients by City or Region (2015G - 2018G)**

| Inpatients                         | Riyadh  | Eastern Region | Jeddah  | Al Qassim | Others    | KSA       |
|------------------------------------|---------|----------------|---------|-----------|-----------|-----------|
| # of Inpatients (2015G)            | 799,083 | 448,970        | 412,856 | 135,165   | 1,553,585 | 3,349,659 |
| # of Inpatients (2018G, estimates) | 826,665 | 435,013        | 418,463 | 147,019   | 1,352,639 | 3,179,799 |
| CAGR                               | 1,1%    | (1,0%)         | 0,5%    | 2,8%      | (4,5%)    | (1,7%)    |
| Inpatient average                  | 0,09    | 0,13           | 0,09    | 0,10      | 0,09      | 0,09      |

Source: MOH, and Strategy& analysis.

## Capacity of private beds in major cities and regions

The capacity of private healthcare seems to be low compared to other OECD countries, with 4.6 beds per 1,000 capita versus the KSA average of 2.2 beds per 1,000 capita. The capacity of private hospitals stands at 1.3 bed per 1,000 capita. With the exception of the Eastern region, private beds per 1,000 capita are low in other cities and regions such as Riyadh, Jeddah, and Al Qassim.



**Table (3-21): Beds per 1,000 Capita by Region (2018G, estimates)**

| No. of beds / 1,000 capita | Riyadh | Eastern Region | Jeddah | Al Qassim | Others | KSA  |
|----------------------------|--------|----------------|--------|-----------|--------|------|
| Total Beds                 | 2.23   | 3.18           | 1.70   | 2.48      | 2.22   | 2.26 |
| Public beds                | 2.87   | 3.59           | 2.05   | 3.63      | 3.14   | 3.01 |
| Private beds               | 1.47   | 2.71           | 1.37   | 0.70      | 0.76   | 1.30 |

Source: MOH, and Strategy& analysis.

### Riyadh Region: Private Sector hospitals

In Riyadh region, there are 107 hospitals in total, out of which 65 are public hospitals and 42 are private hospitals. Out of total beds, private beds account for nearly a third. In terms of focus, private hospitals focus more on general and internal medicine specialties compared to the Kingdom. For instance, general and internal medicine accounted for almost 41% of total private beds while at the Kingdom level, general and internal medicine accounted for almost 35% of private beds.

**Table (3-22): Beds by Hospital Type and Specialty in Riyadh Region (2018G, estimates)**

| Specialties            | MOH Beds               | OGS Beds               | Private Beds           | Total Beds               |
|------------------------|------------------------|------------------------|------------------------|--------------------------|
| General / Internal     | 1,384<br>(16%)         | 891<br>(20%)           | 2,344<br>(41%)         | 4,619<br>(25%)           |
| OBS/GYN                | 889<br>(10%)           | 468<br>(11%)           | 930<br>(16%)           | 2,287<br>(12%)           |
| Surgery                | 800<br>(9%)            | 524<br>(12%)           | 822<br>(14%)           | 2,146<br>(11%)           |
| Intensive care         | 1,232<br>(14%)         | 532<br>(12%)           | 261<br>(5%)            | 2,025<br>(11%)           |
| Pediatrics             | 738<br>(8%)            | 559<br>(13%)           | 699<br>(12%)           | 1,996<br>(11%)           |
| Psychiatry / Neurology | 949<br>(11%)           | 66<br>(2%)             | 14<br>(<1%)            | 1,029<br>(5%)            |
| Ophthalmology          | 289<br>(3%)            | 52<br>(1%)             | 103<br>(2%)            | 444<br>(2%)              |
| Chest & Fevers         | 353<br>(4%)            | 37<br>(1%)             | 6<br>(<1%)             | 396<br>(2%)              |
| Orthopedics            | 188<br>(2%)            | 128<br>(3%)            | 63<br>(1%)             | 379<br>(2%)              |
| Others                 | 1,902<br>(23%)         | 1,115<br>(25%)         | 477<br>(7%)            | 3,494<br>(19%)           |
| <b>Total</b>           | <b>8,724<br/>(46%)</b> | <b>4,372<br/>(23%)</b> | <b>5,719<br/>(31%)</b> | <b>18,815<br/>(100%)</b> |

Source: MOH, and Strategy& analysis.

The market in Riyadh region is consolidated with top 3 players accounting for nearly 58% private bed share. Consequently, competition among private healthcare providers of a dominant market position.

**Table (3-23): Private Healthcare Providers in Riyadh Region (2017G)**

| Private Healthcare Providers                     | No. of beds (2017G) <sup>(1)</sup> | Share of beds (2017G) |
|--------------------------------------------------|------------------------------------|-----------------------|
| Al Hammadi Company for Development & Investment  | 1,378                              | 25%                   |
| Dr. Sulaiman Al-Habib Medical Services Group     | 1,132                              | 21%                   |
| National Medical Care Company                    | 609                                | 11%                   |
| Dallah Health Services Company - Dallah Hospital | 448                                | 8%                    |

| Private Healthcare Providers                           | No. of beds (2017G) <sup>(1)</sup> | Share of beds (2017G) |
|--------------------------------------------------------|------------------------------------|-----------------------|
| Middle East Healthcare Company - Saudi German Hospital | 219                                | 4%                    |
| Mouwasat Medical Services Company                      | 165                                | 3%                    |
| Al Madar Specialized Medical Center                    | 450                                | 8%                    |
| Sultan Bin Abdul Aziz Humanitarian City                | 400                                | 7%                    |
| Others                                                 | 625                                | 13%                   |
| <b>Total</b>                                           | <b>5,426</b>                       | <b>100%</b>           |

Source: MOH, Annual reports, Company websites, News articles, and Strategy& analysis.

(1) Does not account for planned expansions

## Eastern Region: Private Sector Hospitals

In total, there are 50 hospitals in the Eastern region, out of which 28 are public and 22 are private hospitals. Out of total beds in Eastern region, nearly 40% are private. Moreover, similar to other regions, private hospitals in Eastern are mostly focused on general and internal medicine specialties. For instance, general and internal medicine accounted for nearly 37% of total private beds in Eastern region while at the Kingdom level, general and internal medicine accounted for almost 35% of private beds.

**Table (3-24): Beds by Hospital Type and Specialty in Eastern Region (2018G, estimates)**

| Specialties            | MOH Beds               | OGS Beds               | Private Beds           | Total Beds               |
|------------------------|------------------------|------------------------|------------------------|--------------------------|
| General / Internal     | 713<br>(20%)           | 695<br>(24%)           | 1,502<br>(37%)         | 2,910<br>(28%)           |
| Surgery                | 350<br>(10%)           | 394<br>(14%)           | 1,002<br>(24%)         | 1,746<br>(17%)           |
| Pediatrics             | 281<br>(8%)            | 508<br>(18%)           | 578<br>(14%)           | 1,367<br>(13%)           |
| OBS/GYN                | 281<br>(8%)            | 400<br>(14%)           | 509<br>(12%)           | 1,190<br>(11%)           |
| Intensive care         | 284<br>(8%)            | 292<br>(10%)           | 368<br>(9%)            | 944<br>(9%)              |
| Psychiatry / Neurology | 577<br>(16%)           | 80<br>(3%)             | 12<br>(<1%)            | 669<br>(6%)              |
| Orthopedics            | 68<br>(2%)             | 138<br>(5%)            | 22<br>(<1%)            | 228<br>(2%)              |
| Isolation              | 156<br>(4%)            | 49<br>(2%)             | 6<br>(<1%)             | 211<br>(2%)              |
| Ear, nose and throat   | 44<br>(1%)             | 28<br>(1%)             | 16<br>(<1%)            | 88<br>(1%)               |
| Others                 | 810<br>(23%)           | 305<br>(11%)           | 97<br>(2%)             | 1,212<br>(11%)           |
| <b>Total</b>           | <b>3,564<br/>(33%)</b> | <b>2,890<br/>(28%)</b> | <b>4,113<br/>(39%)</b> | <b>10,565<br/>(100%)</b> |

Source: MOH, and Strategy& analysis.



Top 3 players accounted for almost 47% of private beds in eastern region.

**Table (3-25): Private Healthcare Providers in Eastern Region (2017G)**

| Private Healthcare Providers                | No. of beds (2017G) <sup>(1)</sup> | Share of beds (2017G) |
|---------------------------------------------|------------------------------------|-----------------------|
| Almana Group of Hospitals                   | 750                                | 19%                   |
| Saad Specialist Hospital <sup>(2)</sup>     | 600                                | 15%                   |
| Mouwasat Medical Services Company Hospitals | 510                                | 13%                   |
| Dr. Fakhry & Al Rajhi Hospital              | 200                                | 5%                    |
| As Salama Hospital <sup>(3)</sup>           | 140                                | 4%                    |
| Others                                      | 1,751                              | 44%                   |
| <b>Total</b>                                | <b>3,951</b>                       | <b>100%</b>           |

Source: MOH, Annual reports, Company websites, News articles, and Strategy& analysis.

(1) Does not account for planned expansions.

(2) SAAD hospital seized its operations late 2017G.

(3) As Salama Hospital was acquired by National Medical Care in 2016G.

### Jeddah: Private Sector hospitals

In Jeddah, out of total 57 hospitals, 17 are public and 40 are private. In fact, private beds account for nearly 41% of beds in Jeddah. Unlike other Saudi regions, private hospital beds in Jeddah are fragmented across specializations, with internal and general medicine accounting for almost 20% of private beds versus a national average of 35% of private beds.

**Table (3-26): Beds by Hospital Type and Specialty in Jeddah (2018G, estimates)**

| Specialties            | MOH Beds               | OGS Beds               | Private Beds           | Total Beds              |
|------------------------|------------------------|------------------------|------------------------|-------------------------|
| General / Internal     | 396<br>(12%)           | 375<br>(25%)           | 681<br>(20%)           | 1,452<br>(18%)          |
| Intensive care         | 677<br>(21%)           | 148<br>(10%)           | 462<br>(14%)           | 1,287<br>(16%)          |
| Surgery                | 259<br>(8%)            | 300<br>(20%)           | 567<br>(17%)           | 1,126<br>(14%)          |
| Pediatrics             | 316<br>(10%)           | 337<br>(22%)           | 385<br>(11%)           | 1,038<br>(13%)          |
| OBS/GYN                | 198<br>(6%)            | 160<br>(11%)           | 371<br>(11%)           | 729<br>(9%)             |
| Psychiatry / Neurology | 338<br>(10%)           | 20<br>(1%)             | 122<br>(4%)            | 480<br>(6%)             |
| Orthopedics            | 140<br>(4%)            | 32<br>(2%)             | 36<br>(1%)             | 208<br>(3%)             |
| Ophthalmology          | 97<br>(3%)             | 1<br>(<1%)             | 35<br>(1%)             | 133<br>(2%)             |
| Isolation              | 51<br>(2%)             | 22<br>(1%)             | 54<br>(2%)             | 127<br>(2%)             |
| Others                 | 757<br>(24%)           | 119<br>(8%)            | 665<br>(19%)           | 1,540<br>(17%)          |
| <b>Total</b>           | <b>3,229<br/>(39%)</b> | <b>1,514<br/>(20%)</b> | <b>3,378<br/>(41%)</b> | <b>8,120<br/>(100%)</b> |

Source: MOH, and Strategy& analysis.

In Jeddah, the market is considerably fragmented, with top 7 players accounting for nearly 60% of private beds. Dr. Soliman Fakeeh Hospital is the only hospital with double digit bed share.



**Table (3-27): Private Healthcare Providers in Jeddah (2017G)**

| Private Healthcare Providers                           | No. of beds (2017G) (1) | Share of beds (2017G) |
|--------------------------------------------------------|-------------------------|-----------------------|
| Dr. Soliman Fakeeh Hospital                            | 600                     | 19%                   |
| International Medical Center                           | 300                     | 9%                    |
| Al Ahli Hospital                                       | 250                     | 8%                    |
| National Medical Care – Chronic Care Hospital          | 220                     | 7%                    |
| Middle East Healthcare Company - Saudi German Hospital | 191                     | 6%                    |
| Erfan & Bagedo General Hospital                        | 200                     | 6%                    |
| Dr. Abdulrahman Taha Bakhsh Hospital                   | 157                     | 5%                    |
| Others                                                 | 1,313                   | 40%                   |
| <b>Total</b>                                           | <b>3,231</b>            | <b>100%</b>           |

Source: MOH, Annual reports, Company websites, News articles, and Strategy& analysis.

(1) Does not account for planned expansions.

## Al Qassim Region: Private Sector Hospitals

In Al Qassim region, the number of hospitals stands at 24, out of which 19 are public and only 5 are private hospitals. MOH hospitals in Al Qassim focus more on general and internal medicine specialties, for which the public hospitals have allocated almost 30% of its beds, versus 17% at the Kingdom level. Moreover, private hospitals focus more on intensive care (around 40% of beds) whereas in other regions, the focus is on general and internal medicine.

**Table (3-28): Beds by Hospital Type and Specialty in Al Qassim Region (2018G, estimates)**

| Specialties            | MOH Beds               | Private Beds         | Total Beds              |
|------------------------|------------------------|----------------------|-------------------------|
| General / Internal     | 1,011<br>(31%)         | 42<br>(11%)          | 1,053<br>(29%)          |
| Intensive care         | 420<br>(13%)           | 187<br>(47%)         | 607<br>(17%)            |
| OBS/GYN                | 373<br>(12%)           | 73<br>(18%)          | 446<br>(12%)            |
| Surgery                | 339<br>(11%)           | 47<br>(12%)          | 386<br>(11%)            |
| Psychiatry / Neurology | 200<br>(6%)            | -                    | 200<br>(6%)             |
| Pediatrics             | 178<br>6%              | 13<br>(3%)           | 191<br>(5%)             |
| Orthopedics            | 138<br>(4%)            | 13<br>(3%)           | 151<br>(4%)             |
| Isolation              | 87<br>(3%)             | -                    | 87<br>(2%)              |
| Others                 | 470<br>(15%)           | 23<br>(6%)           | 493<br>(14%)            |
| <b>Total</b>           | <b>3,216<br/>(89%)</b> | <b>398<br/>(11%)</b> | <b>3,614<br/>(100%)</b> |

Source: MOH, and Strategy& analysis.



In Al Qassim region, few players emerged, with Dr. Sulaiman Al-Habib Medical Services Group dominating nearly 50% of private beds.

**Table (3-29): Private Healthcare Providers in Al Qassim Region (2017G)**

| Private Healthcare Providers                           | No. of beds (2017G) <sup>(1)</sup> | Share of beds (2017G) |
|--------------------------------------------------------|------------------------------------|-----------------------|
| Dr. Sulaiman Al-Habib Medical Services Group Hospitals | 172                                | 50%                   |
| Al Qassim National Hospital                            | 100                                | 29%                   |
| Others <sup>(2)</sup>                                  | 71                                 | 21%                   |
| <b>Total</b>                                           | <b>343</b>                         | <b>100%</b>           |

Source: MOH, and Strategy& analysis.

(1) Does not account for planned expansions.

(2) Includes Al Wafa Hospital, Zayed Hospital and Al Fraih Maternity Hospital

### 3.1.1.7 Future outlook of the healthcare sector

#### Increased demand for healthcare services

Given the demographic characteristics and future prospects of KSA, the 2018G healthcare expenditure of SAR 150 billion is expected to grow at 5% CAGR to reach around SAR 220 billion by 2025G. Fueling healthcare spending in KSA will be a population that is larger, older and unhealthier if current practices persist. By 2030G, KSA's population is expected to reach 45 million (around 35% increase on today) and the proportion of over 60s is expected to increase from 5% to 11%.

Those over 60s are also expected to live longer, as life expectancy continually improves, with more complex and expensive co-morbidities affecting people in this age.

However, it is the health status of the general population that is likely to have the biggest impact on healthcare expenditure into the future: around 35% of adults are characterized as obese, almost 18.5% of adults are diabetic and nearly 60% are defined as physically inactive by the World Health Organization (WHO). The costs of dealing with such 'metabolic syndrome' are likely to be enormous if prevailing conditions persist.

In addition to the aforementioned drivers, demand for private healthcare is expected to grow above and beyond general trends driven by plans to expand the insurance coverage to include new segments of the population (e.g., domestic workers) that is currently uninsured, which is estimated at 2.1 million individuals. Moreover, the Council of Cooperative Insurance (CCHI) announced the completion of its integrated database with the General Organization for Social Insurance (GOSI). By doing so, all private sector entities that have not yet provided insurance coverage to their employees are required to do so. As a result, it is expected to add up to 3.6 million private sector employee and their dependents to the health insurance system. This will most likely offset the drop in insured patients in 2018G and is expected to have a positive contribution to the growth of demand for healthcare providers.

Furthermore, a major national healthcare transformation is underway in the government healthcare sector, one of the goals of which is to increase private sector participation in the public healthcare system, which will further generate opportunities for private healthcare players. However, competition from the government is expected. This is given as the government healthcare transformation may result in a more attractive public healthcare system that could draw patients away from the private sector.

## 3.1.2 Pharmacy Sector in KSA

### 3.1.2.1 Pharmacy Market Overview

#### Market Size

Total healthcare spending in KSA is estimated at SAR 150 billion, out of which pharmaceutical spending accounts for nearly SAR 30 billion. Pharmaceutical spending typically covers pharma supplies and medicines consumed in inpatient settings, sold in outpatient pharmacies and retail pharmacies ("independent pharmacies"). The market size of inpatient and outpatient pharmaceuticals is estimated at SAR 25.5 billion, while the market size of pharma products sold through retail channels is estimated at SAR 4.5 billion.

The retail pharmacy market in KSA has been growing at nearly 5% CAGR since 2015G to 2018G, while the size of retail pharmacy market is about SAR 10.5 billion in 2018G. The market has been growing in the past, primarily driven by an ageing and expanding population, rise in chronic diseases, expansion of health insurance and increase in disposable income. Nevertheless, price controls mean that the pharmaceutical growth in the future could be slower than the overall healthcare spending.

The pharmacy market is split in two broad categories:

- **Pharma products:** This category primarily consists of prescription medicines, over-the-counter drugs and products, nutraceuticals, and home healthcare products (e.g., medical equipment)
- **Non-pharma products:** This category consists of products such as mom and baby products, beauty products, skincare, and everyday essentials.

In 2018G, pharma products comprised around 43% of the market while non-pharma products accounted for 57% of the market.

### Market share of independent pharmacies

The total number of independent pharmacies in KSA was estimated at 9,100 in 2018G. Chain outlets (groups with more than 30 outlets) constitute nearly 40% of the market (i.e. around 3,450 outlets). With the current legal framework, chains have certain limitations to scale their businesses.

### Existing laws and regulations and their impact on growth of chained pharmacies

As per Law of Pharmaceutical Establishments and Preparations, the following restrictions apply to the pharmacy sector in KSA:

#### Ownership

- The owner, or one of the partners, must be a pharmacist holding a practice license
- The director of the pharmacy, facility or center shall be a full-time Saudi pharmacist licensed to practice the profession. The Minister may impose only nationality requirement in remote areas specified by the Regulations and exempt from the nationality requirement if there are not enough Saudi pharmacists available.

#### Number of pharmacies

- In order to grant licenses to pharmacies in each of Riyadh, Makkah, Jeddah, Medina, Khobar, and Dammam, the owner or one of its partners shall be a Saudi pharmacist licensed to practice the profession.
- If ownership is a partnership between a Saudi pharmacist and a Saudi non-pharmacist, the number shall be limited to 5 pharmacies per license, and, in all cases, shall be limited to 30.

### Chain outlets are mainly in the large markets

Riyadh, Jeddah, and Eastern markets are the biggest markets in terms of number of chain outlets and together capture almost 60% of the total number of chain outlets in KSA. The chain outlets are dominated by few players, with Nahdi and Al Dawaa being the two largest players in the market.

Chain outlets span across different formats such as street/neighborhood, shop-in-shop (which are located inside bigger stores such as supermarkets, malls and flagship outlets) which offers wide range of products and services beyond prescription and over-the-counter products in premium locations.

## Emerging market trends

The pharmacy retail market in KSA is evolving and leading players are exploring innovative ways to engage with their customers. The following are some of the market trends that are being observed:

### Introduction of new value-added services in pharmacies

- Large chain pharmacies are introducing selected ambulatory care services such as checking vitals and monitoring blood pressure.

### Opening of smart pharmacies

- Few players are already adopting new technologies such as robot-operated pharmacies. King Fahd Specialist Hospital in Tabuk has opened the first smart pharmacy of this kind, which can dispense up to 1,500 medicine packages and deal with 240 prescriptions per hour.
- Some players (e.g., Nahdi) already expanded into online sales channels to better reach their customers

### Expansion into adjacent healthcare businesses

- Few players are expanding into new healthcare services and are establishing a network of medical centers to provide primary healthcare services (e.g. Nahdi launched Nahdicare clinic)

## Favorable reforms

Moreover, few planned reforms are in place and are expected to have positive impact on pharmacies as indicated in the table below.

**Table (3-30): KSA pharmacy sector potential initiatives**

| Initiative                  | Favorable reforms                                                                                                                                                                                                                                                            | Implications on pharmacies                                                                                                                                                     |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outsourcing / Privatization | <ul style="list-style-type: none"> <li>• MOH to outsource outpatient and primary healthcare centers 'pharmaceuticals' value chain, including dispensing (1), to "NUPCO" <sup>(1)</sup></li> <li>• NUPCO might procure dispensing services from the private sector</li> </ul> | <ul style="list-style-type: none"> <li>• Public sector patients might be allowed to use their MOH prescription to obtain medication from a private pharmacy partner</li> </ul> |
| Workforce                   | <ul style="list-style-type: none"> <li>• Increase share of Saudi pharmacists and improve capabilities and skill sets to enhance quality of care provided</li> </ul>                                                                                                          | <ul style="list-style-type: none"> <li>• Availability of more Saudi pharmacists, needed to open outlets</li> <li>• Increase in skilled work-force of pharmacists</li> </ul>    |
| IT                          | <ul style="list-style-type: none"> <li>• National electronic health record</li> <li>• e-Claims capability through the SHIB <sup>(2)</sup> (Saudi Health Insurance Bus) program that aims to digitize the recording and reporting of healthcare services</li> </ul>           | <ul style="list-style-type: none"> <li>• Improved connectivity between pharmacies, clinics and hospitals including e-prescription</li> </ul>                                   |

Source: MOH, and Strategy& analysis.

(1) NUPCO is the largest healthcare procurement, re-exporting, warehousing and distribution company for pharmaceuticals, medical equipment and supplies in KSA

(2) Saudi Health Insurance E-Transactions Program

## 3.2 UAE's healthcare and retail pharmacy sectors

### 3.2.1 Healthcare sector

#### Overview of the private healthcare market in Dubai

UAE ranks among the top 20 countries in terms of GDP per capita and has the second largest population in the GCC, right after KSA. Its population is young, yet has high incidences of chronic diseases.

Historically, the private healthcare sector in Dubai has been growing driven by traditional drivers (e.g. growing population and associated changing demographics) in addition to recent governmental plans (e.g. positioning Dubai as a medical tourist hub, introducing mandatory health insurance for expats). Healthcare spending per

capita is relatively low according to PPP in Dubai. However, the demand for private healthcare services is expected to grow, driven primarily by growing population and unhealthy lifestyles as obesity, diabetes and cardiovascular diseases take their toll. Furthermore, roll-out of mandatory insurance is also expected to fuel the growth for demand of care even further.

Nevertheless, the private sector is expected to witness pricing pressures, as new payment mechanisms are being tested and deployed (e.g. pay for performance). Moreover, with the formation of DHC, public providers are expected to undergo an efficiency drive to reduce government subsidies, with a potential to become key competitors to private providers in the future.

### 3.2.1.1 Economic and demographics overview of the UAE

In the following section, we share with you an overview of the economic and demographics situation in the UAE. The UAE has an open economy with a high GDP (PPP) per capita at around 277K SAR/capita. Since the discovery of oil in the UAE nearly 60 years ago, the country has undergone a major transformation that resulted in a high standard of living. The UAE has a sizeable population that is predominantly young and non-Emirati. Out of a population of 9.5 million in 2018G, 88% were non-Emirati and 39% were under 30 years. Overall, the adult population in UAE has high incidences of chronic diseases compared to OECD countries due to unhealthy habits, among other things. It was estimated that 32% of adults carried excess weight while nearly 15.6% of adults were diabetic. Nevertheless, the quality of care has been improving in UAE as showcased by key health metrics, yet it still lags behind compared to selected international benchmarks.

#### GDP per capita

The UAE has an open economy with a high GDP (PPP) per capita. At around SAR 277K/capita, UAE has an adjusted GDP (PPP) higher than selected benchmarks (e.g., GDP per capita stands at around SAR 201K/capita in KSA, SAR 162K/capita in the UK, SAR 189K/capita in Germany and SAR 162K/capita in OECD countries). Successful efforts at economic diversification have reduced the portion of GDP from the oil and gas sector to 30%. Since the discovery of oil in the UAE nearly 60 years ago, the country has undergone a major transformation that resulted in the formation of a modern state with a high standard of living. The government has increased spending on job creation and infrastructure expansion and is expanding private sector participation. The country's free trade zones – offering 100% foreign ownership and zero taxes – are helping to attract foreign investors.

#### Sizeable population that is predominantly non-Emirati

UAE is a federation of seven emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah, Ras Al Khaimah and Umm Al Quwain. Each emirate is governed by a ruler and together they jointly form the Federal Supreme Council, the highest constitutional authority in the UAE. The population of the UAE was estimated at 9.5 million in 2018G, with approximately 32% residing in Dubai, 35% in Abu Dhabi and the remaining 33% spread across the other five Emirates. Out of the 9.5 million, 88% are non-Emirati and 12% are Emirati. In Dubai, the portion of Emiratis is lower at 8% of the population.

#### Population

UAE has a young population, with its median age at 30 years – this is comparable with other countries in the region, such as KSA (28 years) and Bahrain (32 years) but much lower than global comparators, such as the United Kingdom (41 years), Germany (47 years) and the average for OECD countries (37 years). Approximately 39% of the UAE's population is under 30 years, 59% of the population is between 31 and 59 years, while nearly 2% are aged above 60 years.

Young people represent the largest segment of the UAE population. The adult population in UAE has high obesity and diabetes rates compared to OECD countries. It was estimated that 32% of adults carried excess weight, while nearly 15.6% of adults were diabetic. The aforementioned unhealthy habits among others resulted in the prevalence of chronic diseases.



**Table (3-31): Diabetes and Obesity Rates by Country**

| Country             | Median Age (Years) | Diabetes in Adults (% , 2017G) | Obesity in Adults (% , 2016G) |
|---------------------|--------------------|--------------------------------|-------------------------------|
| UAE                 | 30                 | 15.6%                          | 32%                           |
| KSA                 | 28                 | 18.5%                          | 35%                           |
| Bahrain             | 32                 | 16.2%                          | 30%                           |
| UK                  | 41                 | 6.9%                           | 28%                           |
| Germany             | 47                 | 12.2%                          | 22%                           |
| OECD <sup>(1)</sup> | 37                 | 6.8%                           | 20%                           |

Source: World Development Indicators, World Health Organization, CIA Factbook, OECD, Strategy& analysis.

(1) Data for 2015G or the latest data available.

In fact, as detailed in the table below, cardiovascular diseases, cancer, and other respiratory diseases and diabetes caused more than 60% of deaths in 2016G in UAE.

**Table (3-32): Root Causes of Mortality in UAE (2016G)**

| Mortality Causes                              | % of total deaths |
|-----------------------------------------------|-------------------|
| Cardiovascular diseases                       | 40%               |
| Injuries                                      | 17%               |
| Other non-communicable diseases               | 15%               |
| Cancer                                        | 12%               |
| Communicable diseases                         | 6%                |
| Others (e.g., respiratory diseases, diabetes) | 10%               |

Source: World Development Indicators, World Health Organization, CIA Factbook, OECD, Strategy& analysis.

## Improving quality of care

Life expectancy has been improving in UAE. Increasing from 76.9 years in 2014G to 77.4 years in 2017G. UAE has one of the highest life expectancies in the region ahead of Bahrain (77 years) and KSA (74.9 years). However, progress is still required to catch up with the UK (81.1 years), Germany (80.8 years) and the OECD country average (79 years). Despite progress on life expectancy, infant mortality rates have been rising, from 7.2 to 7.8 per 1,000 live births in the period 2014G to 2017G. The current rate is higher than regional benchmarks (6.5 and 6.3 deaths per 1,000 live births in Bahrain and KSA respectively) and much higher than the UK (3.9 per 1,000 live births) and Germany (3.4 per 1,000 live births).

**Table (3-33): Selected Health Indications (2017G, or latest available data)**

| Country | Infant mortality (1,000 live birth) | Crude death rate (1,000 population) | Life expectancy (Years) |
|---------|-------------------------------------|-------------------------------------|-------------------------|
| UAE     | 7.8                                 | 1.6                                 | 77.4                    |
| KSA     | 6.3                                 | 2.9                                 | 74.9                    |
| Bahrain | 6.5                                 | 1.9                                 | 77.0                    |
| UK      | 3.9                                 | 9.2                                 | 81.1                    |
| Germany | 3.4                                 | 11.7                                | 80.8                    |
| OECD    | 6.6                                 | 8.4                                 | 79.0                    |

Source: KSA annual statistic book, Bahrain information and e-Government Authority, UK Office for National Statistics, World Bank, OECD.



### 3.2.1.2 Healthcare spending in Dubai

Dubai's population growth (CAGR of 9% between 2015G and 2018G) and the implementation of mandatory health insurance led to a significant increase in healthcare expenditure from SAR 14.4 billion in 2015G to nearly SAR 20.7 billion in 2018G. Nevertheless, Dubai's PPP adjusted healthcare expenditure per capita is relatively low (e.g., SAR 11,800/capita in Dubai vs. SAR 14,965/capita in OECD countries). The low spending could partly be explained by Dubai's younger population, who would have a lower demand for healthcare. Nevertheless, as the population ages, healthcare spending will likely grow as well.

The total healthcare expenditure in Dubai grew at nearly 12% CAGR, from SAR 14.4 billion in 2015G to nearly SAR 20.7 billion in 2018G. This was primarily driven by population growth (and associated demographics/disease burden changes) and the implementation of mandatory health insurance which led to an increase in healthcare capacity and spending.

**Table (3-34): Healthcare Expenditure (2015G - 2018G)**

|                                | 2015G | 2018G (estimates) | CAGR |
|--------------------------------|-------|-------------------|------|
| Population (million)           | 2.4   | 3.1               | 9%   |
| Healthcare spend (SAR billion) | 14.4  | 20.7              | 12%  |

Source: Dubai Statistics Authority, Dubai Health Investment Guide.

### Healthcare expenditure per capita

PPP adjusted healthcare expenditure per capita in the UAE is relatively low (e.g., SAR 11,800/capita in Dubai vs. SAR 11,345/capita in KSA, SAR 16,165/capita in UK, SAR 20,400/capita in Germany, and SAR 14,965/capita in OECD countries). The low spending could partly be explained by Dubai's younger population who would have a lower demand for healthcare. Nevertheless, as the population ages, healthcare spending will likely grow as well.

**Table (3-35): Healthcare Expenditure Indicators (2017G, or latest available data)**

| Country | Healthcare spend / capita (SAR PPP) | Median Age of Total Population (Years) |
|---------|-------------------------------------|----------------------------------------|
| Dubai   | 11,800 <sup>(1)</sup>               | 29                                     |
| KSA     | 11,345                              | 28                                     |
| Bahrain | 9,375                               | 32                                     |
| UK      | 16,165                              | 41                                     |
| Germany | 20,400                              | 47                                     |
| OECD    | 14,965                              | 37                                     |

Source: Fitch Solutions, OECD, World Bank, CIA Factbook.

(1) Healthcare expenditure in Dubai is based on 2018G figures

Out of the estimated SAR 20.7 billion spend on healthcare in Dubai, out of pocket accounted for nearly 5%, government accounted for 30% and insurance and corporation accounted for 65%. The distribution of funds has changed drastically – for instance, share of insurance and corporation spend increased from 42% in 2014G to nearly 65% in 2018G.

One of the drivers of growth is the introduction of a mandatory health insurance law for Dubai in 2014G, requiring every employee and dependent residing in Dubai to be medically insured.

### 3.2.1.3 General overview of the healthcare ecosystem in Dubai

Dubai Health Authority ("DHA") is the government entity overseeing the majority of healthcare facilities and professionals in Dubai. The government of Dubai offers free healthcare to its nationals. Furthermore, the government has funded health insurance plans that enables nationals to access private providers. Regarding provision of care to expats, the government of Dubai introduced a mandatory health insurance law in 2014G, which was implemented over 3 years. With the roll-out of mandatory health insurance in Dubai, the healthcare utilization is expected to also increase.

In terms of provision capacity, the number of hospitals and beds in Dubai have been growing at nearly 5.5% CAGR from 2015G to 2018G, reaching almost 40 hospitals and around 5,100 beds in 2018G. Private sector beds, which accounted to 57% of hospital beds in Dubai in 2018G, seem to be sufficiently staffed in comparison with other markets such as KSA, UK, and Germany. Nevertheless, the workforce in both the private and public hospitals, is predominantly non-Emirati, reflecting the shortage in local talent.

## Healthcare Regulatory Landscape

Established in 2007G, DHA is the government entity overseeing the healthcare sector in Dubai and its free zones, excluding Dubai Healthcare City (“**DHCC**”). The MOH and Prevention (“**MOHP**”), a federal ministry overlooking the healthcare sector in UAE, and Dubai Healthcare City Authority (“**DHCA**”), a regulator of healthcare facilities in the free zone, are two other entities that coexist within Dubai’s healthcare sector. All entities have a role in regulation, licensing, funding, and management of facilities under their oversight. Despite the coexistence of all three entities, DHA oversees majority of healthcare facilities and professionals in Dubai.

In 2018G, Shaikh Hamdan Bin Mohammad Bin Rashid Al Maktoum, Crown Prince of Dubai and Chairman of The Executive Council, issued Executive Council Resolution No. (18) of 2018G approving a new DHA structure. The new structure includes two new subsidiaries: Dubai Healthcare Corporation (“**DHC**”) and Dubai Health Insurance Corporation (DHIC), in addition to three new strategic sectors, one of which is Health Regulation. In the new structure, each unit will be responsible for the following activities:

- DHC – tasked with managing and operating all government healthcare facilities including primary healthcare centers, specialty centers, medical fitness services centers, and public and occupational medical centers.
- Dubai Healthcare Insurance Corporation (DHIC) – tasked with overseeing health insurance service in Dubai; licensing and regulating health insurance companies, claim management, insurance brokers and service providers; designing health insurance packages and seeks quality health insurance for Dubai citizens, residents and visitors.
- Health Regulation – tasked with developing and licensing regulations for individuals and establishments in Dubai; inspecting health-care service providers and ensuring they comply with laws and regulations; and preparing and approving frameworks for managing health data in Dubai.

## Services provided to citizens and residents

Dubai offers free healthcare to its nationals. Furthermore, the government has funded health insurance plans that enables nationals to access private providers. The two most common plans are ENAYA and SAADA:

- ENAYA – covers Dubai nationals working in the government sector (i.e., around 39 entities, 90K+ beneficiaries)
- SAADA – covers Dubai nationals who do not benefit from any government health program in Dubai
- Regarding provision of care to expats, the government of Dubai introduced a mandatory health insurance law in 2014G. The law required every employee and dependent residing in Dubai to be medically insured. By end of 2017G, nearly 2.4 million individuals have been insured. With the roll-out of mandatory health insurance in Dubai, the healthcare utilization is expected to also increase (e.g., patients will be more willing to seek medical treatments early-on when facing a health issue).

## Healthcare providers

The healthcare providers in Dubai consists of two types: 1) Public healthcare establishment and 2) Private healthcare establishment, yet each type of provider could be regulated by a different authority. For instance, for private providers, the majority is regulated by Dubai Health Authority (DHA) while few are regulated by Dubai Healthcare City Authority (DHCA). For public providers, majority of hospitals is regulated by DHA while few are regulated by MOH Assurance and Prevention (MOHP).

In terms of patient flow, expats with private insurance would allow beneficiaries to access private healthcare providers, irrespective of the regulating authority, and in some instances access to DHA facilities, depending on their insurance scheme. On the other hand, Dubai nationals have free access to all DHA facilities. Moreover, Dubai nationals benefiting from government funded health insurance plans (e.g., SAADA, ENAYA) also have access to private hospitals.

## Beds Provisional Capacity

The number of hospitals and beds in Dubai have been growing at nearly 5.5% CAGR from 2015G to 2018G. The growth in capacity is predominantly driven by private sector where the number of hospitals and beds grew by 6.7% and 8.5% CAGR respectively. Although outnumbered by private hospitals with a ratio of nearly 6:1, public hospitals accounted for 43% of total beds, given their larger facilities. Their growth in beds resulted mainly from the move of Al Amal Hospital for Mental Health, regulated by MOHP, to a brand-new facility, adding nearly 200 beds. On the other hand, private hospitals gained share through additions of new facilities. MEED database reported the opening of three new private hospitals in 2018G: Aster Hospital Al Qusais, Mediclinic Parkview Hospital and King's College Hospital.

**Table (3-36): Dubai Hospital and Beds (2015G - 2018G)**

| Service provider | No. of hospitals |                      |                    | No. of beds    |                               |                    |
|------------------|------------------|----------------------|--------------------|----------------|-------------------------------|--------------------|
|                  | 2015G            | 2018G<br>(estimates) | CAGR<br>(15 - 18e) | 2015G          | 2018G<br>(estimates)          | CAGR<br>(15 - 18e) |
| Public Sector    | 6<br>(18%)       | 6<br>(15%)           | 0.0%               | 2,044<br>(47%) | 2,182 <sup>(1)</sup><br>(43%) | 2.2%               |
| Private Sector   | 28<br>(82%)      | 34<br>(85%)          | 6.7%               | 2,308<br>(53%) | 2,950<br>(57%)                | 8.5%               |
| <b>Total</b>     | <b>34</b>        | <b>40</b>            | <b>5.6%</b>        | <b>4,352</b>   | <b>5,132</b>                  | <b>5.6%</b>        |

Source: DHA, MEED database, MOHP, the Company.

(1) Excludes non-functioning ones.

## Availability of Healthcare Workforce

Private sector establishments seem to be sufficiently staffed in comparison with other markets. In fact, majority of physicians and nurses work in the private sector (i.e. 70% of physicians and 65% of nurses in 2017G). Furthermore, number of physicians and nurses in private hospitals has been growing at 8% CAGR and 6% CAGR respectively, mainly driven by an increase of private beds (8.5% CAGR). For public hospitals, number of physicians and nurses has remained almost unchanged, in-line with minimal increase in number of public beds, excludes workforce of medical facilities regulated by the MOH and Prevention.

**Table (3-37): Healthcare Workforce per Bed (2017G)**

| Markets / Sectors      | Physicians per bed (2017G) | Nurses per bed (2017G) |
|------------------------|----------------------------|------------------------|
| Dubai - Private Sector | 2.2                        | 4.2                    |
| Dubai - All sectors    | 1.7                        | 3.6                    |
| UAE                    | 1.6                        | 3.8                    |
| KSA                    | 1.3                        | 2.5                    |
| UK                     | 0.8                        | 2.5                    |
| Germany                | 1.0                        | 2.5                    |

Source: KSA MOH, UAE Federal Competitiveness and Statistics Authority, Fitch Solutions, OECD, World Bank, Strategy& analysis.

(1) Excludes dentists.



Physicians' specialization, private and public hospitals seem to focus on the same primary health services. In fact, general medicine, obstetrics & gynecology, pediatrics and anesthesia were the top four physicians' specialties in both public and private hospitals, accounting respectively for almost 58% and 61% of total specialties.

**Table (3-38): Number of Beds by Type of Health Establishment and Specialty (2017G)**

| Physicians Specialty  | Public Sector- DHA (2017G) | Private Sector (2017G) | Total (2017G)  |
|-----------------------|----------------------------|------------------------|----------------|
| General / Internal    | 462<br>(32%)               | 2,352<br>(40%)         | 2,814<br>(38%) |
| OBS/GYN               | 116<br>(8%)                | 539<br>(9%)            | 655<br>(9%)    |
| Pediatrics            | 158<br>(11%)               | 440<br>(8%)            | 598<br>(8%)    |
| Anesthesia            | 102<br>(7%)                | 238<br>(4%)            | 340<br>(5%)    |
| Dermatology           | 13<br>(1%)                 | 322<br>(5%)            | 335<br>(5%)    |
| Orthopedics           | 14<br>(1%)                 | 285<br>(5%)            | 299<br>(4%)    |
| Radiology             | 49<br>(3%)                 | 184<br>(3%)            | 233<br>(3%)    |
| Cardiology & Vascular | 75<br>(5%)                 | 153<br>(3%)            | 228<br>(3%)    |
| Ear, nose and throat  | 21<br>(1%)                 | 187<br>(3%)            | 208<br>(3%)    |
| Others <sup>(1)</sup> | 440<br>(30%)               | 1,162<br>(20%)         | 1,602<br>(22%) |
| <b>Total</b>          | <b>1,450</b>               | <b>5,862</b>           | <b>7,312</b>   |

Source: DHA, Strategy& analysis (1) includes ophthalmology, plastic, psychiatry, gastro & endocrinology, and urology among others.

### High dependence on expats in the workforce

In terms of workforce nationality distribution in 2018G, almost 95% of physicians and 99% of nurses consisted of expats. Additionally, expat physicians grew by a 7% CAGR between 2015G and 2018G, driven by the growth of expat physicians in the private hospitals at an 8% CAGR. The share of Emirati physicians and nurses in the private and public hospitals has limitedly varied between 2015G and 2018G; this reflects the historical reliance on expats, due to shortage in local talent.

**Table (3-39): Dubai Healthcare Workforce Participation by Sector (in 2015G – 2018G)**

| Provider Type  | Physicians                |                       |                          |               | Nurses                    |                      |                           |               |
|----------------|---------------------------|-----------------------|--------------------------|---------------|---------------------------|----------------------|---------------------------|---------------|
|                | Share of Emiratis (2015G) | Emiratis (2018e)      | Non-Emiratis (2018e)     | Total (2018e) | Share of Emiratis (2015G) | Emiratis (2018e)     | Non-Emiratis (2018e)      | Total (2018e) |
| Public Sector  | 19.1%                     | 282<br>(19.2%)        | 1,190<br>(80.8%)         | 1,472         | 1.1%                      | 41<br>(0.9%)         | 4,454<br>(99.1%)          | 4,496         |
| Private Sector | 2.4%                      | 150<br>(2.4%)         | 6,192<br>(97.6%)         | 6,342         | 0.1%                      | 31<br>(0.3%)         | 12,038<br>(99.7%)         | 12,070        |
| <b>Total</b>   | <b>6.1%</b>               | <b>432<br/>(5.5%)</b> | <b>7,382<br/>(94.5%)</b> | <b>7,814</b>  | <b>0.4%</b>               | <b>73<br/>(0.4%)</b> | <b>16,493<br/>(99.6%)</b> | <b>16,566</b> |

Source:DHA, Strategy& analysis.

### 3.2.1.4 Demand for care in Dubai

In line with the population growth, the demand for care in Dubai grew by around 8% CAGR for both outpatients and inpatients between 2015G and 2018G, reaching 11 million outpatients and 347,000 inpatients in 2018G. The demand was further accentuated by the push from DHA to position Dubai as a hub for medical tourism. In 2016G alone, 326,000 health tourists visited Dubai seeking medical treatments. Although a minority, Emiratis constitute nearly 25% of outpatient cases and 20% of inpatients admissions; in fact, Emirati visits per Emirati are three to four times higher than those of expats, for both outpatients and inpatients in 2018G. Looking into outpatient distribution by sector, expats drove the growth in demand in both public and private sectors, at a respective rate of 8.9% and 10.4% CAGR between 2015G and 2018G. Out of 8.2 million expat visits to outpatient clinics, nearly 85% were treated in private facilities. When it comes to inpatients, expats admissions in private hospitals have increased by nearly 16% CAGR between 2015G and 2018G, driving the overall growth in demand in the private sector market at a 12% CAGR.

### Medical Tourism in Dubai

DHA has already activated plans to promote Dubai as a hub for medical tourism, DHA conceived a new brand, Dubai Health Experience (DXH), which focuses on building ties with healthcare providers in Dubai in order to attract health tourists. In 2016G alone, 326,000 health tourists visited Dubai seeking treatments in areas such as aesthetic and plastic surgery, dentistry, health and wellness, dermatology and skin care, fertility treatment, ophthalmology, orthopedics and sports medicine. It is estimated that health tourists generated around SAR 1.43 billion in revenues in 2016G. By 2020G, DHA aims to attract 500,000 health tourists.

### Increased demand for healthcare services

The demand for care in Dubai grew by around 8% CAGR for both outpatients and inpatients between 2015G and 2018G due to the population growth, reaching around 11.3 million for outpatients and inpatients in 2018G. In detail, the number of outpatients increased at a CAGR of 7.9%, while the number of inpatient admissions increased at a CAGR of 8.3% from 2015G to 2018G.

**Table (3-40): Dubai Outpatient and Inpatient Cases (2015G - 2018G)<sup>(1)</sup>**

| No. of patients | 2015G            | 2018G (estimates) | CAGR<br>(15 - 18e) |
|-----------------|------------------|-------------------|--------------------|
| Outpatients     | 8,685,205        | 10,916,392        | 7.92%              |
| Inpatients      | 272,765          | 346,891           | 8.34%              |
| <b>Total</b>    | <b>8,957,970</b> | <b>11,263,283</b> | <b>7.93%</b>       |

Source: DHA, Strategy& analysis.

(1) Excludes cases of medical facilities regulated by the MOH and Prevention.

### Outpatient Clinics

Looking into outpatient distribution by sector, expats drove the growth in demand in both public and private sectors, at a respective rate of 8.9% and 10.4% CAGR between 2015G and 2018G. Out of 8.2 million expat visits to outpatient clinics, nearly 85% were treated in private facilities. This is normal given that the private insurance scheme provides patients with access to private hospitals, and in some cases, to DHA facilities. For Emiratis, almost 40% out of 2.7 million visits were treated in private facilities in 2018G. This is possible as Dubai nationals have access to private providers through government funded insurance schemes (e.g., SAADA, ENAYA).



**Table (3-41): Dubai Outpatient Cases by Nationality and Sector (2015G - 2018G)**

| Nationality  | # of Outpatients in Public Sector |                             |                    | # of Outpatients in Private Sector |                             |                    |
|--------------|-----------------------------------|-----------------------------|--------------------|------------------------------------|-----------------------------|--------------------|
|              | 2015G                             | 2018G<br>(estimates)        | CAGR<br>(15 – 18e) | 2015G                              | 2018G<br>(estimates)        | CAGR<br>(15 – 18e) |
| Emiratis     | 1,443,213<br>(65%)                | 1,606,161<br>(62%)          | 3.6%               | 1,105,996<br>(17%)                 | 1,095,650<br>(13%)          | -0.3%              |
| Non-Emiratis | 766,430<br>(35%)                  | 990,601<br>(38%)            | 8.9%               | 5,369,566<br>(83%)                 | 7,223,979<br>(87%)          | 10.4%              |
| <b>Total</b> | <b>2,209,643<br/>(100%)</b>       | <b>2,596,762<br/>(100%)</b> | <b>5.5%</b>        | <b>6,475,562<br/>(100%)</b>        | <b>8,319,630<br/>(100%)</b> | <b>8.7%</b>        |

Source: DHA, Strategy & analysis.

## Inpatient Cases

When it comes to inpatients, expats admissions in private hospitals have increased by nearly 16% CAGR between 2015G and 2018G, driving the overall growth in demand in the private sector market at a 12% CAGR. Moreover, out of 277K expat inpatient cases, almost 85% were admitted to private hospitals.

On the other hand, Emiratis' inpatient demand dropped by a 7% CAGR in the private sector and less than 1% in the public sector, re-iterating their shift in treatment setting from hospital admissions to outpatient clinics. In addition, out of nearly 70,000 Emirati admissions, 45% were to private hospitals.

**Table (3-42): Dubai Inpatient Cases by Nationality and Sector (2015G - 2018G)**

| Nationality  | # of Inpatients in Public Sector |                          |                    | # of Inpatients in Private Sector |                           |                    |
|--------------|----------------------------------|--------------------------|--------------------|-----------------------------------|---------------------------|--------------------|
|              | 2015G                            | 2018G<br>(estimates)     | CAGR<br>(15 – 18e) | 2015G                             | 2018G<br>(estimates)      | CAGR<br>(15 – 18e) |
| Emiratis     | 38,002<br>(47%)                  | 37,077<br>(48%)          | (0.8%)             | 40,705<br>(21%)                   | 33,172<br>(12%)           | (7%)               |
| Non-Emiratis | 43,319<br>(53%)                  | 40,169<br>(52%)          | (2.5%)             | 150,739<br>(79%)                  | 236,473<br>(88%)          | 16%                |
| <b>Total</b> | <b>81,321<br/>(100%)</b>         | <b>77,246<br/>(100%)</b> | <b>(1.7%)</b>      | <b>191,444<br/>(100%)</b>         | <b>269,645<br/>(100%)</b> | <b>12%</b>         |

Source: DHA, Strategy & analysis.

### 3.2.1.5 Overview of Dubai private healthcare providers

Total beds per 1,000 capita stood at 1.64 in 2017G, while private beds per 1,000 expat capita maintained a nearly constant rate since 2015G, indicating the growth of private beds in line with the population.

**Table (3-43): Dubai Beds per 1,000 Capita by Sector (2017G)**

| Sector         | # of Beds            | Beds per 1,000 Captive Capita |
|----------------|----------------------|-------------------------------|
| Public Sector  | 2,168 <sup>(1)</sup> | 8.84 <sup>(2)</sup>           |
| Private Sector | 2,718                | 1.00 <sup>(3)</sup>           |
| <b>Total</b>   | <b>4,886</b>         | <b>1.64</b>                   |

Source: Dubai Health Authority, Ministry of Health and Prevention, HmG, Strategy & analysis.

(1) Excludes non-functioning ones.

(2) Public beds per 1,000 Emirati.

(3) Private beds per 1,000 expat.



Moreover, the private sector market is highly fragmented and competitive; in 2017G, 10 players competed for nearly 60% of private beds through 15 hospitals.

**Table (3-44): Competitive Landscape of Private Healthcare Providers in Dubai (in %, 2017G)**

| Private Healthcare Providers    | # of Beds (2017G) <sup>(1)</sup> | Bed Share (2017G) |
|---------------------------------|----------------------------------|-------------------|
| Mediclinic Hospitals            | 359                              | 13%               |
| Al Jalila Hospital              | 246                              | 9%                |
| Iranian Hospital                | 222                              | 8%                |
| National Medical Care Hospitals | 168                              | 6%                |
| Saudi German Hospital           | 165                              | 6%                |
| Medcare Hospitals               | 162                              | 6%                |
| HmG Hospital                    | 151                              | 6%                |
| American Hospital               | 141                              | 5%                |
| Emirates Hospitals              | 116                              | 4%                |
| Al Zahra Hospital               | 108                              | 4%                |
| Others                          | 880                              | 32%               |
| <b>Total</b>                    | <b>2,718</b>                     | <b>100%</b>       |

Source: Dubai Health Authority, HmG, Strategy& analysis.

(1) Does not account for planned expansions.

### 3.2.1.6 Future outlook of the healthcare sector

#### Healthcare spend to grow further

Going forward, healthcare expenditure in Dubai is expected to grow. The primary driver of this growth will be the change in demography – against a modest 1.2% growth rate in UAE population from 2018G to 2030G, the proportion of over 60s will rise for 3% to 8%. These over 60s will also live longer on average as life expectancy continues to improve. In line with global trends, healthcare spend per capita is expected to grow as the population ages. Secondary drivers of the growth in healthcare expenditure will include the costs related to unhealthy lifestyles as obesity, diabetes and cardiovascular disease, among others take their toll. The roll out of mandatory insurance for expats in Dubai will also increase access to healthcare and drive expenditure. Moreover, positioning Dubai as a medical tourist hub is also expected to drive demand further, with plans to attract 500,000 medical tourists in 2020G.

Nevertheless, the private sector is expected to witness pricing pressures as new payment mechanisms are being tested and deployed (e.g., pay for performance). Moreover, with the formation of Dubai Healthcare Corporation, public providers are expected to undergo an efficiency drive to reduce government subsidies, with a potential to become key competitors to private providers in the future.

#### Plans to attract private sector investments

DHA embarked on 5-year strategy that was developed in 2016G. As part of this new strategy, DHA has defined eight objectives: Boost Dubai's position as global hub for medical education; prevent disease and promote health; provide attractive infrastructure for investments; encourage innovation in the healthcare sector; improve preventive healthcare measures; enhance the quality of medical insurance; and boost Dubai's position as a global hub for medical tourism. More specifically, DHA's strategy is being implemented through a number of programs, most of which require private sector participation. In fact, Investment and Partnership Department under DHA aims to promote Dubai as a viable and competitive hub for investment in healthcare. The department has already identified focus areas for the near future:

- In the next 2-3 years, the focus areas are the following: mental health; rehab and physical therapy; long term and extended care; tertiary care for diabetes and oncology; chronic disease management; home-based care; innovations in primary care; ambulatory care; urgent care clinics; diagnostic health and remote monitoring
- In the next 3-5 years, the focus areas will also include prevention and preventive medicine beyond the pill; precision medicine and genetics; population health management; and nursing homes and palliative care

## 3.2.2 Dubai pharmacy industry

### 3.2.2.1 Pharmacy Market Overview

#### Market Size

Total healthcare spending in Dubai is estimated at SAR 20.7 billion in 2018G, out of which pharmaceutical spend accounted for nearly SAR 4.3 billion. Pharmaceutical spending typically covers products consumed in inpatient settings, sold in outpatient pharmacies and sold in retail pharmacies. The market size of inpatient and outpatient pharmaceuticals is estimated at SAR 2.9 billion while the market size of pharmaceuticals sold through retail channels is estimated at SAR 1.4 billion. The focus of the following section is on assessment of retail pharmacy sector.

The total retail pharmacy market in Dubai has been steadily growing at 6% CAGR since 2015G to 2018G, reaching nearly SAR 2.9 billion in 2018G. The market has been growing driven by population growth, rapid expansion in healthcare insurance and increase in inbound medical tourism.

In terms of market segmentation, pharma products (e.g., prescription, OTC, and home healthcare) constitute almost 50% of the market as mentioned above. The remaining market comprises of non-pharma products such as beauty and personal care, and everyday essentials. There is a gradual product portfolio push from pharma to higher margin non-pharma products. One of the drivers for this is the consistent reduction in the prices of medicines, especially of branded ones, by the MOH and Prevention (MOHP).

#### Existing laws and regulations and their impact on growth of chained pharmacies

The key regulatory bodies for the Dubai pharmacy industry are Dubai Health Authority (DHA) and MOH and Prevention (MOHP).

#### Ownership requirements

- Owner must be a UAE citizen; licenses can be granted to companies
- Regulations require that there be a UAE national ownership of at least 51% of the shares of the company; however, UAE and other GCC nationals may own 100% of the shares of a pharmacy.

#### Number of pharmacies

- No person shall be licensed to open more than two pharmacies except for pharmacies located in hospitals
- In some instances, an exemption is sought and a “chain” license is obtained

#### Operations

- Pharmacy should be operated and managed by a registered pharmacist.
- Prices are fixed for medicines and pharmaceutical preparations. It is not permitted to exceed the selling price specified by MOHP or offer additional discounts from those prices.
- The pharmacy shall clearly display the hours of operation of the facility
- Pharmacies are not legally allowed to offer healthcare/clinic services unless they obtain a special license

#### Market share of independent pharmacies

There were an estimated number of 900 retail pharmacies in Dubai in 2018G. Chain pharmaceutical companies with more than 10 outlets (referred to in this section as “Outlets”) account for 70% of market, i.e. around 630 pharmacies. The market is fragmented, with the top 4 players constituting more than 50% of the chained market followed by a long chain of smaller players. Aster and Life are the two biggest players in the market.

#### Emerging market trends

The pharmacy retail market in Dubai is evolving, with chains exploring new ways of engaging customers. The following are some of the market trends that are being observed:

### Expansion of business to include distributorship

- Certain chained players are also taking up distributorship with pharmaceutical companies and are acting as suppliers/wholesalers for smaller and retail pharmacies

### Launch of digital sales channels

- Few pharmacies have dedicated websites and apps for their e-commerce platform, not just for OTC and non-pharma products but also for prescription medicines (e.g. patients upload the prescription and insurance documents and the medicine would be delivered to the patient)

### Opening of smart pharmacies

- Dubai Health Authority (DHA) has launched 5 smart pharmacies in Dubai. These robot-operated pharmacies can store up to 35,000 medicines, prepare 12 prescriptions in a minute and dispense 8,000 medicines in an hour.

#### 3.2.2.2 Implications of the market assessment on retail pharmacies

The implications of Dubai retail pharmacy market assessment can be summarized as follows:

#### Growth in demand driven by an increase in the insured population

- The new law, implemented over a 3-year phase, increased number of insured people significantly from nearly 35% of population in 2014G up to 98% in 2017G.
- As such, retail pharmacies are expected to see an increase in demand

#### Handful of players capture a dominant market share, with stricter controls on prices

- Top 4 players capturing a dominant market share of the chain market, with the remaining being fragmented across many pharmacies
- Regulations on pricing are bringing down the margins on pharma products

#### Limited value-added services focused on internet pharmacies

- Large retail pharmacies have recently expanded into e-commerce providing OTC, nutritional products and medical equipment
- DHA has introduced smart pharmacies; however, the rest of market in the Emirate of Dubai is still lagging behind

## 3.3 Healthcare sector in the Kingdom of Bahrain

### 3.3.1 Overview of Bahrain's economy and demographics

#### Dependence on oil

With a GDP of nearly SAR 367 billion in 2018G, oil and natural gas play a dominant role in Bahrain's economy. Despite the government's past efforts to diversify the economy, oil still comprises nearly 85% of Bahraini budget revenues.

#### Population density

Bahrain has the smallest population of the Gulf States, estimated at 1.6 million in 2018G. The population is spread across Manama (37%), Muharraq (18%), Northern (24%) and Southern (21%). Out of the 1.6 million, non-Bahrainis are slightly in the majority at 54% versus Bahraini nationals at 46%.

#### Population

In terms of age, Bahrain has a young population, with its median age at 32 years – this is comparable with other countries in the region, such as KSA (28 years) and UAE (30 years) but much lower than global comparators, such as the United Kingdom (41 years), Germany (47 years) and the average for OECD countries (37 years). Almost 46% of the Bahrain's population is under 30 years, 49% of the population is aged between 31 and 59 years while remaining 5% is older than 60 years.



Despite being young, the population suffers from chronic diseases caused by unhealthy practices, such as lack of physical activity and consumption of unhealthy foods. For instance, diabetic rates among adults is at nearly 16% versus an OECD estimated average of 6.8% and obesity levels are at 30% versus an OECD average of 20%. Only regional benchmarks have higher obesity levels among adults with UAE at 32% and KSA at 35%. In addition, the leading causes of mortality in 2016G were cardiovascular disease (28%), cancer (16%) and diabetes (14%).

### 3.3.2 Quality of Healthcare

The quality of healthcare in Bahrain has shown a significant and sustained improvement over recent years: from 2014G to 2017G the rate of infant mortality has fallen by 15% and now stands at 6.5 deaths per 1,000 live births, slightly better than the OECD average of 6.6 deaths per 1,000 live births. This rate is ahead of UAE (7.8 per 1,000 live births) and comparable to KSA (6.3 per 1,000 live births), but progress must continue if Bahrain is to rival the UK (3.9 per 1,000 live births) and Germany (3.4 per 1,000 live births). Life expectancy has also improved over this timeline, albeit less remarkably, from 76.6 years in 2014G to 77 years in 2017G. This compares well regionally with the UAE life expectancy estimated at 77.4 years and KSA at 74.9 years. However, progress is still required to catch up with the UK (81.1 years), Germany (80.8 years) and the OECD country average (79 years).

**Table (3-45): Selected Health Indications (2017G, or latest available data)**

| Country | Infant mortality<br>(1,000 live birth) | Crude death rate<br>(1,000 population) | Life expectancy<br>(Years) |
|---------|----------------------------------------|----------------------------------------|----------------------------|
| Bahrain | 6.5                                    | 1.9                                    | 77.0                       |
| UAE     | 7.8                                    | 1.6                                    | 77.4                       |
| KSA     | 6.3                                    | 2.9                                    | 74.9                       |
| UK      | 3.9                                    | 9.2                                    | 81.1                       |
| Germany | 3.4                                    | 11.7                                   | 80.8                       |
| OECD    | 6.6                                    | 8.4                                    | 79.0                       |

Source: KSA annual statistic book, Bahrain information and e-Government Authority, UK Office for National Statistics, World Bank, OECD.

### 3.3.3 Healthcare Expenditure

The total healthcare expenditure in Bahrain grew at 8% CAGR, from SAR 6.1 billion in 2015G to nearly SAR 7.6 billion in 2018G. This was primarily driven by population growth and associated demographics in addition to disease burden changes. Out of the SAR 7.6 billion healthcare expenditure, almost 66% are government spending while non-government spending accounted for 34%.

**Table (3-46): Healthcare Expenditure (2015G - 2018G)**

|                                | 2015G | 2016G | 2017G | 2018G<br>(estimates) | CAGR |
|--------------------------------|-------|-------|-------|----------------------|------|
| Population (million)           | 1.3   | 1.4   | 1.5   | 1.6                  | 5%   |
| Healthcare spend (SAR billion) | 6.1   | 6.6   | 7.1   | 7.6                  | 8%   |

Source: OECD and World Bank.

## Healthcare expenditure per capita

Against any benchmark, healthcare expenditure per capita (PPP) appears low in Bahrain around SAR 9,375/capita: this level of spending is only marginally lower than UAE (around SAR 9,720/capita) and KSA (around SAR 11,345/capita) but much lower than global benchmarks (around SAR 16,165/capita in UK, SAR 20,400/capita in Germany, and SAR 14,965/capita in OECD countries). The low spend could be explained by Bahrain's younger population who would have a lower demand for healthcare. However, Bahrain's health expenditure relative to regional benchmarks (UAE and KSA) may point to a degree of under investment.

**Table (3-47): Healthcare Expenditure Indicators (2017G, or latest available data)**

| Country | Healthcare spend / capita<br>(SAR PPP) | Median Age of Total Population<br>(Years) |
|---------|----------------------------------------|-------------------------------------------|
| Bahrain | 9,375                                  | 32                                        |
| UAE     | 9,720                                  | 30                                        |
| KSA     | 11,345 <sup>(1)</sup>                  | 28                                        |
| UK      | 16,165                                 | 41                                        |
| Germany | 20,400                                 | 47                                        |
| OECD    | 14,965                                 | 37                                        |

Source: Fitch Solutions, OECD, World Bank, CIA Factbook.

(1) Healthcare expenditure in Bahrain is based on 2018G figures

## 3.3.4 Overview of the healthcare ecosystem in Bahrain

### Provisional Capacity

Bahrain's healthcare provision capacity lags behind selected benchmarks on almost every metric compared to the UK, Germany, and OECD countries. One exception is that Bahrain has slightly more beds per 1,000 capita than UAE; another is that physician per capita is higher than the UK.

**Table (3-48): Healthcare Provision Capacity (2017G)**

| Country | No. of beds /<br>1,000 capita | No. of physicians /<br>1,000 capita | No. of nurses /<br>1,000 capita |
|---------|-------------------------------|-------------------------------------|---------------------------------|
| Bahrain | 1.7                           | 2.3                                 | 3.9                             |
| UAE     | 1.5                           | 2.4                                 | 5.7                             |
| KSA     | 2.2                           | 2.9                                 | 5.7                             |
| UK      | 2.6                           | 2.1                                 | 6.4                             |
| Germany | 6.1                           | 6.2                                 | 14.9                            |
| OECD    | 4.6                           | 3.3                                 | 9.0                             |

Source: KSA annual statistic book, Bahrain information and e-Government Authority, UAE Federal Competitiveness and Statistics Authority, Fitch Solutions, OECD, and World Bank.

In 2017G, Bahrain had 59 hospitals with almost two thirds (63%) operated by the Government. Since 2015G, private hospitals have increased in number by 4, but this has not impacted total bed numbers as existing private facilities have scaled back/closed beds. In essence, bed numbers have remained constant at 2,600 from 2015G to 2017G. Three Government hospitals dominate the inpatient landscape with Salmaniya Medical Complex, Military Hospital and King Hamad University Hospital supplying approximately 920, 470 and 320 beds respectively.

## Healthcare management

Bahrain appears to have a robust approach for managing care in the setting of lowest complexity with 57 outpatient episodes for every inpatient episode in 2017G. In total, there were around 7.5 million outpatient episodes and 130,000 inpatient episodes in 2017G. The private sector is assuming a greater role in outpatient care with a growth in treated patients of 9% from 2015G to 2017G. Government involvement in outpatient care fell by 2% over this period. This contrasts with the evolving roles of the private and government sectors in inpatient care with private sector involvement falling by 4% by patient volume 2015G-2017G and Government involvement growing by 2% over the same period.



### 3.3.5 Future outlook of the healthcare sector

According to a review of Bahrain's demographic characteristics and future outlook, healthcare expenditure is expected to grow by 7% p.a., reaching SAR 10.9 billion by 2023G with no change predicted in the landscape of payers, which will continue to fund two thirds of healthcare costs. Expectations of health expenditure in Bahrain are based on several key factors, including significant population growth of 25% to reach 2 million by 2030G, and aging, over 60s, which double their proportion of the population to constitute 9% by 2030G, not to mention the growing number of patients due to adopting unhealthy lifestyles.



## 4- Overview of the Company and its Business

### 4.1 General Overview and Introduction of the Company's History

Dr. Sulaiman Al-Habib Medical Services Group Company ("**the Company**" or "**the Issuer**") is a Saudi joint stock company established pursuant to Ministerial Resolution No. (38/Q) dated 26/02/1435H (corresponding to 29/12/2013G) under Commercial Registration No. 1010118330 dated 11/06/1414H (corresponding to 25/11/1993G), located at King Fahd Road, Olaya District, Riyadh. The Company's current share capital is SAR 3,500,000,000, divided into three hundred fifty million (350,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, (hereinafter referred to, with its Subsidiaries, as the "**Group**" or "**HMG**").

The Company was initially established as a sole proprietorship under the name of "Dr. Sulaiman Abdulaziz Al-Habib Medical Services Clinics Complex" under Commercial Registration No. 1010118330 dated 11/06/1414H (corresponding to 25/11/1993G), with a share capital amounting to SAR 100,000. On 23/05/1428H (corresponding to 10/06/2007G). The sole proprietorship was converted to a limited liability company under the name of "Dr. Sulaiman Al-Habib Medical Services Clinics Complex Company" under the same commercial registration number, with a capital of SAR 500,000 and consisting of 500 shares, each valued at SAR 1,000, through a capital increase by the Shareholders in equal proportions.

The Company changed its name on 11/07/1431H (corresponding to 23/06/2010G) to "Dr. Sulaiman Al-Habib Medical Services Clinics Complex Holding Company" and became a holding company focused on the management of the operations and business of its Subsidiaries. The Company establishes, manages and operates health facilities and provides administrative, medical and technical services for the management of its health facilities and its Subsidiaries. In addition, the Company provides support services including financial affairs, IT, HR, logistics, business development, legal affairs and compliance. As part of its project management services, the Company also provides design and supervision services to establish new medical facilities of the Company or other entities.

After the Company become a holding company, the Shareholders decided on 10/08/1433H (corresponding to 30/06/2012G) to transfer all the assets and liabilities of Olaya Medical Complex from the Company to an independent company called Olaya Medical Company in order to classify the financial results of Olaya Medical Company in separate financial statements of the Company. The results of operations of Olaya Medical Complex were previously included in the Company's results of operations and not included as an independent Subsidiary. As a result, the Issuer became a holding company whose role was to manage the Group's Subsidiaries. In addition, Olaya Medical Complex became a Subsidiary engaged in operational activities. This conversion became effective as of 07/02/1433H (corresponding to 01/01/2012G). This development was an internal agreement between the Company and its Subsidiary and resulted in no operational changes since Olaya Medical Complex was administratively and operationally independent prior to the transfer of its assets.

Pursuant to the Shareholders' resolution dated 27/01/1435H (corresponding to 30/11/2013G), the Company's capital was increased to SAR 2,000,000 divided into 200,000 ordinary shares, with a nominal value of SAR 10 per share, by capitalizing SAR 1,500,000 from the retained earnings. On 26/02/1435H, (corresponding to 29/12/2013G), the Company was converted from a limited liability company into a closed joint stock company under the Minister of Commerce and Investment Resolution No. (38/Q) dated 26/02/1435H (corresponding to 29/12/2013G). On 19/08/1435H (corresponding to 17/06/2014G), the Holding Company again changed its name to "Dr. Sulaiman Al-Habib Medical Services Group Holding Company" under the Extraordinary General Assembly resolution of 19/08/1435H (corresponding to 17/06/2014G).

Pursuant to the decision of the Extraordinary General Assembly meeting held on 01/04/1436H (corresponding to 21/01/2015G), the Company's capital was again increased to SAR 2,800,000,000, divided into 280,000,000 ordinary shares, with a nominal value of SAR 10 per share, by capitalizing SAR 2,798,000,000 from the retained earnings.

Pursuant to the decision of the Extraordinary General Assembly meeting held on 26/10/1436H (corresponding to 11/08/2015G), the Company's capital was again increased to SAR 3,500,000,000 divided into 350,000,000 ordinary shares, with a nominal value of SAR 10 per share, by capitalizing SAR 700,000,000 from the retained earnings.

Pursuant to the decision of Extraordinary General Assembly dated 10/01/1438H (corresponding to 11/10/2016G), the Company changed its name again to become “Dr. Sulaiman Al-Habib Medical Services Group Company” as a result the new Companies Law on 28/01/1437H which provided for certain restrictions regarding the activities and businesses that could be conducted by companies classified as holding companies.

#### 4.1.1 Overview of the Group and its Activities

The Group has been in business for more than 20 years and is one of the largest providers of private healthcare services in the Kingdom and the region. The Group’s principal activities are setting up, managing and operating medical facilities, pharmacies, and medical diagnostic and radiological laboratories. HMG currently conducts its business through the operation and management of seven health facilities, namely: (1) Olaya Medical Complex which consists of (a) Olaya Medical Company that operates outpatient clinics (“**Outpatient Clinics Complex**”) and its branches including: (b) Bone, Joint and Spine Hospital Company (“**Spinal Hospital**”), (c) Al Mustaqbal for Hospitals Development Company (“**Maternity Hospital**”), and (d) IVF Center, (2) Dr. Sulaiman Al-Habib Hospital FZ-LLC (“**Dubai Hospital**”) and its branch Dr. Sulaiman Al-Habib Medical Center (“**Dubai Medical Center**”) at Sheikh Zayed Street, (3) Sehat Al Suweidi Medical Company (“**Suweidi Hospital**”), (4) Buraidah Al Takhassusi Hospital for Healthcare Company (“**Qassim Hospital**”), (5) Sehat Al Sharq Medical Limited Company (“**Khobar Hospital**”), (6) Rayan Hospital for Healthcare Co. (“**Rayan Hospital**”), and (7) Al Gharb Al Takhassusi Hospital for Healthcare Company (“**Takhassusi Hospital**”).

The Group also provides management and operating services to third parties where it operates and manages the UMC in King Abdullah Medical City in Bahrain (please refer to section 12.9 “**Agreements on Management and Operation of Health Facilities**” of this Prospectus for further details on this Agreement). In addition, it operates intensive care units in a number of health facilities of MOH in several cities in the Kingdom (please refer to section 12.9 “**Agreements on Management and Operation of Health Facilities**” of this Prospectus for further details on these Agreements).

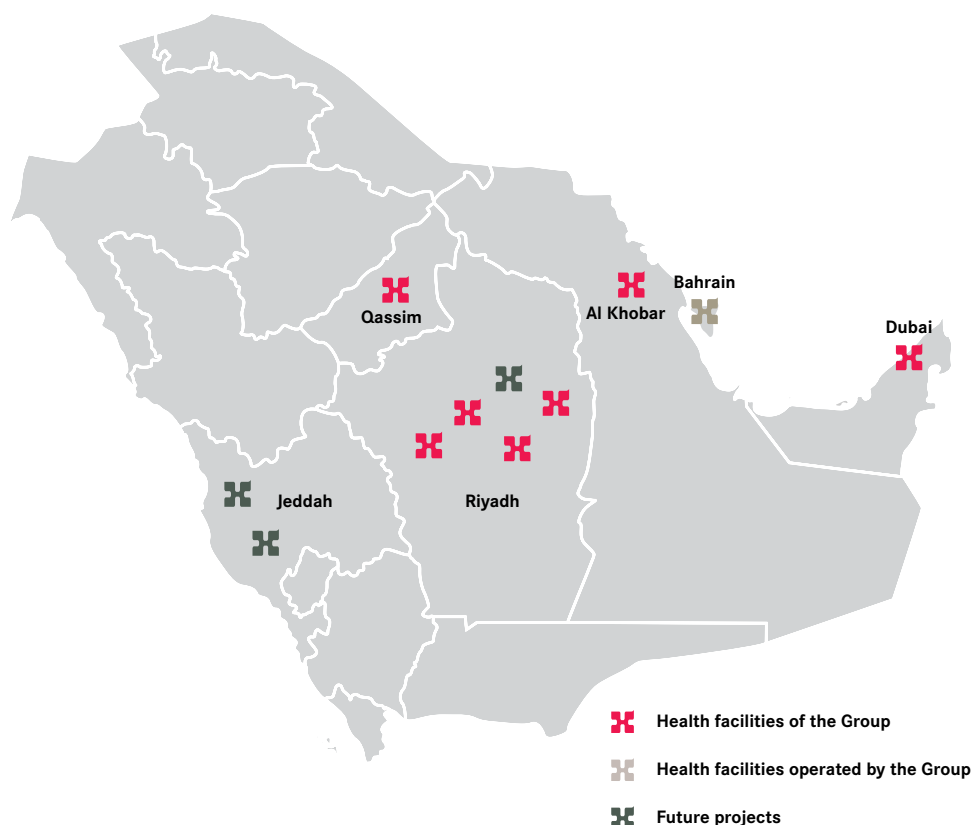
Moreover, the Group operates its pharmaceutical business through the operation and management of Middle East Pharmacies Company (“**MEP**”) and Afia Pharmacies Company (“**Afia Pharmacies**”), through which it manages and operates pharmacies in its health facilities in the Kingdom. In Dubai, the Group operates its pharmaceutical business via Pharmachoice, through which it operates and manages its own pharmacy in Dubai (collectively, “**Al-Habib Pharmacies**”).

The Group also carries out other healthcare and support services (“**HMG Solutions**”) through the operation and management of Al Mokhtabarat Diagnostic Medical Company (“**MD Labs**”) and the Home Healthcare Company (“**HHC**”), which operates home care services (please refer to section 12.13 “**Transactions and Internal Contracts between the Company and its Subsidiaries**” of this Prospectus for further details of this Agreement). Furthermore, the Group provides information technology and systems services through its Subsidiary, Cloud Solutions for Communications and Information Technology (“**Cloud Solutions**”), and facility maintenance services through its Associate, Saudi Serco Services Company (“**Serco Services**”).

The Group is currently designing, establishing and developing three private health facilities in the Kingdom: (1) Shamal Al Riyadh for Healthcare Company (“**North Riyadh Hospital**”) located on King Fahd Road, Al-Sahafa District, Riyadh; and (2) Gharb Jeddah Hospital Company (“**South West Jeddah Hospital**”) located on Prince Majid Road, Al-Fayhaa District, Jeddah, and (3) Al Muhammadiya Hospital for Healthcare Company (“**North Jeddah Hospital**”) located on Prince Sultan Street, Mohammedia District, Jeddah. The Group is also considering the establishment of one of the largest private health complexes in the Kingdom in Qurtoba District in Riyadh, where it established Al Wosta Medical Limited Company (“**Qurtoba Hospital**”) in partnership with Jarir for Commercial Investment Company and purchased the project land with an area of 129,143.30 m<sup>2</sup>. However, no decision was made with regard to the commencement of this project as of the date of this Prospectus (please refer to section 4.9 “**Future Projects**” of this Prospectus for further details).

As of 31/03/2019G, 10,475 employees, including 2,085 doctors work for HMG. The total number of the Group’s clinics and beds is 1,064 clinics and 1,455 beds for inpatient services (as of the date of this Prospectus, the total number of clinics and beds has increased to 1,371 and 1,913, respectively during Q2 of 2019G). During 2018G, HMG received about 3 million patients. The total assets of the Group amounted to SAR 7.5 billion as of 31/12/2018G. In addition, the Group achieved revenues of SAR 4.6 billion and net income of SAR 800.1 million in 2018G.

Here is a Map showing the Group Health Facilities:



Source: The Company.

#### 4.1.2 Accreditations, Certificates, Awards and Key Medical Achievements

In order to provide patients with the highest level of medical services, HMG is committed to using the latest medical technologies available and recruiting highly qualified Health Practitioners in its health facilities, which are designed according to the highest global medical standards in order to provide patients with the highest possible levels of medical services. The Group's hospitals have numerous local and international accreditations, certificates and awards, as the majority of its health facilities have been accredited by CBAHI, JCI, CAP, HIMSS and AABB. The Group has also made medical achievements in the private health sector, which reflect the Group's focus on providing high quality services, while also demonstrating the Group's commitment to providing comprehensive, specialized and advanced medical care to patients. The following is a brief description of these accreditations, certificates and achievements and their importance:

##### Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) Accreditation

Six of the Group's medical facilities and MD Lab's facilities have been accredited by CBAHI in the Kingdom, the official body authorized to grant accreditation to all public and private healthcare facilities in the Kingdom. This accreditation became a pre-condition for the renewal of hospital licenses issued by MOH starting in 2018G. The accreditation certificate is granted to health institutions after a comprehensive and complete evaluation to ensure that the health facility complies with quality and patient safety standards. Re-evaluation is made and certificates are granted every three years from the date of accreditation.

The CBAHI accreditation is used as a methodology for evaluating health institution's application of all national hospital standards issued by CBAHI. The accreditation certificate refers to excellence in the quality of healthcare services and the achievement of requirements of the MOH's laws and regulations. The accreditation criteria cover all aspects of the health facility in question including, but not limited to, organizational and administrative structure, doctors, nursing, quality management and patient safety, patient and their family rights, anesthesia care, operation rooms, intensive care, obstetrics and gynecology, dialysis, emergency services, radiology services, dentistry, management of medical information and records, infection control, specialized services, drug management, and facility management, as well as safety.

## **Joint Commission International (JCI) Accreditation**

Six of the Group's medical facilities have been accredited by JCI, located in the United States, which is one of the world's leading accreditation entities for health facilities.

This accreditation reflects the Group's excellence in healthcare quality. Accreditation standards cover all aspects of the relevant health facility, including, but not limited to, patient safety and experience while receiving treatment within the Group's health facilities, application of the highest international standards for patient assessment, diagnosis and education on the condition and treatment to be provided, involvement of the community in healthcare, as well as involvement and responsibilities of senior management in healthcare, the institution's ability to combat infections, level of medical quality and continuous development, human resources and employee evaluation standards, health facility safety and medical device standards, efficient management of medical files and health information, high clinical medical experience, safe facilities, and quality of applicable medical systems.

## **College of American Pathologists (CAP) Accreditation**

Six of the Group's medical facilities and MD Lab's facilities have been accredited by CAP, the world's highest global standard in the field of laboratories and blood banks. The CAP's assessment program is designed to ensure the highest quality standards in accredited laboratories.

Thanks to the excellence of the Group's laboratories, it has obtained lab accreditation from CAP after the CAP evaluation committee conducted inspection visits to the laboratories to review laboratory methods, safety, administrative management and effectiveness of materials and devices. In addition, staff qualifications and laboratory management in general were evaluated. Accreditation of the Group's laboratories reflects the high professional accreditation of the human resources working in its laboratories, as well as the technical development of the used medical devices and their fulfillment of all the requirements of the CAP's accreditation program. Inspections are conducted on a biennial basis to ensure compliance with the required standards.

Throughout the accreditation period, CAP sends samples to be analyzed and tested and then re-sends them again to evaluate the results of the sample tests and ensure that the CAP policies are consistent with those applied in the laboratories of the Group.

The CAP accreditation ensures the highest standards of laboratory services and accurate results of tests. Consequently, it ensures accurate diagnosis of the patient and helps to comply with the requirements by full compliance with the laboratory standards in line with scientifically approved standards.

## **Healthcare Information and Management Systems Society (HIMSS) Accreditation**

Five HMG health facilities have been awarded HIMSS Analytics EMRAM Stage 6 accreditation. The HIMSS Analytics is an affiliate of Healthcare Information and Management Systems Society (HIMSS) based in the United States. HIMSS is a non-profit organization founded in 1961G to improve the quality and efficiency of healthcare services through optimal use of health technologies and systems.

EMRAM has been developed as a follow-up and evaluation method for a health institution's implementation of electronic medical record system by tracking the progress of the health facility within eight stages (0 to 7). The EMRAM Stage 6 accreditation includes application and use of clinical information technology and advanced safety features that enhance the quality of patient healthcare, including automation of the introduction of doctors' instructions via computers, closed loop drug disposal by checking prescribed drugs and patients through the barcode system, treatment plans, medical documentation, decision support system for drug interactions according to specialized practices and studies, completion of radiography directly across the network and without filming, intelligent pharmacy inventory, drug dispensation management, coding of pharmacy contents, drugs and patient information, and integration with medical devices and laboratories.

The electronic medical record system enables the health facility to provide patients with comprehensive healthcare through information contributing to the patient's service and the development of scientific research. The system also provides the hospital with medical and administrative reports and statistics that serve its activities. In addition, the system can be connected with other hospitals and medical devices, and helps to improve and increase accuracy of the electronic medical record data. It also helps to improve the quality of healthcare provided to the patient by providing the necessary information in a timely manner, minimizing human intervention, supporting the user with the right decision, raising the efficiency of health services and saving costs through rapid exchange of information.

## AABB (formerly known as the American Association of Blood Banks) Accreditation

Four HMG health facilities have been accredited by AABB, a world leader in developing standards, applying quality systems for blood transfusion, providing cell therapy services and granting accreditations within the United States and around the world.

The Group's health facilities comply with the highest quality standards and have met more than 500 quality standards in accordance with internationally accepted requirements. Blood banks in the Group's facilities have been evaluated by international experts to measure their compliance with AABB standards and internationally accepted standards for quality management system and safety programs. The evaluation examined blood donation and transfusion records, inspected blood bank facilities and mechanism of blood transfusion from donor to patient, and considered the scientific qualifications and experiences of human cadres working in blood banks. The AABB Accreditation confirms that health facilities apply all aspects related to quality control, international standards and specifications and the safety of donors and patients in the stages of donation, examination, separation of components, and blood transport, as well as preservation.

The following table shows the accreditations granted to the Group's health facilities:

**Table (4-1): Accreditations granted to the Group's health facilities**

| No. | Health Facility     | Issuer                                              | Accreditation                                            | Expiry date |
|-----|---------------------|-----------------------------------------------------|----------------------------------------------------------|-------------|
| 1.  | Takhassusi Hospital | JCI                                                 | Hospital accreditation certificate                       | 02/11/2020G |
|     |                     | CBAHI                                               | Hospital accreditation certificate                       | 29/08/2019G |
|     |                     | CAP                                                 | Laboratory accreditation certificate                     | 21/01/2020G |
|     |                     | AABB                                                | Blood bank accreditation certificate                     | 31/03/2020G |
|     |                     | Surgical Review Corporation (SRC)                   | Quality certificate for treatment and surgery of obesity | 12/2021G    |
|     |                     | Surgical Review Corporation (SRC)                   | Quality certificate for obesity treatment anesthesia     | 12/2021G    |
|     |                     | Surgical Review Corporation (SRC)                   | Quality certificate for plastic surgery                  | 12/2021G    |
|     |                     | HIMSS                                               | EMRAM Stage 6                                            | 12/2021G    |
| 2.  | Rayan Hospital      | JCI                                                 | Hospital accreditation certificate                       | 06/10/2020G |
|     |                     | CBAHI                                               | Hospital accreditation certificate                       | 10/11/2019G |
|     |                     | CAP                                                 | Laboratory accreditation certificate                     | 21/01/2020G |
|     |                     | AABB                                                | Blood bank accreditation certificate                     | 31/03/2020G |
|     |                     | Surgical Review Corporation (SRC)                   | Quality certificate for obesity surgical anesthesia      | 12/2021G    |
|     |                     | Surgical Review Corporation (SRC)                   | Quality certificate for treatment and surgery of obesity | 12/2021G    |
|     |                     | HIMSS                                               | EMRAM Stage 6                                            | 12/2021G    |
| 3.  | Qassim Hospital     | JCI                                                 | Hospital accreditation certificate                       | 09/11/2020G |
|     |                     | CBAHI                                               | Hospital accreditation certificate                       | 29/08/2019G |
|     |                     | HIMSS                                               | EMRAM Stage 6                                            | 12/2021G    |
|     |                     | CAP                                                 | Laboratory accreditation certificate                     | 13/03/2021G |
| 4.  | Dubai Hospital      | JCI                                                 | Hospital accreditation certificate                       | 06/09/2021G |
|     |                     | CAP                                                 | Laboratory accreditation certificate                     | 05/03/2021G |
|     |                     | Compliance Evaluation Accreditation Center          | ISO 15189:2012 Medical laboratories                      | 09/11/2020G |
|     |                     | Center for Planning and Quality of Medical Services | Quality standards for outpatient clinics                 | 25/02/2021G |



| No. | Health Facility       | Issuer                                    | Accreditation                                                                         | Expiry date |
|-----|-----------------------|-------------------------------------------|---------------------------------------------------------------------------------------|-------------|
| 5.  | Suweidi Hospital      | JCI                                       | Hospital accreditation certificate                                                    | 30/03/2020G |
|     |                       | CBAHI                                     | Hospital accreditation certificate                                                    | 14/03/2021G |
|     |                       | CAP                                       | Laboratory accreditation certificate                                                  | 17/04/2020G |
|     |                       | AABB                                      | Blood bank accreditation certificate                                                  | 31/03/2020G |
|     |                       | PLANETREE                                 | Certificate of Gold Quality in Patient and Visitor Care                               | 17/05/2021G |
|     |                       | HIMSS                                     | EMRAM Stage 6                                                                         | 08/2020G    |
| 6.  | MD Labs               | CBAHI                                     | Blood bank and lab accreditation certificate                                          | 15/08/2020G |
|     |                       | CAP                                       | Laboratory accreditation certificate                                                  | 16/04/2020G |
| 7.  | HMG                   | AABB                                      | Blood bank accreditation certificate                                                  | 31/03/2020G |
|     |                       | TUV Nord                                  | ISO -20000-1: 2011                                                                    | 01/06/2021G |
|     |                       | TUV Nord                                  | ISO 1313:27001                                                                        | 07/08/2020G |
|     |                       | CBAHI                                     | Hospital accreditation certificate                                                    | 10/10/2020G |
|     |                       | ECRI Institute                            | International accreditation for the application of medical engineering best practices | 10/2021G    |
| 8.  | Olaya Medical Complex | HIMSS(1)                                  | EMRAM Stage 6                                                                         | 12/2021G    |
|     |                       | College of American Pathologists (CAP)(2) | Laboratory accreditation certificate in Olaya Medical Complex                         | 04/03/2021G |
|     |                       | JCI                                       | Accreditation certificate of the Spinal Hospital                                      | 19/10/2020G |
|     |                       | CBAHI                                     | Accreditation certificates of the Spinal Hospital and Maternity Hospital              | 08/01/2022G |
|     |                       | Surgical Review Corporation (SRC)         | Bone surgery quality certificate of Maternity Hospital                                | 12/2021G    |

Source: The Company.

The following table indicates the local and international awards obtained by the Group:

**Table (4-2): Local and international awards obtained by the Group**

| No. | Award                                                                                                                              | Facility obtaining the award | Date  |
|-----|------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------|
| 1.  | National Patient Safety Award                                                                                                      | HMG                          | 2018G |
| 2.  | Digital Healthcare Award by HIMSS Middle East                                                                                      | Suweidi Hospital             | 2017G |
| 3.  | Excellence in Talent Management Award in the Middle East and North Africa by the Middle East and South Africa HR Conference (HCFM) | HMG                          | 2016G |
| 4.  | Top Popular Brand Award in the Kingdom according to a study prepared by Ipsos                                                      | HMG                          | 2015G |
| 5.  | Excellence in Patient Centered Care Award by Arab Health Conference                                                                | HMG                          | 2015G |
| 6.  | European Quality Award by the European Business Assembly                                                                           | HMG                          | 2015G |
| 7.  | Best Newcomer Award in the Market by the Healthcare Information and Management Systems Society - Middle East (HIMSS Middle East)   | Dubai Hospital               | 2015G |
| 8.  | Best Brand Award for EMRAM by Healthcare Information and Management Systems Society - Middle East (HIMSS Middle East)              | Dubai Hospital               | 2015G |





| No. | Award                                                                 | Facility obtaining the award | Date  |
|-----|-----------------------------------------------------------------------|------------------------------|-------|
| 9.  | Medical Excellence Award by MEED                                      | KAMC UMC                     | 2014G |
| 10. | Human Resource Development System Award by ASIA HRD                   | HMG                          | 2014G |
| 11. | Hospital of the Future Award by AVAYA                                 | Dubai Hospital               | 2014G |
| 12. | Hospital of the Future Award by GITEX                                 | Dubai Hospital               | 2014G |
| 13. | ICT Achievement Award by GITEX                                        | Dubai Hospital               | 2014G |
| 14. | Most Influential Brand Award in the Arab World by Forbes              | HMG                          | 2013G |
| 15. | Excellence in Patient Safety by Arab Health Conference                | HMG                          | 2013G |
| 16. | Excellence in Surgery Award by Arab Health Conference                 | HMG                          | 2013G |
| 17. | Best Nationalization Initiative Award by HR Awards                    | HMG                          | 2013G |
| 18. | Best Escalation Management Program Award by Insights Call Center      | HMG                          | 2013G |
| 19. | Best Escalation Management Program Award by Insights Flag Pioneer     | HMG                          | 2013G |
| 20. | HR Excellence Award by Arab Health Conference                         | HMG                          | 2012G |
| 21. | Roche Excellence in Laboratory Award by Arab Health Conference        | HMG                          | 2011G |
| 22. | Excellence in Radiology and Diagnosis Award by Arab Health Conference | HMG                          | 2011G |

Source: The Company.

### Key Medical Achievements:

Through its various health facilities, the Group offers advanced medical services, highly critical operations, quality of service and indicators aimed at improving the patient's experience and attention to safety. The key medical achievements attained by the Group in several fields include:

- 1- **Emergency:** The Group's emergency departments operate around the clock and are characterized by the competencies and expertise to deal with the most serious cases of strokes, heart attacks, direct injuries, fractures due to accidents, internal diseases, diabetes, inflammations of all kinds, and emergency surgical diseases. It has child and obstetric emergency departments with high quality medical staff.
- 2- **Intensive Care:** The Group has more than 650 intensive care beds divided into intensive care beds for adults, children, preterm infants and newborns. The intensive care departments have highly equipped medical devices and qualified medical staff. It is worth mentioning that the Group's intensive care departments obtained the first national award for patient safety from the Saudi Patient Safety Center after receiving the highest assessment in the Kingdom in terms of quality indicators and patient safety.
- 3- **Advanced Technologies in Medical Care:** The Group is characterized by its optimal use of technology in order to serve the patients and improve the medical quality. It includes:
  - a- **Tele ICU Command Center:** The Middle East's first 24-hour ICU command center; it oversees 796 ICU beds in the Group's health facilities in KSA, Dubai and Bahrain, and on 31/07/2019G the Guinness World Records recognized it as the world's largest Tele ICU Command Center in the world.
  - b- **Tele Radiology Center:** All the Group's facilities have been connected to a diagnostic radiographic command and control center that allows the doctor to read the radiographic reports and provide rapid diagnostic service, which has a great impact on the quality and speed of the medical service.
  - c- **Emergency Command and Control Center:** The Group has linked all emergency departments and ambulances to a command and control center that directs and supervises the movement of ambulances to reduce the patient's arrival time, conducts remote medical supervision of the patient until their arrival and then supervises the medical condition of the patient until he/she is discharged from the emergency department.



- 4- **Heart Disease:** Renal denervation is the most advanced operation for the treatment of high blood pressure in the GCC countries. This procedure was telecast live via satellite in an International Cardiology Conference held in the USA in June 2013G. The Group also has specialized centers for cardiac catheterization with high techniques. Many complex open-heart and valve replacement surgeries have been performed for a large number of patients with success rates consistent with the international practices.
- 5- **Surgery:** The Group performed the first pediatric microvascular surgery through free flap, which is a very complicated surgery. The Group is a pioneer in advanced neurosurgeries for treatment of drug-resistant epilepsy. The Group also performed advanced surgeries such as adjusting the back curvature through magnetic rods. They are the first operations performed in the private sector in the Kingdom and the GCC countries.
- 6- **Obesity Treatment:** The Group provides modern and specialized centers for the treatment of obesity in a number of its health facilities. Rayan Hospital has been accredited by the Surgical Review Corporation ("SRC") as it ensures the highest quality standards in the treatment of obesity diseases, whether with surgical intervention or not. These centers design customized and integrated programs that meet the needs of obese patients. The medical team identifies appropriate solutions for patients by performing surgeries and diet programs using modern techniques and devices in this field, such as oral balloon, and some diet-specific foods.
- 7- **Organ Transplantation:** The kidney transplant program was successfully launched in 2017G at Suweidi Hospital and approved by the Saudi Center for Organ Transplantation. An integrated program with different specialties was established to follow up the transplantation patient and ensure that he/she receives comprehensive medical care.
- 8- **Oncology and Chemotherapy:** At Suweidi Hospital, the Group has an oncology center with the latest technology for the diagnosis and treatment of all types of tumors and has at its disposable biological as well as chemical drugs.

### 4.1.3 Company Ownership Structure

The Company's current capital is SAR 3,500,000,000, divided into 350,000,000 ordinary shares with a fully paid nominal value of SAR (10) per share. The following table shows the Company's shareholding structure before and after the Offering:

**Table (4-3): Company's Shareholding Structure before and after the Offering**

| Shareholders                                                            | Pre-Offering       |                     |                      |                        | Post-Offering      |                     |                      |                        |
|-------------------------------------------------------------------------|--------------------|---------------------|----------------------|------------------------|--------------------|---------------------|----------------------|------------------------|
|                                                                         | No. of Shares      | Nominal Value (SAR) | Direct Ownership (%) | Indirect Ownership (%) | No. of Shares      | Nominal Value (SAR) | Direct Ownership (%) | Indirect Ownership (%) |
| Sulaiman Abdulaziz Sulaiman Al-Habib <sup>(1) (2)</sup>                 | 157,488,333        | 10                  | 45.00%               | 3.67%                  | 140,105,000        | 10                  | 40.03%               | 3.67%                  |
| Thabat Business Company Ltd.                                            | 12,845,000         | 10                  | 3.67%                | -                      | 12,845,000         | 10                  | 3.67%                | -                      |
| Mohammed Abdulaziz Al-Habib and Sons Holding Company <sup>(1) (3)</sup> | 152,903,333        | 10                  | 43.69%               | 4.98%                  | 118,136,666        | 10                  | 33.75%               | 4.98%                  |
| Jawharat Al Bahr Investment Company                                     | 17,430,000         | 10                  | 4.98%                | -                      | 17,430,000         | 10                  | 4.98%                | -                      |
| Hesham Sulaiman Abdulaziz Al-Habib                                      | 7,000,000          | 10                  | 2.00%                | -                      | 7,000,000          | 10                  | 2.00%                | -                      |
| Mohammed Sulaiman Abdulaziz Al-Habib <sup>(1)</sup>                     | 2,333,334          | 10                  | 0.67%                | -                      | 1,983,334          | 10                  | 0.57%                | -                      |
| Public                                                                  | -                  | -                   | -                    | -                      | 52,500,000         | 10                  | 15.00%               | -                      |
| <b>Total</b>                                                            | <b>350,000,000</b> | <b>10</b>           | <b>100%</b>          | <b>8.65%</b>           | <b>350,000,000</b> | <b>10</b>           | <b>100%</b>          | <b>8.65%</b>           |

Source: The Company.

(1) Selling Shareholder.

(2) Sulaiman Abdulaziz Sulaiman Al-Habib indirectly owns 12,845,000 shares (3.67%) of the Company's shares before and after the Offering through Thabat Business Company Ltd. (which directly owns 12,845,000 shares (3.67%) of Issuer's shares). Sulaiman Abdulaziz Sulaiman Al-Habib directly and indirectly owns 100% of the shares of Thabat Business Company Ltd. (1% owned by Sulaiman Abdulaziz Sulaiman Al-Habib and 99% owned by Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company, which is 100% directly owned by Sulaiman Abdulaziz Sulaiman Al-Habib).

(3) Mohammed Abdulaziz Al-Habib and Sons Holding Company indirectly owns 17,430,000 shares (4.98%) of the Issuer's shares before and after the Offering through the ownership of the entire shares of Jawharat Al Bahr Investment Company, which directly owns 17,430,000 shares of the Issuer's shares.



The following table shows the Company's Substantial Shareholders according to their direct and indirect ownership as of the date of this Prospectus:

**Table (4-4): Company's Direct and Indirect Substantial Shareholders as of the date of this Prospectus**

| Shareholders                                                        | Pre-Offering       |                      |                      |                        | Post-Offering      |                      |                      |                        |
|---------------------------------------------------------------------|--------------------|----------------------|----------------------|------------------------|--------------------|----------------------|----------------------|------------------------|
|                                                                     | No. of Shares      | Nominal Value (SAR)  | Direct Ownership (%) | Indirect Ownership (%) | No. of Shares      | Nominal Value (SAR)  | Direct Ownership (%) | Indirect Ownership (%) |
| Sulaiman Abdulaziz Sulaiman Al-Habib <sup>(1)</sup>                 | 157,488,333        | 1,574,883,330        | 45.00%               | 3.67%                  | 140,105,000        | 1,401,050,000        | 40.03%               | 3.67%                  |
| Mohammed Abdulaziz Al-Habib and Sons Holding Company <sup>(2)</sup> | 152,903,333        | 1,529,033,330        | 43.69%               | 4.98%                  | 118,136,666        | 1,181,366,660        | 33.75%               | 4.98%                  |
| <b>Total</b>                                                        | <b>310,391,666</b> | <b>3,103,916,660</b> | <b>88.69%</b>        | <b>8.65%</b>           | <b>258,241,666</b> | <b>2,582,416,660</b> | <b>73.78%</b>        | <b>8.65%</b>           |

Source: The Company.

- (1) Sulaiman Abdulaziz Sulaiman Al-Habib directly owns 157,488,333 shares (45.00%) and 140,105,000 shares (40.03%) of the Issuer's shares before and after the Offering, respectively. Sulaiman Abdulaziz Sulaiman Al-Habib indirectly owns 12,845,000 shares (3.67%) of the Company's shares before and after the Offering through Thabat Business Company Ltd. (which directly owns 12,845,000 shares of Issuer's shares). Sulaiman Abdulaziz Sulaiman Al-Habib directly and indirectly owns 100% of the shares of Thabat Business Company Ltd. (1% owned by Sulaiman Abdulaziz Sulaiman Al-Habib and 99% owned by Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company, 100% of which is directly owned by Sulaiman Abdulaziz Sulaiman Al-Habib).
- (2) Mohammed Abdulaziz Al-Habib and Sons Holding Company directly owns 152,903,333 shares (43.69%) and 118,136,666 shares (33.75%) of the Issuer's shares before and after Offering, respectively. It also indirectly owns 17,430,000 shares (4.98%) of the Issuer's shares before and after the Offering through the ownership of the entire shares of Jawharat Al Bahr Investment Company, which directly owns 17,430,000 shares of the Issuer's shares.

The following table shows the Company's Indirect Substantial Shareholders as of the date of this Prospectus (please refer to section 4.1.6 **"Overview of the Substantial Shareholders in the Company"** of this Prospectus for further details):

**Table (4-5): Company's Indirect Substantial Shareholders as of the date of this Prospectus**

| Shareholders                                    | Pre-Offering  |                     |                        | Post-Offering |                     |                        |
|-------------------------------------------------|---------------|---------------------|------------------------|---------------|---------------------|------------------------|
|                                                 | No. of Shares | Nominal value (SAR) | Indirect ownership (%) | No. of Shares | Nominal value (SAR) | Indirect ownership (%) |
| Waqf Mohammed Abdulaziz Al-Habib <sup>(1)</sup> | 122,302,732   | 1,223,027,320       | 34.94%                 | 97,339,571    | 973,395,710         | 27.81%                 |

Source: The Company.

- (1) Waqf Mohammed Abdulaziz Al-Habib indirectly owns 122,302,732 shares (34.94%) before the Offering and 97,339,571 (27.81%) of the Issuer's shares after the Offering. Waqf Mohammed Abdulaziz Al-Habib directly owns 71.802% of the shares of Mohammed Abdulaziz Al-Habib and Sons Holding Company, which directly and indirectly owns 170,333,333 of the Issuer's shares. Mohammed Abdulaziz Al-Habib and Sons Holding Company directly owns 152,903,333 shares (43.69%) and 118,136,666 shares (33.75%) of the Issuer's shares before and after Offering, respectively. Mohammed Abdulaziz Al-Habib and Sons Holding Company also indirectly owns 17,430,000 shares (4.98%) of the Issuer's shares before and after the Offering through the ownership of the entire shares of Jawharat Al Bahr Investment Company, which directly owns 17,430,000 shares of the Issuer's shares.

#### 4.1.4 Changes in the Company's Share Capital

The following table highlights the changes made to the Company's share capital since its incorporation up to the date of this Prospectus:

**Table (4-6): Changes in the Company's Share Capital**

| Date                                          | Share Capital (SAR) | Increase amount (SAR) | Increase method                                            |
|-----------------------------------------------|---------------------|-----------------------|------------------------------------------------------------|
| 11/06/1414H<br>(Corresponding to 25/11/1993G) | 100,000             | -                     | Share capital upon incorporation                           |
| 23/05/1428H<br>(Corresponding to 10/06/2007G) | 500,000             | 400,000               | Capital increase in equal proportions by the Shareholders  |
| 27/01/1435H<br>(Corresponding to 30/11/2013G) | 2,000,000           | 1,500,000             | Capitalization of SAR 1,500,000 from retained earnings     |
| 01/04/1436H<br>(Corresponding to 21/01/2015G) | 2,800,000,000       | 2,798,000,000         | Capitalization of SAR 2,798,000,000 from retained earnings |
| 26/10/1436H<br>(Corresponding to 11/08/2015G) | 3,500,000,000       | 700,000,000           | Capitalization of SAR 700,000,000 from retained earnings   |

Source: The Company.

#### 4.1.5 Changes in the Company's Ownership Structure

The Company was initially established on 11/06/1414H as a sole proprietorship owned by Sulaiman Abdulaziz Sulaiman Al-Habib under the name of "Dr. Sulaiman Abdulaziz Al-Habib Medical Services Clinics Complex", with a share capital amounting to SAR 100,000. On 23/05/1428H (corresponding to 10/06/2007G), the business, which started as a sole proprietorship, was converted into a limited liability company and the capital was increased to SAR 500,000. The Company's shareholding structure upon conversion into a limited liability company was as follows:

**Table (4-7): Company's shareholding structure upon conversion into a limited liability company**

| Partner's Name                       | No. of shares | Nominal value of shares (SAR) | Ownership (%)  |
|--------------------------------------|---------------|-------------------------------|----------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib | 250           | 250,000                       | 50.00%         |
| Mohammed Abdulaziz Sulaiman Al-Habib | 250           | 250,000                       | 50.00%         |
| <b>Total</b>                         | <b>500</b>    | <b>500,000</b>                | <b>100.00%</b> |

Source: The Company.

On 11/07/1431H (corresponding to 23/06/2010G), the Company changed its name to "Dr. Sulaiman Al-Habib Medical Services Clinics Complex Holding Company" becoming a holding company focused on the management of the operations and business of its Subsidiaries.

The Shareholders later decided, pursuant to the resolution dated 27/01/1435H (corresponding to 30/11/2013G) converting the Company from a limited liability company into a closed joint stock company through the following:

- Reducing the shares' value from SAR 1,000 to SAR 10 per share.
- Sulaiman Abdulaziz Sulaiman Al-Habib assigned 250 shares to Mohammed Sulaiman Al-Habib and Hesham Sulaiman Al-Habib. In addition, Mohammed Abdulaziz Al-Habib assigned 250 shares to Saleh Mohammed Abdulaziz Al-Habib. Thus, all of them became Shareholders of the Company.
- Increasing the capital of the Company from SAR 500,000 to SAR 2,000,000 by transferring SAR 1,500,000 from the retained earnings.
- Completing the Company's conversion into a closed joint stock company, including obtaining the Minister of Commerce and Investment Resolution Number 38/Q dated 26/02/1435H (corresponding to 29/12/2013G) approving the same.



The table below shows the ownership structure of the Company after its capital increase and conversion:

**Table (4-8): Company's Ownership Structure after the capital increase and conversion to a close joint stock company**

| Shareholder's name                   | No. of Shares  | Nominal value of the shares (SAR) | Ownership (%)  |
|--------------------------------------|----------------|-----------------------------------|----------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib | 98,000         | 980,000                           | 49.00%         |
| Mohammed Abdulaziz Sulaiman Al-Habib | 99,000         | 990,000                           | 49.50%         |
| Hesham Sulaiman Abdulaziz Al-Habib   | 1,000          | 10,000                            | 0.50%          |
| Mohammed Sulaiman Abdulaziz Al-Habib | 1,000          | 10,000                            | 0.50%          |
| Saleh Mohammed Abdulaziz Al-Habib    | 1,000          | 10,000                            | 0.50%          |
| <b>Total</b>                         | <b>200,000</b> | <b>2,000,000</b>                  | <b>100.00%</b> |

Source: The Company.

On 19/08/1435H (corresponding to 17/06/2014G), the Holding Company again changed its name to "Dr. Sulaiman Al-Habib Medical Services Group Holding Company" under the Extraordinary General Assembly resolution of 19/08/1435H (corresponding to 17/06/2014G).

Pursuant to the Extraordinary General Assembly decision dated 01/04/1436H (corresponding to 21/01/2015G), the Company's capital was increased to SAR 2,800,000,000, divided into 280,000,000 ordinary shares, with a nominal value of SAR 10 per share, by capitalizing SAR 2,798,000,000 from the retained earnings.

**Table (4-9): Company's Ownership Structure after the capital increase to SAR 2,800,000,000**

| Shareholder's name                   | No. of Shares      | Nominal value of the shares (SAR) | Ownership (%)  |
|--------------------------------------|--------------------|-----------------------------------|----------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib | 137,200,000        | 1,372,000,000                     | 49.00%         |
| Mohammed Abdulaziz Sulaiman Al-Habib | 138,600,000        | 1,386,000,000                     | 49.50%         |
| Hesham Sulaiman Abdulaziz Al-Habib   | 1,400,000          | 14,000,000                        | 0.50%          |
| Mohammed Sulaiman Abdulaziz Al-Habib | 1,400,000          | 14,000,000                        | 0.50%          |
| Saleh Mohammed Abdulaziz Al-Habib    | 1,400,000          | 14,000,000                        | 0.50%          |
| <b>Total</b>                         | <b>280,000,000</b> | <b>2,800,000,000</b>              | <b>100.00%</b> |

Source: The Company.

Throughout that period, the Shareholders have transferred shares amongst each other with no consideration being paid for the transfers resulting in the following shareholding:

**Table (4-10): Company's Ownership Structure after the change in the Shareholders' ownership**

| Shareholder's name                   | No. of Shares      | Nominal value of shares (SAR) | Ownership (%)  |
|--------------------------------------|--------------------|-------------------------------|----------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib | 143,864,000        | 1,438,640,000                 | 51.38%         |
| Mohammed Abdulaziz Sulaiman Al-Habib | 111,328,000        | 1,113,280,000                 | 39.76%         |
| Hesham Sulaiman Abdulaziz Al-Habib   | 8,008,000          | 80,080,000                    | 2.86%          |
| Mohammed Sulaiman Abdulaziz Al-Habib | 11,200,000         | 112,000,000                   | 4.00%          |
| Saleh Mohammed Abdulaziz Al-Habib    | 5,600,000          | 56,000,000                    | 2.00%          |
| <b>Total</b>                         | <b>280,000,000</b> | <b>2,800,000,000</b>          | <b>100.00%</b> |

Source: The Company.

Pursuant to the decision of the Extraordinary General Assembly meeting held on 26/10/1436H (corresponding to 11/08/2015G), the Company's share capital was again increased to SAR 3,500,000,000, divided into 350,000,000 ordinary shares, with a nominal value of SAR 10 per share, by capitalizing SAR 700,000,000 from the retained earnings.



**Table (4-11): Company's Ownership Structure after the change in the Shareholders' ownership**

| Shareholder's name                   | No. of Shares      | Nominal value of the shares (SAR) | Ownership (%) |
|--------------------------------------|--------------------|-----------------------------------|---------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib | 179,830,000        | 1,798,300,000                     | 51.38%        |
| Mohammed Abdulaziz Sulaiman Al-Habib | 139,160,000        | 1,391,600,000                     | 39.76%        |
| Hesham Sulaiman Abdulaziz Al-Habib   | 10,010,000         | 100,100,000                       | 2.86%         |
| Mohammed Sulaiman Abdulaziz Al-Habib | 14,000,000         | 140,000,000                       | 4.00%         |
| Saleh Mohammed Abdulaziz Al-Habib    | 7,000,000          | 70,000,000                        | 2.00%         |
| <b>Total</b>                         | <b>350,000,000</b> | <b>3,500,000,000</b>              | <b>100.0%</b> |

Source: The Company.

In accordance with the Extraordinary General Assembly decision dated 10/01/1438H (corresponding to 11/10/2016G), the Company changed its name again to become "Dr. Sulaiman Al-Habib Medical Services Group Company" as a result the issuance of the new Companies Law on 28/01/1437H which provided for certain restrictions regarding the activities and businesses that could be conducted by companies classified as holding companies.

On 18/08/1438H (corresponding to 14/05/2017G), Saleh Mohammed Abdulaziz Al-Habib transferred all his shares to Mohammed Abdulaziz Al-Habib. In addition, Sulaiman Abdulaziz Al-Habib, Hesham Sulaiman Al-Habib and Mohammed Sulaiman Al-Habib transferred 9,944,670 and 3,010,000 and 10,770,660 shares, respectively, to Mohammed Abdulaziz Al-Habib.

**Table (4-12): Company's Ownership Structure Company after the change in the Shareholders' ownership**

| Shareholder's name                   | No. of Shares      | Nominal value of the shares (SAR) | Ownership (%)  |
|--------------------------------------|--------------------|-----------------------------------|----------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib | 169,885,330        | 1,698,853,300                     | 48.54%         |
| Mohammed Abdulaziz Al-Habib          | 169,885,330        | 1,698,853,300                     | 48.54%         |
| Hesham Sulaiman Abdulaziz Al-Habib   | 7,000,000          | 70,000,000                        | 2.00%          |
| Mohammed Sulaiman Abdulaziz Al-Habib | 3,229,340          | 32,293,400                        | 0.92%          |
| <b>Total</b>                         | <b>350,000,000</b> | <b>3,500,000,000</b>              | <b>100.00%</b> |

Source: The Company.

On 11/09/1438H (corresponding to 06/06/2017G), Mohammed Abdulaziz Al-Habib transferred all his shares to Mohammed Abdulaziz Al-Habib and Sons Holding Company.

**Table (4-13): Company's Ownership Structure after the change in the Shareholders' ownership**

| Shareholder's name                                   | No. of Shares      | Nominal value of the shares (SAR) | Ownership (%)  |
|------------------------------------------------------|--------------------|-----------------------------------|----------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib                 | 169,885,330        | 1,698,853,300                     | 48.54%         |
| Mohammed Abdulaziz Al-Habib and Sons Holding Company | 169,885,330        | 1,698,853,300                     | 48.54%         |
| Hesham Sulaiman Abdulaziz Al-Habib                   | 7,000,000          | 70,000,000                        | 2.00%          |
| Mohammed Sulaiman Abdulaziz Al-Habib                 | 3,229,340          | 32,293,400                        | 0.92%          |
| <b>Total</b>                                         | <b>350,000,000</b> | <b>3,500,000,000</b>              | <b>100.00%</b> |

Source: The Company.



On 20/10/1440H (corresponding to 23/06/2019G), Mohammed Abdulaziz Al-Habib and Sons Holding Company transferred 17,430,000 shares to Jawharat Al Bahr Investment Company.

**Table (4-14): Company's Ownership Structure after the change in the Shareholders' ownership**

| Shareholder's name                                   | No. of Shares      | Nominal value of the shares (SAR) | Ownership (%)  |
|------------------------------------------------------|--------------------|-----------------------------------|----------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib                 | 169,885,330        | 1,698,853,300                     | 48.54%         |
| Mohammed Abdulaziz Al-Habib and Sons Holding Company | 152,455,330        | 1,524,553,300                     | 43.56%         |
| Jawharat Al Bahr Investment Company                  | 17,430,000         | 174,300,000                       | 4.98%          |
| Hesham Sulaiman Abdulaziz Al-Habib                   | 7,000,000          | 70,000,000                        | 2.00%          |
| Mohammed Sulaiman Abdulaziz Al-Habib                 | 3,229,340          | 32,293,400                        | 0.92%          |
| <b>Total</b>                                         | <b>350,000,000</b> | <b>3,500,000,000</b>              | <b>100.00%</b> |

Source: The Company.

On 21/10/1440H (corresponding to 24/06/2019G), Mohammed Sulaiman Abdulaziz Al-Habib transferred (448,003) shares to Sulaiman Abdulaziz Sulaiman Al-Habib and (448,003) shares to Mohammed Abdulaziz Al-Habib and Sons Holding Company.

**Table (4-15): Company's Ownership Structure after the change in the Shareholders' ownership**

| Shareholder's name                                   | No. of Shares      | Nominal value of the shares (SAR) | Ownership (%)  |
|------------------------------------------------------|--------------------|-----------------------------------|----------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib                 | 170,333,333        | 1,703,333,330                     | 48.67%         |
| Mohammed Abdulaziz Al-Habib and Sons Holding Company | 152,903,333        | 1,529,033,330                     | 43.69%         |
| Jawharat Al Bahr Investment Company                  | 17,430,000         | 174,300,000                       | 4.98%          |
| Hesham Sulaiman Abdulaziz Al-Habib                   | 7,000,000          | 70,000,000                        | 2.00%          |
| Mohammed Sulaiman Abdulaziz Al-Habib                 | 2,333,334          | 23,333,340                        | 0.67%          |
| <b>Total</b>                                         | <b>350,000,000</b> | <b>3,500,000,000</b>              | <b>100.00%</b> |

Source: The Company.

On 27/11/1440H (corresponding to 30/07/2019G), Sulaiman Abdulaziz Sulaiman Al-Habib transferred (12,845,000) shares to Thabat Business Company Ltd.

**Table (4-16): Company's Ownership Structure after the change in the Shareholders' ownership**

| Shareholder's name                                   | No. of Shares      | Nominal value of shares (SAR) | Ownership (%) |
|------------------------------------------------------|--------------------|-------------------------------|---------------|
| Sulaiman Abdulaziz Sulaiman Al-Habib                 | 157,488,333        | 1,574,883,330                 | 45.00%        |
| Thabat Business Company Ltd.                         | 12,845,000         | 128,450,000                   | 3.67%         |
| Mohammed Abdulaziz Al-Habib and Sons Holding Company | 152,903,333        | 1,529,033,330                 | 43.69%        |
| Jawharat Al Bahr Investment Company                  | 17,430,000         | 174,300,000                   | 4.98%         |
| Hesham Sulaiman Abdulaziz Al-Habib                   | 7,000,000          | 70,000,000                    | 2.00%         |
| Mohammed Sulaiman Abdulaziz Al-Habib                 | 2,333,334          | 23,333,340                    | 0.67%         |
| <b>Total</b>                                         | <b>350,000,000</b> | <b>3,500,000,000</b>          | <b>100%</b>   |

## 4.1.6 Overview of the Substantial Shareholders and Companies Owning Shares in the Company

### Sulaiman Abdulaziz Sulaiman Al-Habib

Dr. Sulaiman Abdulaziz Sulaiman Al-Habib is the founder and Board Chairman of HMG. He is a qualified and certified consultant in pediatrics. He obtained his bachelor's degree in medicine and surgery from the Faculty of Medicine at King Saud University in Riyadh in 1977G, and a MRCP (UK) in Pediatrics in 1984G.

Dr. Sulaiman Abdulaziz Sulaiman Al-Habib has wide experience through his working in the Security Forces Hospital in Riyadh and King Khalid University Hospital. He holds a number of key positions (please refer to section 5.2 “**Board Directors and Secretary**” for further details on his experience and former positions).

### Mohammed Abdulaziz Al-Habib and Sons Holding Company

Mohammed Abdulaziz Al-Habib and Sons Holding Company is a Saudi closed joint stock company established on 23/02/1429H in Riyadh under Commercial Registration No. 1010245272 and its share capital is SAR 1,320,000,000. It has investments in various sectors including the medical and real estate sector. The following table shows the ownership structure of Mohammed Abdulaziz Al-Habib and Sons Holding Company as of the date of this Prospectus:

**Table (4-17): Mohammed Abdulaziz Al-Habib and Sons Holding Company's Ownership Structure**

| No. | Shareholder                                     | No. of Shares | Nominal value per share (SAR) | Total nominal value (SAR) | Ownership |
|-----|-------------------------------------------------|---------------|-------------------------------|---------------------------|-----------|
| 1   | Waqf Mohammed Abdulaziz Al-Habib <sup>(1)</sup> | 94,778,634    | 10                            | 947,786,340               | 71.80%    |
| 2   | Mohammed Abdulaziz Sulaiman Al-Habib            | 11,880,000    | 10                            | 118,800,000               | 9.00%     |
| 3   | Sultana Mohammed Abdulaziz Al-Habib             | 740,164       | 10                            | 7,401,640                 | 0.56%     |
| 4   | Hassan Mohammed Abdulaziz Al-Habib              | 1,519,998     | 10                            | 15,199,980                | 1.15%     |
| 5   | Salman Mohammed Abdulaziz Al-Habib              | 1,502,252     | 10                            | 15,022,520                | 1.14%     |
| 6   | Turki Mohammed Abdulaziz Al-Habib               | 1,502,252     | 10                            | 15,022,520                | 1.14%     |
| 7   | Faisal Mohammed Abdulaziz Al-Habib              | 1,502,252     | 10                            | 15,022,520                | 1.14%     |
| 8   | Zaid Mohammed Abdulaziz Al-Habib                | 1,430,845     | 10                            | 14,308,450                | 1.08%     |
| 9   | Fatima Abdulaziz Ali Altojri                    | 1,413,484     | 10                            | 14,134,840                | 1.07%     |
| 10  | Abdullah Mohammed Abdulaziz Al-Habib            | 1,416,553     | 10                            | 14,165,530                | 1.07%     |
| 11  | Munira Abdulrahman Abdullah Al Awda             | 1,393,376     | 10                            | 13,933,760                | 1.06%     |
| 12  | Abdulaziz Mohammed Abdulaziz Al-Habib           | 1,389,162     | 10                            | 13,891,620                | 1.05%     |
| 13  | Saleh Mohammed Abdulaziz Al-Habib               | 1,311,319     | 10                            | 13,113,190                | 0.99%     |
| 14  | Roqaia Ali Mohammed Al Azzaz                    | 1,180,931     | 10                            | 11,809,310                | 0.90%     |
| 15  | Khawalah Mohammed Abdulaziz Al-Habib            | 766,273       | 10                            | 7,662,730                 | 0.58%     |
| 16  | Hajar Mohammed Abdulaziz Al-Habib               | 763,304       | 10                            | 7,633,040                 | 0.58%     |



| No.          | Shareholder                             | No. of Shares      | Nominal value per share (SAR) | Total nominal value (SAR) | Ownership   |
|--------------|-----------------------------------------|--------------------|-------------------------------|---------------------------|-------------|
| 17           | Al Batool Mohammed Abdulaziz Al-Habib   | 759,677            | 10                            | 7,596,770                 | 0.58%       |
| 18           | Sarah Mohammed Abdulaziz Al-Habib       | 761,112            | 10                            | 7,611,120                 | 0.58%       |
| 19           | Saja Mohammed Abdulaziz Al-Habib        | 760,077            | 10                            | 7,600,770                 | 0.58%       |
| 20           | Al Hanof Mohammed Abdulaziz Al-Habib    | 749,585            | 10                            | 7,495,850                 | 0.57%       |
| 21           | Salma Mohammed Abdulaziz Al-Habib       | 754,169            | 10                            | 7,541,690                 | 0.57%       |
| 22           | Reem Mohammed Abdulaziz Al-Habib        | 757,397            | 10                            | 7,573,970                 | 0.57%       |
| 23           | Najlaa Mohammed Abdulaziz Al-Habib      | 756,536            | 10                            | 7,565,360                 | 0.57%       |
| 24           | Al Jawharat Mohammed Abdulaziz Al-Habib | 753,613            | 10                            | 7,536,130                 | 0.57%       |
| 25           | Shihana Mohammed Abdulaziz Al-Habib     | 740,164            | 10                            | 7,401,640                 | 0.56%       |
| 26           | Buthaina Mohammed Abdulaziz Al-Habib    | 716,871            | 10                            | 7,168,710                 | 0.54%       |
| <b>Total</b> |                                         | <b>132,000,000</b> | <b>10</b>                     | <b>1,320,000,000</b>      | <b>100%</b> |

Source: The Company.

(1) Waqf Muhammad bin Abdulaziz Al-Habib was established under the Medina General Court's Instrument No. 11/100/721. It derives its provisions from the Islamic Sharia, being the governing law, in all its actions, dealings, directives and decisions. The waqf's head office are located in Riyadh. The waqf is managed by a board of trustees with full powers according to the terms and conditions of its instrument. The waqf also engages in its charitable activities through the board of trustees in accordance with the relevant laws.

## Jawharat Al Bahr Investment Company

Jawharat Al Bahr Investment Company is a one-person limited liability company established on 03/03/1439H in Riyadh under Commercial Registration No. 1010901582 with a capital of SAR 100,000. It has investments across various sectors including IT, education and real estate. The following table shows the ownership structure of Jawharat Al Bahr Investment Company as of the date of this Prospectus.

**Table (4-18): Jawharat Al Bahr Investment Company's Ownership Structure**

| No. | Partner                                              | No. of shares | Nominal value per share (SAR) | Total nominal value (SAR) | Ownership   |
|-----|------------------------------------------------------|---------------|-------------------------------|---------------------------|-------------|
| 1   | Mohammed Abdulaziz Al-Habib and Sons Holding Company | 100           | 1,000                         | 100,000                   | 100%        |
| 2   | <b>Total</b>                                         | <b>100</b>    | <b>1,000</b>                  | <b>100,000</b>            | <b>100%</b> |

Source: The Company.



## Thabat Business Company Ltd.

Thabat Business Company Ltd. is a limited liability company established on 10/09/1435H in Riyadh under Commercial Registration No. 1010419451 with a capital of SAR 500,000, which is engaged in the import, export, wholesale and retail trade of building materials. The following table shows the ownership structure of Thabat Business Company Ltd. as of the date of this Prospectus.

**Table (4-19): Thabat Business Company Ltd.'s Ownership Structure**

| No.          | Partner                                                                          | No. of shares | Nominal value per share (SAR) | Total nominal value (SAR) | Ownership   |
|--------------|----------------------------------------------------------------------------------|---------------|-------------------------------|---------------------------|-------------|
| 1            | Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company <sup>(1)</sup> | 495           | 1,000                         | 495,000                   | 99.00%      |
| 2            | Sulaiman Abdulaziz Sulaiman Al-Habib                                             | 5             | 1,000                         | 5,000                     | 1.00%       |
| <b>Total</b> |                                                                                  | <b>500</b>    | <b>1,000</b>                  | <b>500,000</b>            | <b>100%</b> |

Source: The Company.

(1) Wholly owned by Sulaiman Abdulaziz Sulaiman Al-Habib.

## Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company

Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company is a one-person limited liability company wholly owned by Sulaiman Abdulaziz Sulaiman Al-Habib and established on 16/02/1428H in Riyadh under Commercial Registration No. 1010229393 with a capital of SAR 500,000. It operates in the field of managing and operating its subsidiaries, investing funds in securities, owning industrial property rights, and buying, selling, owning and investing in real estates through sale and leasing.

### 4.1.7 Overview of HMG, its Subsidiaries and Associate Companies

As previously mentioned, HMG's operational model can be summarized as the design, construction, operation and management of the medical facilities owned (whether wholly or jointly with other shareholders) by HMG, as well as the operation and management of medical facilities owned by other parties in return for operation and management fees in the Kingdom and the Gulf countries. The Group provides health services and specialized medical services in these health facilities through several Subsidiaries. The Group has adopted a strategy to optimally utilize its resources, administrative, medical, technical and technological capabilities and supporting departments. In addition to the economies of scale which it achieved as a result of its business growth, it provides all these services to its health facilities, whether owned by the Group fully or jointly with other Shareholders, as well as those health facilities that are operated and managed on behalf of other parties.

Given its business growth, and in order to maintain a high-quality service, the Group has established specialized companies wholly owned by the Group. These companies include Cloud Solutions, MD Labs and HHC to provide its related services to the health facilities of the Group and third parties.

Moreover, the Group has entered into strategic partnerships with other Shareholders to acquire, design, construct and manage health facilities as Subsidiaries, which the Group manages under management and operation agreements and owns 50% thereof. The remaining percentages belong to other Shareholders. These projects include: (1) Khobar Hospital, which started operation in Q2 of this year, (2) South West Jeddah Hospital and (3) Qurtoba Hospital.

In addition, The Group has entered into strategic partnerships with other shareholders to establish Associate Companies, namely: (1) Ajaji Dental (operation of dental clinics in the Group's health facilities), 50% of which is owned by the Group, with the remaining share being owned by Dr. Abdulaziz Al Ajaji (please refer to section 12 "Legal Information" for further details about Ajaji Dental), and (2) Serco Services Company (to provide maintenance services to the Group and third-party health facilities), 40% of which is owned by the Group, with the remaining share being owned by Serco Saudi Arabia Company affiliated to Serco UK, a listed company in the London Stock Exchange.



The following table shows details of the Subsidiaries and Associate Companies:

**Table (4-20): Details of Subsidiaries and Associates**

| Company Name                                                                              | Country of Incorporation | Commercial Registration No. | Commercial Registration Issuance Date | Share Capital (SAR) | Activities (by Commercial Registration)                                                                                                                                                                                                                                                                                                                                                                           | Ownership Percentage |
|-------------------------------------------------------------------------------------------|--------------------------|-----------------------------|---------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Afia Pharmacies Company ("Afia Pharmacies")                                               | KSA                      | 1010462436                  | 22/09/1437H                           | 500,000             | Pharmaceutical activities, pharmaceutical warehouse activities, orthopedic equipment trade, retail sale of medical equipment, supplies and devices, retail sale of perfumes, cosmetics, oil soaps and incense, and other activities for the sale of pharmaceutical and medical products, cosmetics and toiletries in specialized stores                                                                           | 100%                 |
| Dr. Abdulaziz Al Ajaji Dental Polyclinics Complex Company ("Ajaji Dental") <sup>(1)</sup> | KSA                      | 1010218565                  | 24/03/1427H                           | 500,000             | Establishing and managing hospitals, dental centers and clinics, laboratories, radiology centers, and dental institutes and colleges, buying lands for construction of buildings, investing in them through selling or renting for the Company, buying and owning real estates, buying, selling and utilizing real estates and lands for the Company, and importing and distributing medical devices and products | 50%                  |
| Antab Al Riyadh for Operation and Maintenance Co ("Antab Al Riyadh")<br>KSA               |                          | 1010320541                  | 26/12/1432H                           | 500,000             | Managing and maintaining hospitals and medical centers, and maintaining elevators, escalators and central air conditioning                                                                                                                                                                                                                                                                                        | 100%                 |





| Company Name                                                                              | Country of Incorporation | Commercial Registration No. | Commercial Registration Issuance Date | Share Capital (SAR) | Activities (by Commercial Registration)                                                                                                                                                                                                                                                           | Ownership Percentage |
|-------------------------------------------------------------------------------------------|--------------------------|-----------------------------|---------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Saudi Serco Services Company ("Serco Services Company") <sup>(1)</sup>                    | KSA                      | 1010242254                  | 28/12/1428H                           | 500,000             | Carrying out construction of buildings, electrical and mechanical works, cooling systems, central air conditioning systems, building maintenance, maintenance and operation of electrical works, mechanical works, cooling systems, central air conditioning systems, and building cleaning       | 40%                  |
| Cloud Solutions for Communications and Information Technology Company ("Cloud Solutions") | KSA                      | 1010384104                  | 15/09/1434H                           | 500,000             | software development, operating systems, system analysis, design and programming of special software, software maintenance and web page design, provision of management and control of telecommunications and information networks, and provision of IT services provided via the cloud computing | 100%                 |
| Dr. Sulaiman AlHabib Hospital FZ-LLC ("Dubai Hospital")                                   | UAE                      | 26                          | 30/04/2004G                           | AED 500,000         | Inpatient clinical medicine and outpatient clinical medicine                                                                                                                                                                                                                                      | 100%                 |
| Home Healthcare Company ("HHC")                                                           | KSA                      | 1010320537                  | 26/12/1432H                           | 500,000             | Providing home healthcare services                                                                                                                                                                                                                                                                | 100%                 |
| Olaya Medical Company                                                                     | KSA                      | 1010196728                  | 23/02/1425H                           | 500,000             | One-day surgery center, medical operation of private and government hospitals and other activities related to hospitals                                                                                                                                                                           | 100%                 |
| Gharb Jeddah Hospital Company ("South West Jeddah Hospital")                              | KSA                      | 4030538330                  | 19/05/1438H                           | 500,000             | Establishing and managing hospitals, medical centers and government and private hospitals                                                                                                                                                                                                         | 50%                  |
| Al Mokhtabarat Diagnostic Medical Company, ("MD Labs")                                    | KSA                      | 1010362523                  | 17/03/1434H                           | 500,000             | Blood analysis laboratories, blood bank, and specialized medical analysis laboratories                                                                                                                                                                                                            | 100%                 |



| Company Name                                                               | Country of Incorporation | Commercial Registration No. | Commercial Registration Issuance Date | Share Capital (SAR) | Activities (by Commercial Registration)                                                                                                                                                                                                    | Ownership Percentage |
|----------------------------------------------------------------------------|--------------------------|-----------------------------|---------------------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Middle East Pharmacies Company ("MEP")                                     | KSA                      | 1010252818                  | 27/06/1429H                           | 500,000             | Retail trade of chemicals, herbal and veterinary preparations, toiletries, cosmetics, perfumes, detergents, preparations, food, catering and provision of raw food.                                                                        | 100%                 |
| Al Muhammadiya Hospital for Healthcare Company ("North Jeddah Hospital")   | KSA                      | 4030794665                  | 19/07/1439H                           | 500,000             | Establishing and managing hospitals, medical centers and government and private hospitals                                                                                                                                                  | 100%                 |
| Buraidah Al Takhassusi Hospital for Healthcare Company ("Qassim Hospital") | KSA                      | 1131025857                  | 21/03/1429H                           | 3,704,000           | General hospitals, medical services in specialized clinics, rehabilitation centers and preventive health, radiology center, and blood analysis laboratories                                                                                | 100%                 |
| Al Wosta Medical Limited Company ("Qurtoba Hospital")                      | KSA                      | 1010238625                  | 14/09/1428H                           | 2,000,000           | Establishing hospitals, clinics and medical centers and buying lands for buildings and investing in them through sale or lease                                                                                                             | 50%                  |
| Al Rayan for Maintenance and Operation Company ("Rayan Maintenance")       | KSA                      | 1010418355                  | 26/08/1435H                           | 500,000             | Maintenance and janitorial services, operation and restoration of residential and commercial buildings, maintenance of medical hospitals and government facilities, air conditioning and refrigeration and mechanical and electrical works | 100%                 |
| Al Rayan Hospital for Healthcare Company ("Rayan Hospital")                | KSA                      | 1010237325                  | 11/04/1414H                           | 31,500,000          | Managing, maintaining and owning real estates to establish the company's facilities on them and investing in them through selling and rent for the company                                                                                 | 100%                 |
| Shamal Al Riyadh for Healthcare Company ("North Riyadh Hospital")          | KSA                      | 1010946027                  | 24/06/1439H                           | 500,000             | Establishing and operating hospitals, medical centers and government and private clinics                                                                                                                                                   | 100%                 |



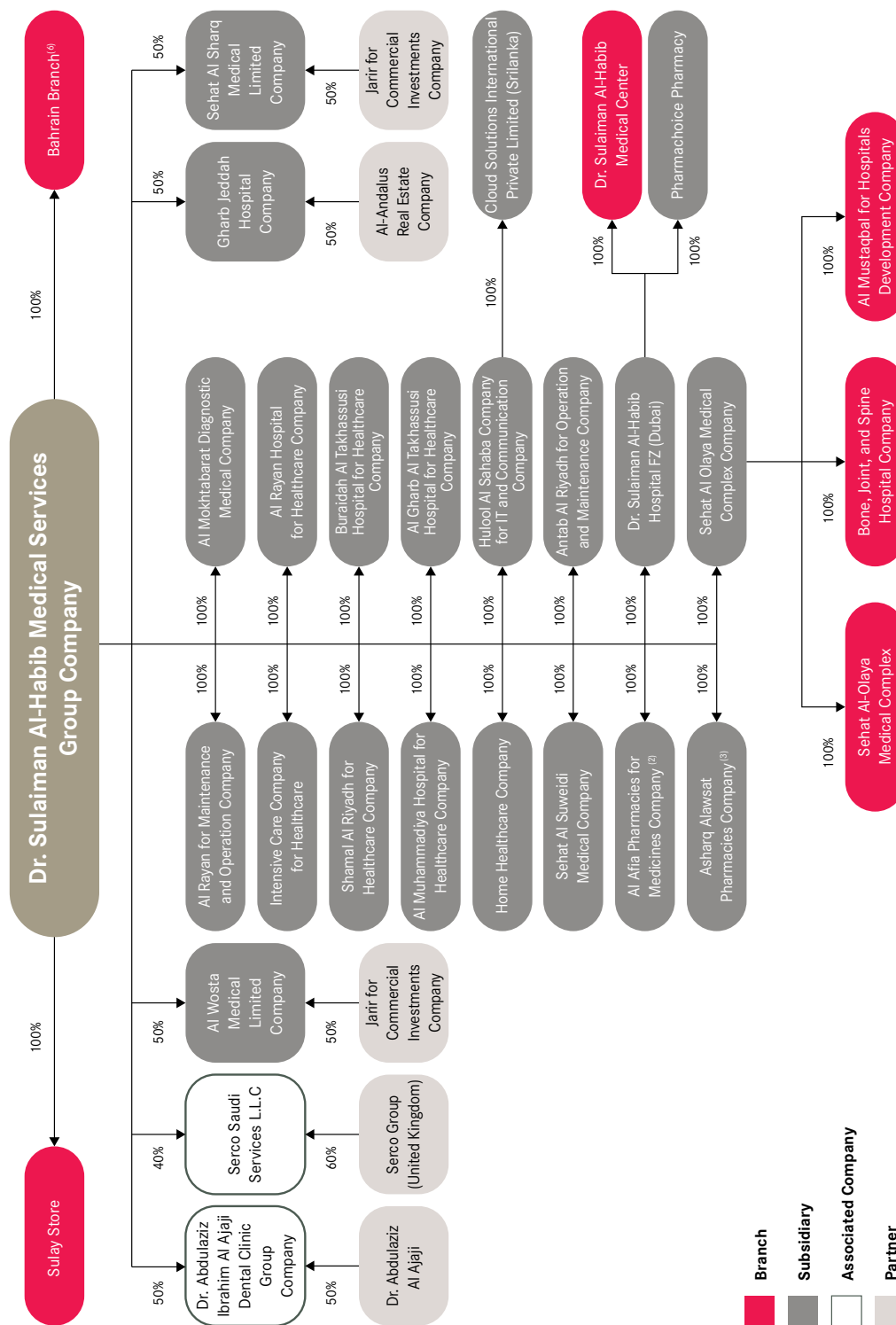
| Company Name                                                                   | Country of Incorporation | Commercial Registration No. | Commercial Registration Issuance Date | Share Capital (SAR) | Activities (by Commercial Registration)                                                                                                                                                                                                                                                               | Ownership Percentage |
|--------------------------------------------------------------------------------|--------------------------|-----------------------------|---------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Sehat Al Suweidi Medical Company ("Suweidi Hospital")                          | KSA                      | 1010361683                  | 09/03/1434H                           | 50,000,000          | Public hospitals, medical services in specialized clinics, rehabilitation centers and preventive health, other medical services, telecare and telemedicine                                                                                                                                            | 100%                 |
| Al Gharb Al Takhassusi Hospital for Healthcare Company ("Takhassusi Hospital") | KSA                      | 1010236901                  | 30/07/1428H                           | 50,000,000          | Establishing and managing hospitals and medical centers, public and specialized hospitals, medical complexes, clinics, dispensaries and one-day surgery centers, and owning real estates to establish the company's facilities on them and investing in them through selling and rent for the company | 100%                 |
| Sehat Al Sharq Medical Limited Company - ("Khobar Hospital")                   | KSA                      | 1010238553                  | 13/09/1428H                           | 100,000,000         | Establishing hospitals, clinics, and medical centers and buying lands for buildings and investing in them through selling or renting                                                                                                                                                                  | 50%                  |
| Intensive Care Company for Medical Care ("ICU Company")                        | KSA                      | 1010497146                  | 25/04/1438H                           | 500,000             | Public hospitals, medical services in specialized clinics, rehabilitation centers and preventive health, other medical services, and medical operation of private and government hospitals and other activities related to hospitals                                                                  | 100%                 |

Source: The Company.

(1) An Associate Company

The organizational structure below shows the Subsidiaries, Associate Companies and branches and the percentages of ownership therein:

**Chart 4-1: The Ownership Structure of the Group, Subsidiaries and Associate Companies**



Source: The Company.

- (1) The Company established a Commercial Registration for its branch in Bahrain (Dr. Sulaiman Al-Habib Medical Services Group Company - foreign branch), whereby the Company operates and manages the University Medical Centre in King Abdullah Medical City.
- (2) Afia Pharmacies and MEP Pharmacies are 99% and 1% legally owned by the Company and Mohammed Al Jarfan, respectively. Mohammed Al Jarfan has waived his ownership rights for the benefit of the Company so that the beneficial property of the Company is 100%. As a result, the Company fully consolidates Afia Pharmacies and MEP Pharmacies in its financial statements (please refer to section 12.7 **“Material Agreements”** for further details on this assignment).

#### 4.1.8 Key Milestones and Developments of the Group since its Inception

The table below shows the timeline of the key events since the establishment of HMG:

**Table (4-21): Timeline of Key Events since the Group's Inception**

| Date  | Event                                                                                                                                                                                                                                                                                                                                                          |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1993G | Establishment of Olaya Medical Complex (which entered operation in 1995G), under the name of "Dr. Sulaiman Abdulaziz Al-Habib Medical Services Clinics Complex" under Commercial Registration No. 1010118330, which is specialized in providing outpatient services through 38 clinics, and opening of the first branch of Al-Habib Pharmacies.                |
| 1995G | Opening of the dental clinics at Olaya Medical Complex through appointing Al Ajaji Dental to manage and operate the clinics.                                                                                                                                                                                                                                   |
| 1998G | Conversion of HMG's pharmaceutical business to Abdulaziz Mohammed AlHabib Pharmacies Corporation which was established specifically for this purpose. In 2010G, it was converted to become a branch of Al-Habib Pharmacies.                                                                                                                                    |
| 2000G | Opening of the day surgery center inside the Olaya Medical Complex by adding 30 beds                                                                                                                                                                                                                                                                           |
| 2004G | Establishment of Dr. Sulaiman Al-Habib Medical Center Company (Olaya Medical Company) in order to separate assets and liabilities attributed to Olaya Medical Complex from those of the Company, which was effective in 2012G as seen below.                                                                                                                   |
| 2007G | Opening Dubai Medical Center (currently, Dubai Hospital), specializing in providing outpatient medical services with 80 clinics at the opening.                                                                                                                                                                                                                |
| 2008G | Opening Maternity Hospital, one of the largest gynecology and obstetrics hospitals in Riyadh, with 66 beds as of the date on which the Hospital was opened.                                                                                                                                                                                                    |
| 2008G | Establishment of MEP to be the owner of all branches of HMG's pharmacies.                                                                                                                                                                                                                                                                                      |
| 2009G | Opening Qassim Hospital specialized in integrated medical services in Buraidah, with 103 clinics and 74 beds.                                                                                                                                                                                                                                                  |
| 2010G | Opening of Spinal Hospital specialized in osteopathic, joint and spinal cord surgery, with 150 beds at the time.                                                                                                                                                                                                                                               |
| 2010G | Opening Rayan Hospital specialized in integrated medical services in Riyadh, with 210 clinics and 327 beds at the time.                                                                                                                                                                                                                                        |
| 2011G | Separation of home healthcare services to an independent company from Olaya Medical Complex since the start of this service in 2001G. This service enables patients to receive medical treatment at home without having to visit the hospital.                                                                                                                 |
| 2011G | The Company entered into an exclusive operation and management agreement with the Arabian Gulf University for the operation and management of UMC in King Abdullah Medical City, Bahrain.                                                                                                                                                                      |
| 2012G | Transfer of all assets and liabilities attributed to Olaya Medical Complex from the Company to Dr. Sulaiman Al-Habib Medical Center Company (Olaya Medical Company).                                                                                                                                                                                           |
| 2012G | Opening of a foreign branch in Bahrain to provide operation and management services at the UMC in Bahrain, specializing in outpatient and in-patient services at 51 clinics, 12 beds and with two operating rooms at such time.                                                                                                                                |
| 2012G | Opening of Takhassusi Hospital, specializing in integrated medical services in Riyadh, with 179 clinics and 218 beds at such time.                                                                                                                                                                                                                             |
| 2013G | Opening of the MD Labs as an independent external center to provide medical diagnostic services and specialized laboratory tests for HMG and other patients. They provide tests not conducted by any of HMG and other health facilities. The MD Labs services include laboratory tests in the field of diagnosis, food contamination, and infectious diseases. |
| 2013G | Establishment of the Cloud Solutions, which is wholly owned by the Group, to provide IT services and solutions to companies of the Group and third parties.                                                                                                                                                                                                    |
| 2013G | Serco becoming a strategic partner in Serco Services by acquiring a 60% stake in Serco Services to provide facility maintenance services to companies of the Group and third parties.                                                                                                                                                                          |
| 2014G | Establishment of Rayan for Maintenance and Operation Company to provide the Group's facilities with maintenance services and support services.                                                                                                                                                                                                                 |
| 2014G | Expansion of Rayan Hospital in the fourth quarter of 2014G with additional 108 clinics and 9 beds.                                                                                                                                                                                                                                                             |
| 2015G | Opening Dubai Hospital in the first quarter of 2015G, with additional 6 clinics and 165 beds.                                                                                                                                                                                                                                                                  |



| Date  | Event                                                                                                                                                                                                                                     |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2016G | Opening of Suweidi Hospital, which provides integrated medical services in Riyadh through 243 clinics and 305 beds                                                                                                                        |
| 2016G | Establishment of Afia Pharmacies to expand pharmaceutical facility network of the Group.                                                                                                                                                  |
| 2017G | Establishment of ICU Company to manage ICU departments for third parties.                                                                                                                                                                 |
| 2018G | Expansion of Takhassusi Hospital in the fourth quarter of 2018G, with an additional center specialized in the skin and plastic surgery clinics.                                                                                           |
| 2018G | Opening of Dr. Sulaiman Al-Habib Medical Center in Sheikh Zayed Road in Dubai as an extension of the operations of Dubai Hospital in the fourth quarter of 2018G, which is specialized in outpatient services with additional 38 clinics. |
| 2018G | Establishment of Pharmachoice to expand pharmaceutical facility network of the Group.                                                                                                                                                     |
| 2018G | Conclusion of a contract between the Company and the Ministry of Interior regarding the operation of Mol's medical home care services in Riyadh.                                                                                          |
| 2019G | Conclusion of six contracts between the Company and MOH to operate the intensive care departments for a number of MOH health facilities in several cities in the Kingdom.                                                                 |
| 2019G | Opening Khobar Hospital, which provides integrated medical services in Riyadh with 307 clinics and 458 beds.                                                                                                                              |

Source: The Company.

## 4.2 The Group's Activities

### 4.2.1 Overview of the Group's Activities

The Company's main activities are concentrated in the healthcare sector. The Company believes that it is one of the largest providers of healthcare services in the Kingdom and the Arab world. The main activities of the Group are the establishment and management of health and pharmaceutical facilities as well as HMG Solutions, which includes home healthcare, medical laboratories, information technology and maintenance of facilities.

## 1- Healthcare Facilities

### A- Healthcare Facilities of the Group

The Group has been conducting its business for more than 20 years and is one of the largest providers of private health services in the Kingdom and the region. The Group's principal activities are setting up, managing and operating medical facilities, pharmacies, and medical diagnostic and radiological laboratories. HMG currently conducts its business through operation and management of seven health facilities, namely: (1) Olaya Medical Complex, which consists of (a) Olaya Medical Company that operates outpatient clinics ("**Outpatient Clinics Complex**") and its branches including: (b) Bone, Joint and Spine Hospital Company ("**Spinal Hospital**"), (c) Al Mustaqbal for Hospitals Development Company ("**Maternity Hospital**"), and (d) IVF Center, (2) Dr. Sulaiman Al-Habib Hospital FZ-LLC ("Dubai Hospital") and its branch Dr. Sulaiman Al-Habib Medical Center ("**Dubai Medical Center**") at Sheikh Zayed Street, (3) Sehat Al Suweidi Medical Company ("**Suweidi Hospital**"), (4) Buraidah Al Takhassusi Hospital for Healthcare Company ("**Qassim Hospital**"), (5) Sehat Al Sharq Medical Limited Company ("**Khobar Hospital**"), (6) Al Rayan Hospital for Healthcare Company ("**Rayan Hospital**"), and (7) Al Gharb Al Takhassusi Hospital for Healthcare Company ("**Takhassusi Hospital**").

### B- Healthcare Facilities Operated and Managed by the Group

The Group provides management and operating services to third parties where it operates and manages the UMC in King Abdullah Medical City in Bahrain. In addition, it operates intensive care units in six MOH health facilities in five cities in the Kingdom, namely Jeddah, Medina, Buraidah, Al Kharj and Al Qatif (please refer to section 12.9 "**Agreements on Management and Operation of Health Facilities**" of this Prospectus for further details on these Agreements).



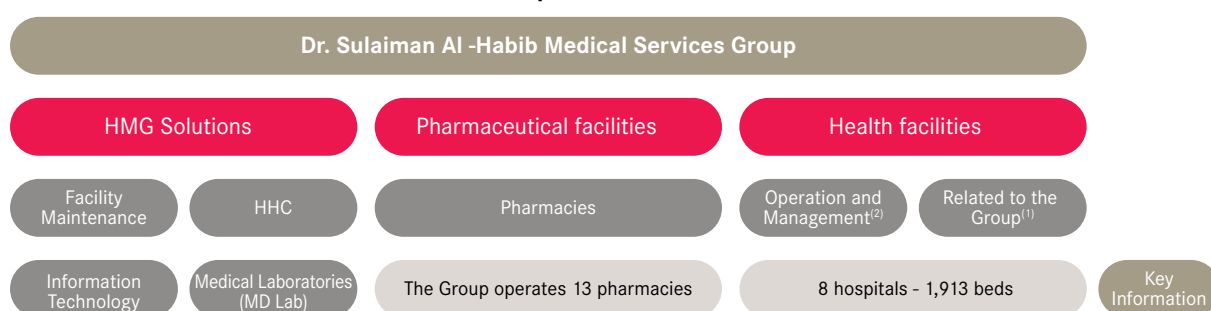
## 2- Pharmaceutical Facilities

The Group operates the pharmaceutical business through the operation and management of Middle East Pharmacies Company (“**MEP**”) and Afia Pharmacies Company (“**Afia Pharmacies**”), through which it manages and operates pharmacies in its health facilities in the Kingdom. In Dubai, the Group operates its pharmaceutical business via Pharmachoice, through which it operates and manages its own pharmacy in Dubai (collectively, “**Al-Habib Pharmacies**”).

## 3- HMG Solutions

The Group also carries out other health and support services through the operation and management of Al Mokhtabarat Diagnostic Medical Company (“**MD Labs**”) and the Home Healthcare Company (“**HHC**”), which operates home care services. Furthermore, the Group provides information technology and systems services through its Subsidiary, Cloud Solutions for Communications and Information Technology (“**Cloud Solutions**”), and facility maintenance services through its Associate, Saudi Serco Services Company (“**Serco Services**”).

**Chart 4-2: Current Main Activities of the Group**



Source: The Company.

(1) The Group's health facilities:

- Current: Rayan Hospital, Dubai Hospital, Qassim Hospital, Takhassusi Hospital, Suweidi Hospital, Khobar Hospital, Olaya Medical Complex, which includes (Outpatient Clinics Complex, Spinal Hospital, Maternity Hospital and IVF Center).
- Future projects: North Riyadh Hospital, North Jeddah Hospital and South West Jeddah Hospital.

(2) Operation and management of the UMC in King Abdullah Medical City in Bahrain and operation of intensive care departments in a number of MOH health facilities in several cities in the Kingdom.

### 4.2.2 Health Facilities of the Group

The Group currently operates seven health facilities, four in Riyadh, one in Buraidah in Qassim, one in Khobar in the Eastern Province and one in Dubai Healthcare City in the UAE, as follows: (1) **Olaya Medical Complex**, which consists of (a) Olaya Medical Company that operates outpatient clinics (“**Outpatient Clinics Complex**”) and its branches including: (b) Bone, Joint and Spine Hospital Company (“**Spinal Hospital**”), (c) Al Mustaqbal for Hospitals Development Company (“**Maternity Hospital**”), and (d) IVF Center, (2) **Dubai Hospital** and its branch Dubai Medical Center (“**Dubai Medical Center**”), (3) **Suweidi Hospital**, (4) **Qassim Hospital**, (5) **Khobar Hospital**, (6) **Rayan Hospital**, and (7) **Takhassusi Hospital**. The Group owns 100% of all health facilities, except Khobar Hospital. The Company owns 50% of the shares in Khobar Hospital, while Jarir for Commercial Investment Company owns the remaining shares. All these health facilities are fully subject to administrative supervision of the Group.

Medical services provided by HMG in its facilities include the following services (please refer to section 4.5.1 “**Main Medical Services**” in this Prospectus for further details on the medical services provided by the Group):

- **Primary medical care:** This includes general medicine, general pediatrics, primary medical care emergency, family medicine, periodic comprehensive medical examinations and vaccinations.
- **Secondary medical care:** This includes secondary care emergency, general surgery, pediatrics, obstetrics and gynecology, orthopedics, surgery, internal medicine, cardiology, dentistry, ear, nose and throat (ENT), and ophthalmology.
- **Specialized medical care:** This includes endocrinology, diabetes, respiratory diseases, gastroenterology, endoscopy, diseases of the joints (rheumatism), infertility treatments and assisted reproduction, joint



implantation and replacement, spinal and nerve surgery, interventional radiology, vascular surgery, heart surgery, diagnostic and therapeutic cardiac catheterization, cardiac CT scans, intensive care for adults, children and newborns, diagnostic nuclear medicine tests, reconstructive and plastic surgery, dental implantation and orthodontics, bariatrics, urinary tract illnesses, kidney dialysis and implantation clinics, oncology, and high specialties of the various secondary healthcare areas listed above.

- **Medical support services:** Diagnostic laboratories, physiotherapy, radiology, nutrition, and histology.

The dental clinics at the Group's health facilities are being managed and operated by Dr. Abdulaziz Ibrahim Al Ajaji Dental Polyclinics Complex Company ("**Ajaji Dental**"), which is an Associate Company in which the Company owns 50% of the capital, whereas the remaining portion is owned by Dr. Abdulaziz Ibrahim Al Ajaji. An operation and management agreement has been entered into between the Company and Ajaji Dental with respect to operating and managing dental clinics at all health facilities of the Group. Accordingly, Ajaji Dental operates all dental clinics and the relevant capital investment in devices and equipment and provision of Health Practitioners, along with supplies and medical consumables, provided that the Group provides the appropriate place for such clinics within its health facilities, along with financial, technological and technical services, cleaning and maintenance services, and other supportive managerial services.

As of 31/03/2019G, HMG employs 10,475 employees, including 2,085 doctors. The total number of the Group's clinics and beds is 1,064 clinics and 1,455 beds for inpatient services (as of the date of this Prospectus, the total number of clinics and beds increased to 1,371 and 1,913, respectively, during Q2 of 2019G). The following table shows a summary of the medical facilities owned by the Group:

**Table (4-22): Operating information for the Medical Facilities Owned by the Group as of 31 March 2019G**

| Health Facility                | Land area (m <sup>2</sup> ) | Built-up areas (m <sup>2</sup> ) | Property ownership                | No. of clinics | No. of employees (No. of physicians) | No. of beds  |
|--------------------------------|-----------------------------|----------------------------------|-----------------------------------|----------------|--------------------------------------|--------------|
| Olaya Medical Complex          | 9,713                       | 69,098                           | Leased / owned <sup>(1)</sup>     | 203            | 1,844 (390)                          | 260          |
| Qassim Hospital                | 6,114                       | 31,000                           | Land leased from the Municipality | 85             | 926 (174)                            | 172          |
| Rayan Hospital                 | 32,077                      | 144,287                          | Owned                             | 235            | 2,075 (505)                          | 349          |
| Takhassusi Hospital            | 21,210                      | 74,950                           | Owned                             | 179            | 1,821 (494)                          | 218          |
| Suweidi Hospital               | 19,374                      | 116,000                          | Owned                             | 243            | 1,461 (326)                          | 305          |
| Khobar Hospital <sup>(2)</sup> | 30,561                      | 211,324                          | Owned                             | 307            | 23 <sup>(2)</sup>                    | 458          |
| Dubai Hospital                 | 8,613                       | 42,920                           | Owned                             | 119            | 977 (196)                            | 151          |
| <b>Total</b>                   | <b>127,662</b>              | <b>689,579</b>                   | <b>-</b>                          | <b>1,371</b>   | <b>9,127 (2,085)</b>                 | <b>1,913</b> |

Source: The Company.

For further details about the properties owned and leased by the Group, (please refer to section 12.14 "**Real Estate owned by the Company**" of this Prospectus).

(1) Olaya Medical Complex consists of seven buildings, four of which are owned by the Group. The remaining buildings are leased from third parties.

(2) Khobar Hospital was operated in Q2 of 2019G. The Group is currently employing and transporting the Health Practitioners and other staff for this hospital.

The following provides a summary of all medical facilities of the Group:

## 1- Olaya Medical Complex:

Olaya Medical Complex consists of: (a) Outpatient Clinics Complex, (b) Spinal Hospital, (c) Maternity Hospital and (d) IVF Center, located at the heart of Riyadh, Olaya District, King Fahd Road. Olaya Medical Complex consists of seven buildings (five buildings are owned by the Company and two buildings are leased) on 9,713 m<sup>2</sup> of land with total built-up area of 69,098 m<sup>2</sup> and 453 parking spots. It is worth mentioning that Olaya Medical Complex has been accredited by HIMSS, JCI, CAP, AABB, CBAHI and SRC.

As of 31/03/2019G, Olaya Medical Complex has 1,844 employees, including 390 doctors, 203 clinics, and 260 beds. 41% of the physicians employed by Olaya Medical Complex are certified by western medical boards in the United States, Canada and the United Kingdom, while the remaining physicians are certified by the Arab and Asian medical boards.

### A- Outpatient Clinics Complex

Outpatient Clinics Complex began providing services in 1995G as an outpatient center. It added a one-day surgery service in 2000G. Medical services provided by Outpatient Clinics Complex include primary medical care that includes general medicine, general pediatrics, primary emergency medical care, family medicine, periodic comprehensive medical examinations and vaccinations. Additionally, it provides secondary medical care, which includes secondary emergency care, general surgery, pediatrics, obstetrics and gynecology, orthopedics, surgery, internal medicine, cardiology, dentistry, ear, nose and throat (ENT), and ophthalmology.

### B- Spinal Hospital

Spinal Hospital began providing services in November 2010G. It is the first and largest hospital specializing in joint and spinal cord osteopathy and surgery in the KSA and the region. Spinal Hospital provides a comprehensive range of neuro-musculoskeletal medical services, including services related to neurosurgery and pediatric orthopedic surgery, and an integrated unit for joint replacement, radiology services and rehabilitation therapy. This wide range of medical services provided by the Group for neuromuscular disorders is rare in the region.

### C- Maternity Hospital

Maternity Hospital began providing services in October 2008G as an obstetrics hospital providing pre- and post-natal care in addition to a range of gynecological and pediatric services through a set of programs, such as women's health programs, pregnancy follow-up, childbirth, and post-natal plastic surgery.

### D- IVF Center

The IVF Center started providing its services in November 2007G as a specialized center to provide infertility treatment and assisted reproduction. It provides outpatient services in the field of obstetrics and gynecology, infertility and assisted reproduction through various programs including all cases of delayed pregnancy and recurrent miscarriage, diagnosis and treatment of infertility and cancer causes, PCOS, testicular sperm extraction, and medical and surgical treatment for difficult reproduction conditions in men and women.

## 2- Qassim Hospital

Qassim Hospital began providing medical services in March 2009G, and is the first integrated and multi-specialization hospital established by the Group. It provides its services to outpatients and inpatients in several general and high specialties. Qassim Hospital has been accredited by JCI, CBAHI, CAP and HIMSS. It is located in a vital and strategic location in the heart of Buraidah in the Qassim region, 360km northwest of Riyadh, which allows it to provide healthcare to a number of cities and towns surrounding Buraidah. Qassim Hospital is the largest private medical service provider in Qassim region.

Qassim Hospital is built over a land area of 6,114 m<sup>2</sup> leased from the Municipality for 20 years effective until 05/10/1445H, with a total built area of 31,000 m<sup>2</sup>. It is worth mentioning that the Group has purchased a number of lands surrounding the hospital with a total area of 49,548 m<sup>2</sup> and 151 parking spaces. Qassim Hospital has 85 clinics and 172 beds, as well as 6 operating rooms for general surgery, obstetrics and gynecology, ENT,

orthopedics, etc. Qassim Hospital has the largest specialized center for the treatment of infertility and assisted reproduction in the Qassim region. Qassim Hospital also includes the largest ophthalmology department, which includes a ward for LASIK and Laser surgery for vision correction. As of 31/03/2019G, Qassim Hospital has 926 employees including 174 physicians. 23% of the physicians employed by Qassim Hospital are certified by western medical boards in the United States, Canada and the United Kingdom, while the remaining physicians are certified by the Arab and Asian medical boards.

### 3- Rayan Hospital

Rayan Hospital began providing medical services in March 2010G as a fully integrated specialized healthcare hospital offering both inpatient and outpatient services. Rayan Hospital is located in Khurais Road in Rayan District, Riyadh. Rayan Hospital went through various expansions driven by the growing demand from patients for its distinguished medical services, as three specialized medical departments have been established for pediatrics, obstetrics and gynecology, as well as physiotherapy for the purpose of providing comprehensive care to meet the expectations of patients. The hospital also has specialized centers for the treatment of obesity, dialysis, and cardiac surgery, as well as the sleep disorders unit and the center for family medicine. The hospital conducts dozens of microsurgeries per day, especially neurosurgery, pediatric surgeries, and heart, spinal, tumor and catheterization surgeries. Rayan Hospital also has an emergency department that works around the clock and receives all types of emergencies. It has two highly equipped units for cardiac catheterization and integrated divisions for Laser and LASIK treatments, NICU, physiotherapy, skin clinics and plastic surgeries. It is worth mentioning that Rayan Hospital has been accredited by JCI, CBAHI, CAP, AABB, HIMSS and SRC.

Rayan Hospital was initially built over a land area of 20,000 m<sup>2</sup> owned by the Group, with a total built-up area of 85,000 m<sup>2</sup>. During 2013G, the Group completed an expansion of the hospital in three additional plots of land with a total area of 5,451 m<sup>2</sup> and a total built-up area of 30,070 m<sup>2</sup>. Rayan Hospital has been expanded onto two additional plots of land owned by the Group with a total area of 6,626 m<sup>2</sup>. As a result, the total area of the lands and total built-up area is 32,077 m<sup>2</sup> and 144,287 m<sup>2</sup>, respectively distributed in six buildings owned by the Group and 1,593 parking lots. Rayan Hospital has 235 clinics and 349 beds, as well as 10 operating rooms for general surgery, obstetrics and gynecology, ENT surgery, orthopedics and others.

As of 31/03/2019G, Rayan Hospital has 2,075 employees, including 505 physicians. 41% of the physicians are certified by western medical boards in the United States, Canada and the United Kingdom, while the remaining physicians are certified by the Arab and Asian medical boards.

### 4- Takhassusi Hospital

Takhassusi Hospital started providing medical services in March 2012G as an integrated medical hospital providing specialized healthcare to both inpatients and outpatients. It is located in Al Takhassusi Street, Rahmaniah District, Riyadh. Takhassusi Hospital employs the most skilled international medical staff, including staff certified by American, Canadian, and British boards, and staff who have expertise in the high medical specialties and have worked in some of the most renowned international hospitals and medical centers. It is worth mentioning that Takhassusi Hospital has been accredited by JCI, CBAHI, CAP, AABB, HIMSS and SRC.

Takhassusi Hospital provides comprehensive medical services in a variety of specializations, including an emergency and intensive care unit. It has a comprehensive center for cardiology and cardiovascular surgery for children and adults in complex specialties, such as internal catheterization, electrical activity, heartbeat irregularities, and others. It also has a unit for nuclear medicine with high-resolution CT and PET scan devices, as well as several divisions for the treatment of obesity, plastic surgery, neurosurgery, and obstetrics and gynecology. The hospital's advanced medical techniques and equipment include vision correction devices, endoscopy equipment, along with two highly equipped units of cardiac catheterization, as well as laboratory and radiological tests, and others.

Takhassusi Hospital was initially built over a land area of 17,325 m<sup>2</sup> owned by the Group, with a total built area of 72,000 m<sup>2</sup>. During 2018G, the Group completed the expansion of the hospital on an additional plot of land with an area of 3,885 m<sup>2</sup> with an additional built-up area of 2,950 m<sup>2</sup>. The total area of the land and the total built-up area are 21,210 m<sup>2</sup> and 74,950 m<sup>2</sup> respectively, with 818 parking lots. Takhassusi Hospital has 179 clinics and 218 beds, as well as 11 operating rooms for general surgery, obstetrics and gynecology, ENT surgery, orthopedics and others.

As of 31/03/2019G, Takhassusi Hospital has 1,821 employees including 494 physicians. 42% of the physicians are certified by western medical boards in the United States, Canada and the United Kingdom, and the other physicians are certified by the Arab and Asian medical boards.

## 5- Dubai Hospital

Dubai Hospital is located in Dubai Healthcare City in the UAE. Dubai Hospital began providing medical services in August 2007G as an out-patient medical center. The Group decided to expand the center by establishing a building to provide hospitalization services to enable the Group to provide integrated medical services to its patients, which began operation in the first quarter of 2015G. Therefore, the name of the Group's operations in Dubai has been changed to Dubai Hospital. Dubai Hospital provides specialized healthcare services for inpatients, such as cardiology, cardiovascular surgery, intensive care, emergency, delivery and other services, as well as primary health services, including general medicine, family medicine, medical examinations, vaccinations and specialized clinics of preventive medicine, dentistry, cardiology and dermatology. It also has divisions for diabetes, nutritional and gastrointestinal illnesses, ophthalmology and general surgery. It is worth mentioning that Dubai Hospital has been accredited by JCI, Compliance Evaluation Accreditation Center, CAP and Center for Planning and Quality of Medical Services.

Dubai Hospital has 119 clinics, 151 beds and 6 operating rooms. Dubai Hospital was built on two plots of land with a total area of 6,757 m<sup>2</sup>. The built-up area is 40,000 m<sup>2</sup>, with 293 parking lots. As of 31/03/2019G, Dubai Hospital has 977 employees, including 196 physicians. 70% of the physicians are certified by western medical boards in the United States, Canada and the United Kingdom, while the remaining physicians are certified by the Arab and Asian medical boards. For further details, please refer to Table 6.35 "Dubai Hospital Assets".

### Dubai Medical Center:

To expand the operations of Dubai Hospital, Dr. Sulaiman Al-Habib Medical Center ("**Dubai Medical Center**") was established at Sheikh Zayed Street on a plot of land of 1,856 m<sup>2</sup> owned by the Group. The built-up area is 2,920 m<sup>2</sup>, with 58 parking spaces. The Dubai Healthcare Center began its services in October 2018G as a specialized center for outpatient services through 38 clinics. Medical services provided by Dubai Medical Center include primary medical care, which includes general medicine, general pediatrics, primary medical care emergency, family medicine, periodic comprehensive medical examinations and vaccinations. Additionally, it provides secondary medical care, which includes secondary care emergency, general surgery, pediatrics, obstetrics and gynecology, orthopedics, surgery, internal medicine, cardiology, dentistry, ear, nose and throat (ENT), and ophthalmology.

## 6- Suweidi Hospital

Suweidi Hospital began providing medical services in October 2016G as an integrated medical hospital providing specialized healthcare to both inpatients and outpatients. It is located in the southwest of Riyadh, Hamzah Ibn Abdul Muttalib Road. It consists of 10 floors built on a land of a 19,374 m<sup>2</sup> owned by the Group. The built-up area is 116,000 m<sup>2</sup>, with 1,210 parking spaces. Moreover, Suweidi Hospital has 243 clinics, 305 beds and 10 operating rooms.

The hospital also has specialized centers for the treatment of obesity, dialysis, and cardiac surgery, as well as the sleep disorders unit and the center for family medicine. The hospital conducts dozens of microsurgeries per day, especially neurosurgery, pediatric surgeries, and heart, spinal, tumor, renal transplantation and catheterization surgeries. It also has an emergency department that works around the clock and receives all types of emergencies. In addition, it has two highly equipped units for cardiac catheterization and LASIK treatments, NICU, physiotherapy, integrated divisions for laser treatments, skin clinics and plastic surgeries. It is worth mentioning that Suweidi Hospital has been accredited by JCI, CBAHI, CAP, AAB, HIMSS and PLANETREE.

As of 31/03/2019G, Suweidi Hospital has 1,461 employees, including 326 physicians. 37% of the physicians are certified by western medical boards in the United States, Canada and the United Kingdom, while the remaining physicians are certified by the Arab and Asian medical boards.

## 7- Khobar Hospital

Khobar Hospital began providing medical services in Q2 of 2019G as an integrated hospital providing healthcare services. Khobar Hospital is located at King Abdul Aziz Road, which connects Khobar with Dammam in the Eastern Province of the KSA. Khobar Hospital has been constructed on a land area of 30,561 m<sup>2</sup>, with a total build-up area of 211,324 m<sup>2</sup> (the Group has purchased a number of lands with a total area of 8,761 m<sup>2</sup> around the hospital), and 1,816 parking spaces. Moreover, Khobar Hospital has 307 clinics, 458 beds and 12 operating rooms.

The hospital has specialized centers for the treatment of obesity, dialysis, and cardiac surgery, as well as the sleep disorders unit and the center for family medicine. The hospital conducts dozens of microsurgeries per day, especially neurosurgery, pediatric surgeries, and heart, spinal and catheterization surgeries. It also has an emergency department that works around the clock and receives all types of emergencies. In addition, it has two highly equipped units for cardiac catheterization and LASIK treatments, NICU, physiotherapy, integrated divisions for laser treatments, skin clinics and plastic surgeries.

As of 31/03/2019G, Khobar Hospital has 23 employees. The number of employees and Health Practitioners at Khobar Hospital increased since the hospital opened in Q2 of 2019G through the recruitment and/or transfer of physicians and Health Practitioners to Khobar Hospital.

### 4.2.3 Health Facilities Operated and Managed by HMG for Third Parties

#### A- UMC in Bahrain

On 28/09/2011G, the Company entered into an exclusive design, supervision, operation and management agreement with the Arab Gulf University in connection with the KAMC UMC Bahrain. In consideration for these services, the Company receives a proportion of the annual UMC revenues as administrative fees. The initial term of the agreement is ten years as of UMC operation (as of 06/11/2012G).

UMC in Bahrain provides outpatient and one day surgery services. Furthermore, it offers a variety of medical specialties, including heart surgery, dermatology, obstetrics, gynecology, and pediatrics, as well as a fully equipped training room that can accommodate 400 people. As of 31/03/2019G, UMC in Bahrain has 40 clinics, 16 beds and two one-day surgery rooms, as well as 213 employees, including 53 physicians.

#### B- ICU Company

In order to expand its operations in the management and operation of health facilities for third parties, ICU Company was established in 2017G to provide management and operation services for intensive care facilities. As of 13/05/2019G, HMG entered into 6 agreements for the management and operation of 139 intensive care beds in six MOH health facilities in five cities in the Kingdom, namely Jeddah, Medina, Buraidah, Al Kharj and Al Qatif. (please refer to section 12.9 “**Agreements on Management and Operation of Health Facilities**” for further details on these agreements). The Group intends to employ 583 Health Practitioners to implement the above agreements.

### 4.2.4 Pharmaceutical Facilities

HMG have been operating pharmaceutical facilities since 1995G. The pharmacies provide 24/7 services through an integrated pharmacy team holding specialized certificates in this field. The team members are trained periodically to boost their scientific and professional level. Al-Habib Pharmacies also provide more than 14,000 medical and consumer products covering all types of medicines and medical and cosmetic supplies. Al-Habib Pharmacies rely on the most advanced technologies through the patient health information system “VIDA,” which enables the doctor to review the patient’s health and medical records to provide greater care and protection against drug-drug interaction, especially in case of chronic diseases.

Moreover, Al-Habib Pharmacies provides the Group’s health facilities with pharmaceutical and cosmetic products. The Group currently manages 13 pharmacies in various locations affiliated to the Group’s hospitals and medical centers. Pharmacies, therefore, serve patients and direct customers. Consequently, the Group’s pharmaceutical facilities enter into limited competition with independent pharmaceutical facilities operating in the Kingdom.



Al-Habib Pharmacies currently operate in the following locations:

- **Olaya Medical Complex:** main pharmacy, dermatology clinics pharmacy, and Spinal Hospital pharmacy
- **Qassim Hospital:** main pharmacy
- **Rayan Hospital:** main pharmacy, emergency department pharmacy, and obstetrics and gynecological pharmacy
- **Takhassusi Hospital:** main pharmacy, and the second pharmacy
- **Suweidi Hospital:** main pharmacy, and the second pharmacy
- **Khobar Hospital:** main pharmacy
- **Dubai Hospital:** Pharmachoice

As of 31/03/2019G, Al-Habib Pharmacies employ 336 employees.

#### 4.2.5 HMG Solutions

The Group has numerous expertise and in-depth know-how in the medical services field and the services supporting its business. From time to time, the Group also considers strategic opportunities to invest in other medical fields that are underserved yet with a high patient demand. As a result, the Group has invested in several activities related to its field in the medical industry. The Group has established four companies specialized in providing healthcare, laboratories, technology or supporting services. Below is a brief overview thereof:

##### A- MD Labs

MD Labs was established in 2013G as an independent company to provide medical diagnostic services and specialized laboratory tests to the Group's patients and direct patients in Riyadh. MD Labs is characterized by advanced laboratory tests that are not widely provided by other laboratories in the Kingdom and Gulf countries. The Group has invested in advanced medical devices that enable it to provide some of these medical tests, such as HPV, alpha, beta thalassemia and paroxysmal nocturnal hemoglobinuria, without the need to send laboratory samples outside the Kingdom. It should be noted that MD Labs has been accredited by CBAHI and CAP.

MD Labs commits to apply international standards to laboratory tests, including: JCI, CAP, ISO, and CBAHI.

The services offered by MD Labs include laboratory tests that help detect communicable and non-communicable, genetic, immunological, cancer diseases and others. MD Labs' initial operation took place in March 2014G and employs 72 employees as of 31/03/2019G.

##### B- HHC

The Group is one of the leading home healthcare providers. It began providing home healthcare services in 2001G as a division in Olaya Medical Complex. In 2011G, home healthcare services were provided separately through establishing HHC as an independent legal entity wholly owned by the Group. This service enables patients to receive medical treatment in their homes, as the Group believes that home is the best place for treatment, given its positive impact on the patient's response to treatment and the speedy recovery and recuperation. Accordingly, the Group has developed and prepared its services in all health, nursing and technical specialties equipped with the cutting-edge medical devices necessary for meeting such needs.

This service comprises several programs, including scheduled visits to the medical team. The medical team will conduct initial diagnosis of health condition, develop the appropriate treatment plan, provide patient periodic follow-ups in coordination with the nursing team or physiotherapist, as the case may be. Programs offered by HHC include the installation of integrated home intensive care units for the patient, as well as remote follow-up of the patient's vital signs.

HHC provides health services to all age groups and those for whom and for their Relatives going to hospitals is troublesome, especially the elderly, people affected by chronic diseases and the newborns, through the home healthcare teams, including:

- Family and community medicine consultants.
- Nursing staff specializing in home healthcare.

- Medical support specialists (physiotherapy, respiratory therapy and occupational therapy).
- Clinical nutritionists.
- Administrative supervisors and coordinators for following up the provision and quality of home healthcare services.

As of 31/03/2019G, HHC employs 243 employees.

### C- Facility Maintenance - Serco Services

Serco Services provides facility maintenance services, as well as support services to all health facilities of the Group and third parties in the Kingdom. Serco Services is a strategic joint venture of which HMG owns 40%. Therefore, it is an Associate Company and its results are not consolidated in the Group's consolidated financial statements. Saudi Serco Services Company (a foreign investment company affiliated to Serco Group in the United Kingdom listed on the London Stock Exchange) held a 60% stake in Serco Services share capital on 10/04/2013G.

### D- Cloud Solutions for Communication and Information Technology

As the Group believes that technology is an important driver in the health sector in KSA and the region, and due to the low numbers of national companies specialized in the development and implementation of specialized technologies and solutions in the healthcare services sector in the local and regional market, the Group established Cloud Solutions for Communication and Information Technology ("**Cloud Solutions**") as a wholly owned subsidiary of the Group in 2013G. All IT department staff were transferred from the Group to this Company. Cloud Solutions is one of the first companies specialized in integrated systems and technical support and maintenance services in the healthcare sector. It has been classified by MOMRA under a contractor classification as an active e-business and communication technology company. Cloud Solutions provides technical services, applications thereof and technical support to all of the Subsidiaries of Group and third parties.

It is headquartered in Riyadh and has regional offices in the United Arab Emirates and the Kingdom of Bahrain, as well as a state-of-the-art center specialized in developing health systems and programming in Sri Lanka. Cloud Solutions employs 276 employees. Given Cloud Solutions' basic principles and vision to transfer knowledge through specialized training programs, through which it ensures optimal and effective use of the system, system users in the Ministry's projects have been trained by highly competent staff holding the same qualifications of Health Practitioners and system users. Cloud Solutions has a team of physicians, pharmacists, and nurses as well as a number of those holding education and training certificates in other disciplines to train them on Cloud Solutions systems, utilize their expertise, and appoint them as specialists in Cloud Solutions systems. This is so that they will transfer knowledge to customers in the most efficient way. In addition, it has a specialized team that provides consulting services and installation and maintenance of systems, electronic devices and networks.

### Systems and software owned by Cloud Solutions:

Cloud Solutions has developed more than 11 local technical specialized products to serve the healthcare sector. They include:

- 1- Patient health information system (VIDA): the first product in a line of integrated electronic health system recorders developed locally according to all international standards and best practices (ICD-10, LOINC, CPT-4, CDT-4, SNOWMED). It can also be connected to medical devices and other systems through technologies and protocols such as HL7, Web Services, as well as Decision Support System, and Drug Interaction. It has many functions and provides many services, such as management of appointments, laboratory tests, radiation examinations, prescriptions, treatment history, and all procedures in all sections of the facility, such as the department of surgery, department of intensive care, and hospitalization wards in an integrated paperless and electronic environment. The product has been developed as a result of cumulative experience for more than 15 years, helping healthcare providers facilitate the patient's treatment journey in the facility through highly effective actions. The system also includes a sophisticated billing system linked to all local insurance companies, which facilitates the procedures for approvals of insurance companies. Patients Health Information System (VIDA) also has an interactive reporting system and an interactive user-friendly control panel, which comprehensively reflects the efficiency of the work within the facility and the treatment of the defect quickly. This contributes to boosting the level of provided medical service, reflected in customer satisfaction.

- 2- VIDAPTOR: a system linking medical devices and laboratories with electronic health registry systems to receive electronic laboratory applications, collect vital data and laboratory results electronically (without human intervention), and record them in electronic health registry systems in order to achieve digital transformation of the facility, reduce human errors, shorten the time factor and automate the work procedures of the health facility.
- 3- TAWASUL System: a system, that is still under development, for customer relationship management, as well as reception and handling of complaints and suggestions, improving customer satisfaction with the services provided by the facility in an electronic and fast manner.
- 4- EMDAA System: a system for electronic approval and signature on representations using tablets used by healthcare providers in patient approval on treatment, which helps healthcare providers meet JCIA and CBAHI standards.
- 5- Patients Mobile Application: which provides patient self-services through more than 60 services, such as presentation and creation of schedules and means to view of the results of the laboratory, radiation, prescriptions, notices, insurance approvals and many other services. The physician can also log in the mobile application via mobiles, which provides self-service to the physician, such as viewing the patient's profile, schedules, treatment history, tests, radiation, prescriptions and other services.
- 6- E-Prescription System: which ensures the provision of a safe and high-quality healthcare service on a continuous basis, as it enables physicians to record prescriptions electronically and communicate with commercial pharmacies. With this system, the patient receives a text message on his phone.
- 7- ExaCart platform for e-commerce: an electronic platform that offers the traditional services to e-shops via the platform or mobile application. In addition, ExaCart Platform contains services dedicated to healthcare stores and products, such as pharmacies and can be linked to the e-prescription system.
- 8- Mohemm Application: an application for the personnel and human resource management e-services of the facility associated with the ERP system to facilitate the employee's online procedures and requests such as vacations, etc. The application also provides procurement management services and the possibility of managing purchase orders through the application.
- 9- Electronic screens management system (Synchrony): a central or online management system of installed screens throughout the facility, such as waiting area, emergency department etc. in all branches.
- 10- Entertainment Information System (Htick): an integrated entertainment and information system for the inpatient rooms that allows the patient to control the room, browse the internet, order meals, control children's camera, use social media and watch TV programs.
- 11- ATHR: a system, that is still under development, for tracking and management of medical devices and assets within the medical facility. It is an integrated system for the listing and tracking of assets, especially the medical devices, the number of working hours, the periodic maintenance schedules, the precautionary maintenance, and the calibration to meet the highest levels of safety and high efficiency.

#### **Infrastructure Services provided by Cloud Solutions:**

Cloud Solutions also provides technical services, applications thereof and technical support to all Subsidiaries as well as third parties. Below are the services provided by Cloud Solutions, including all infrastructure-related design, installation, maintenance and support of electronic devices and equipment and network systems:

- 1- Design, creation and installation of main data and backup centers.
- 2- Design, creation and installation of Tele ICU Command Centers.
- 3- Design, creation and installation of Tele Radiology Centers.
- 4- Design, creation and installation of SQL Servers/Oracle DB systems.
- 5- Design, creation and installation of PACS in hospitals.
- 6- Design, creation and installation of Oracle ERP systems, which covers the following units and operations:
  - Finance: Fixed asset, general ledger, cash management, accounts payable, and accounts receivable



- Logistics: Inventory, procurements and logistics
- Human Resources: Manage staff information, salaries, benefits and self-services
- 7- Installation, operation and maintenance of computers and accessories such as printers and scanners.
- 8- Design, installation and maintenance of Internet equipment and devices.
- 9- VoIP phones.
- 10- Internet TVs (IPTV).
- 11- Application and installation of Email Exchange servers.
- 12- Cybersecurity & network and data protection systems.
- 13- Providing conference and lecture rooms with video/audio systems, as well as special lighting systems.
- 14- Surveillance cameras and security systems, and connection thereof to data centers for storing images and video.
- 15- All items related to computer and electronic equipment and database systems.
- 16- System application services, as well as maintenance and technical support services: Providing technical support and maintenance services for infrastructure and ICT systems including:
  - Help desk Services: They are (online or telephone) call center services to receive and process technical support requests immediately.
  - Specialized services for system application and training: such as VIDA and ERP application services.

### Cloud Solutions' Strategic Partnerships

Cloud Solutions has entered into many partnerships and agreements with some of the largest developers and suppliers of systems and ICT infrastructure, which adds value to the Company by enabling it to provide integrated and highly professional services, such as Oracle, AVAYA, Aruba Networks, GE, Hewlett Packard Enterprise, Visus, Palo Alto Networks, F5 Networks, Genesys, Riverbed Technology, Ascom, and Extreme Networks.

### The Group's Network Operations Center (NOC) and Data Security Operations Center (SOC):

NOC and SOC were established in collaboration with Cloud Solutions, operating around the clock to monitor the network, protect from system interruptions and monitor any security threats.

### Group's Data Center:

The data center is designed in cooperation with Cloud Solutions according to Tier III standards of Uptime Institute, an institute specialized in providing best practices and benchmarking mechanisms to its members to improve the management and design of data centers. The Group aims to provide IT services available to data center users according to Tier III standards of Uptime Institute, which aims to provide the service most of the time with high reliability (with 99.998%-time availability according to the standards of Uptime Institute).

The Group believes that providing these new technologies according to international standards will: (i) Promote brand identity; (ii) increase the speed and efficiency of internal management processes; (iii) reduce waiting times for patients; (iv) increase patient comfort; (v) reduce patient absence from appointments using text messaging or automated call reminder, saving administrative expenses and promoting revenue generation; (vi) attract new patients, especially youth; and (vii) enhance the quality of medical services and reduce medical errors.

The outstanding work in the field of information technology has contributed to the development of the services provided by HMG to its customers and acquisition of numerous international awards and certificates of excellence (please refer to section 4.1.2 “**Accreditations, Certificates, Awards and Key Medical Achievements**” for further details on the awards obtained by the Group).

## 4.3 Distinctiveness of HMG's Operations

### 4.3.1 Company Vision, Mission, and Values

Below is a summary of the HMG's vision, statement, and values:

#### The Group's Vision

The Group strives to be the most trustworthy healthcare provider in medical excellence to achieve the highest customer satisfaction.

#### The Group's Mission

To provide innovative medical care to improve the lives of individuals through the development and operation of high quality healthcare facilities.

#### The Group's Values

Striving to achieve its vision and mission, HMG has adopted a set of core values, including:

- **Integrity:** We believe that integrity and ethics are the basis of our relationship with patients.
- **Safety:** Safety is the foremost of our priorities, as our patients and their families entrust us with their lives and health. We must strive to reinforce safety through continued attention to operational systems and by following policies and procedures that help avert errors and minimize risks.
- **Caring for Patients is of the Utmost Importance:** We appreciate the needs of patients by providing services that are compatible with patient privacy, family situation, and social status, while giving due attention to their lifestyle. We also strive to respond at all times to patients' needs through different communication channels, solicit their opinion, and provide continual training to our employees.
- **Excellence and Quality:** Constant improvement in everything we do through continuous creativity, innovation, and development, in order to create a brighter future.
- **Team Work:** We work together energetically and communicate to guarantee appropriate and effective sharing of information and to create a work environment that encourages mutual respect and cooperation. We add value for the work team, professionally and intellectually developing the team and effectively utilizing the talents.
- **Effectiveness:** Our employees make every effort possible to save the patient's time and ensure the effective and efficient use of available resources.

### 4.3.2 Competitive Advantages

The following are the competitive advantages that distinguish HMG from other competing healthcare providers. These competitive advantages provide great opportunities for the Group to develop and improve its business and to satisfy increasing healthcare demand in the Kingdom in particular and the Gulf region in general.

#### 4.3.2.1 Integrated, High-Quality Medical Services

The Group has maintained its leading and strong position amongst medical services providers in the Kingdom and the region due to its continuous efforts in providing integrated high-quality medical services. The Group's hospitals provide primary and secondary medical services in addition to subspecialty services and support services. In addition to this, the Group has established specialized centers to provide therapeutic services, including IVF, obesity, obstetrics and gynecology, microsurgeries in cardiac, orthopedics and spinal cord. In addition, the Group provides home healthcare services by making integrated medical care available to patients at their homes and among their families. The Group has strengthened its diagnostic medical capabilities by investing in specialized laboratories to provide advanced laboratory testing.

As the Group focuses on quality and excellence in the service provided to its patients, it has obtained a number of certificates of accreditation and quality. In particular, it has acquired the following accreditations and certificates: (1) CBAHI accreditation, (2) JCI accreditation for the Group's hospitals, (3) CAP laboratory accreditation, (4) HIMSS accreditation, (5) accreditation of AABB (formerly known as the American Association of Blood Banks), and (6) a number of ISO certificates.

The Group has adopted a rigorous system to monitor and manage the quality of medical services provided to patients in the Group's health facilities. Quality management also monitors patient waiting times, physicians' appointments, adherence to such appointments, and follow-up of statistics on the use of medical devices and equipment through an automated system connected to all health facilities of the Group. Through this system, the Group can identify problems, make appropriate recommendations, and quickly implement them across all medical facilities, enabling it to follow the best practices rapidly and continuously. The Group believes that these efforts are crucial to improving the quality of healthcare services provided to patients and reducing waiting times.

The Group has also invested in advanced medical care technologies to ensure the optimal use of technology to serve patients and improve medical quality through the establishment of (1) the Tele ICU Command Center, which operates around the clock and supervises more than 650 beds of intensive care in the Group's health facilities in the Kingdom, Dubai and Bahrain; (2) the Tele Radiology Center, which links all of the Group's facilities to a diagnostic radiology command center that allows the physician to remotely read the reports and provide fast diagnostic service, highly impacting the quality and speed of medical service; and (3) Emergency Command and Control Center, which connects all emergency departments and ambulances with a command and control center that directs and supervises the movement of ambulances to reduce the time taken to bring patients to the hospital and medically supervises them remotely.

In addition, the Group has provided modern technical systems to serve customers through Cloud Solutions that developed more than 11 specialized technical products to serve the healthcare sector, and recruited a specialized team to provide technical services, as well as offer and maintain the application of systems, electronic devices and networks. For example, the Group has developed VIDA, the first integrated electronic health system that meets several international standards and best practices adopted by such organizations as HIMSS. It has also developed a mobile application (Patient Mobile Application) that provides more than 60 self-services to patients electronically, such as viewing and creating schedules, introduction to physicians, review of laboratory and radiation results, prescriptions, vaccinations, insurance approvals, direct contact with physicians and other services.

#### **4.3.2.2 Qualified Health Practitioners**

The Group believes that the continued success of its business depends on attracting the most skilled Health Practitioners, including physicians, surgeons, highly specialized doctors, nurses, technicians and others. The HMG's medical team is composed of highly skilled and experienced Health Practitioners holding accredited certificates from North America and Western Europe. As of 31/03/2019G, the Group employs 2,085 physicians, with physicians certified by the western medical boards, including USA, UK and Canada, which accounts for 42% of the total number of physicians working at the Group. The remaining physicians are certified by a number of the Arab and Asian medical boards. Given their recognized excellence, many of the Group's physicians have assumed several academic positions and have been employed in several committees related to their fields of specialization.

HMG has also adopted a policy to attract and train the best talents in the Kingdom in order to lay the foundations for qualifying highly skilled Saudi Health Practitioners in the future. The Academic Affairs Division launched the Fellowship Training Program in November 2017G, through which 60 physicians were trained. In addition, the Group pioneered the provision of critical care accommodation and fellowship programs among all private sector healthcare organizations in the region. Moreover, as part of the social responsibility in HMG, two diploma programs were approved by the Saudi Commission for Health Specialties (dental assistant and medical assistant) under the overall supervision of the Group.

#### **4.3.2.3 Strategic Relationships with Insurance Companies and Suppliers**

The Group has established strategic relationships with insurance companies in the Kingdom and the GCC region. These strategic relationships have contributed to the marketing of health insurance services provided by these companies to their customers due to the demand on healthcare services provided by the Group. This has increased the number of the Group's customers insured by insurance companies, which has in turn boosted the market share of the Group. It is mutually beneficial for the Group and the insurance companies. Moreover, the Group has provided a professional technical team that centrally executes and manages all medical service contracts with insurance companies, monitors medical approvals and claims, and collects revenues for the medical services provided, thus providing the best experiences and practices to insurance companies, customers and insureds.

Furthermore, the Group has established strong relationships with various local and international suppliers for the supply of medical equipment, pharmaceuticals, medical consumables, IT, and management of the Group's



health facilities. In addition to the strong purchasing power of the Group, these well-established relationships have facilitated direct transactions with many of the Group's suppliers under favorable contractual terms for the Group's operations and operational needs at reasonable prices. The Group has also developed innovative solutions in collaboration with its suppliers in terms of medical equipment, which has contributed to enriching the patient's experience, helping the Group to grow and develop the quality and efficiency of its medical services.

#### 4.3.2.4 Large scale operations with high operational efficiency

Since its incorporation, the Group has gained a high level of expertise and technical knowledge, which has allowed it to design and supervise its projects for new medical facilities. This is carried out by the Group's design and engineering supervision team in accordance with the highest technical and medical standards and requirements. Except for Olaya Medical Complex, which began providing services in 1995G, the Group has developed and supervised the implementation of its new projects, enabling it to identify the optimal use of built-up spaces and facilities to ensure the smooth flow of patients and medical staff, as well as the equipment of clinics and beds in a way that realizes operational efficiency and enhances quality of medical services.

This business model has enabled the Company to achieve high growth and profitability, which is reflected by the Group's ability to expand its operations in relative short periods. The Group has been able to open one (or more) new medical center or hospital or expand an existing healthcare facility every year or two years from 2007G to 2019G.

The Group's expansion was accompanied by a steady increase in the number of patients registered at its health facilities. It received about 3 million outpatients and inpatients at its 1,064 clinics, with 2,021 physicians and 1,455 beds as of 2018G. The Group's market share amongst private healthcare providers in 2017G is estimated at 21% in Riyadh, according to its clinical capacity based on the market study prepared by the Market Study Consultant.

#### 4.3.2.5 Prime locations of the Group's medical facilities

The Group's medical facilities are currently concentrated in major regions and in densely populated and centrally-located well developed neighborhoods characterized by high levels of demand for healthcare services, such as Riyadh, the Al Qassim region, Eastern Province, and Dubai. The Group currently conducts its business through operation and management of the following health facilities: (1) Olaya Medical Complex located on a major commercial artery between King Fahd Road and Olaya General Street, north of Riyadh; (2) Dubai Hospital, which is located in Dubai Healthcare City and aims to become a full service center for medical services; (3) Suweidi Hospital, located in Hamzah Ibn Abdul Muttalib Street, Al Suwaidi District, South of Riyadh, and surrounded by densely populated districts in Riyadh City; (4) Qassim Hospital located in the center of Buraidah City; (5) Khobar Hospital which is located at the intersection of King Fahad Road and King Salman Road in Khobar; (6) Rayan Hospital, located in Khurais Road, east of Riyadh, a major commercial artery; and (7) Takhassusi Hospital, which is located in Takhassusi Street, north of Riyadh.

Similarly, the Group seeks to expand its operations into increasingly growing and densely populated cities. It is currently designing, constructing and developing the following three private health facilities in the Kingdom: (1) North Riyadh Hospital, located at the intersection of King Fahad Road, Anas Ibn Malek Road and Olaya Street in Al Sahafa District next to the planned metro station, which will be named after the Group, in northern Riyadh; (2) South West Jeddah Hospital located in Prince Majed Road, Al Fayhaa District, Jeddah; and (3) North Jeddah Hospital located in Prince Sultan Street, Mohammedia District, Jeddah (please refer to section 4.9 "Future Projects" of this Prospectus for further details).

#### 4.3.2.6 The Group's Reputation and Brand Position

The Group has worked hard since its establishment in 1995G to build a distinctive brand and reputation. The success has come on the back of continuously providing the highest quality medical services in the Kingdom and the GCC region. It has earned the reputation among the medical staff and patients as one of the most outstanding medical service providers in the region. This is due to the recruitment of qualified staff, including qualified Health Practitioners with global expertise, and provision of the cutting-edge medical and laboratory equipment and devices. The Group believes that its high-quality medical services provided has been instrumental in building its leading brand and unique reputation that will help maintain its pioneering position in the healthcare sector and boost it in the geographical areas where the Group operates, as well as the markets into which the Group intends to enter in the future.

#### 4.3.2.7 Qualified Directors and Senior Executives

Since the Group's inception, the Board Chairman, Dr. Sulaiman Abdulaziz Sulaiman Al-Habib, has been involved in formulating the Group's general strategy and defining its expansion plans. This has contributed to the growth of the business and the provision of numerous advanced medical services serving a large segment of patients. The success of the Group's business is also attributed to the work of its Directors and Senior Executives who have expertise in many areas, including health facility management, financial management, accounting management, information technology and governance. In addition, the Group has, since its inception, been developing multiple programs that contribute to developing the skills of employees with managerial and professional skills to enable them to succeed and assume senior positions at the Group.

#### 4.3.2.8 Financial and Operational Performance

The Group's operational and financial performance has been positive over the past few years, as the number of customers received at its health facilities has increased, and as the Group has enhanced the efficiency and effectiveness of its operations, despite the economic factors during that period. The number of outpatients in its health facilities has increased at a CAGR of 5.4% from 2016G to 2018G, compared to a CAGR of 2.3% at the level of the healthcare sector in the Kingdom during the same period according to the market study conducted by the Market Study Consultant. The number of inpatients at the Group's health facilities has also increased at a CAGR of 8.6% from 2016G to 2018G, compared to a CAGR of only 4.2% at the level of the healthcare sector in the Kingdom during the same period according to the market study conducted by Market Study Consultant.

Although the health insurance sector has faced a number of challenges as a result of recent economic changes, which has led to a decrease in the number of people insured by insurance companies - as the market study conducted by the Market Study Consultant indicates that the number of insured persons decreased from 12 million in 2017G to 10.8 million in 2018G - the Group has managed to increase the number of patients insured by insurance companies at a CAGR of 5.2% during that period.

It should be noted that the Group has launched a number of initiatives to reduce costs, improve the efficiency of its operations and optimize working capital management. The Group has also increased the number of patients through the optimization of resource and Health Practitioner management. For example, the average number of patients per physician increased from about 1,364 patients per physician in 2016G to about 1,489 patients per physician in 2018G. The average days of inpatient hospitalization decreased from 3 days to 2.9 days from 2016G to 2018G, reflecting the increased efficiency of the Group's operations while maintaining the quality of healthcare services and improving patient experience.

Operating cash flow grew at a CAGR of 27% from SAR 901 million in 2016G to SAR 1,447 million in 2018G. The Group has been distributing cash dividends despite the expansion of its operations and related capital expenditure. Total cash dividends were SAR 1.8 billion for the last three years. Cash dividends increased at a CAGR of 47.1% from 2016G to 2018G. The average cash dividends to the Group's net profit was 76.0% during that period. Cash dividends for the three-month period ended 31/03/2019G amounted to about SAR 210.0 million, or 89.9% of the Group's net profit for that period.

In addition, the Group has a healthy financial position that has enabled it to maintain its operation expansion over the past years with low borrowing rates. The loan to total equity ratio has not exceeded 0.35 over the last three years, giving the Group greater opportunities to benefit from external financing in the future and increasing the ratio of returns to equity. (please refer to section 6 **"Management Discussion and Analysis of Financial Position and Results of Operations"** for further details on the Group's financial and operational performance).

#### 4.3.2.9 Information Technology

Since its incorporation, the Group has invested in IT, believing that it is necessary to use software tools and technology to serve both its patients and operational activities. Due to the growth of the Group's IT activities accompanied by accumulation of expertise, and the importance of information technology in the areas in which it operates, the Group has worked hard to become a leader in this field, to enhance its position, and build on its experience in healthcare information technology. The Group has established Cloud Solutions for Communications and Information Technology (**"Cloud Solutions"**) as a wholly-owned Subsidiary in 2013G to provide technical services, applications thereof and technical support to all Subsidiaries of the Group and third parties. The Group believes that it is one of the most advanced and developed health facilities in the region, it can compete with its

global counterparts in applied systems and cutting-edge digital technologies, and it meets the highest infrastructure standards. Clinical IT systems involve patient registration, medical records, treatment history, medical history, laboratory tests and radiology. They consist of the following applications:

- **Patient health information system (VIDA):** It is the information system provided by Cloud Solutions to manage the electronic health records of patients and the results of laboratory tests and complete all medical procedures in the entire medical facility.
- **Tele-Radiology:** Applying the cutting-edge medical image archiving systems in collaboration with General Electric and Cloud Solutions, including medical imaging, image storage and archiving, remote radiology solutions, 3D modeling, voice recognition, integration and reporting.
- **Tele-ICU Management Center:** Applying the state-of-the-art systems for Tele-ICU management by consultants who provide 24/7 service in all weekdays, holidays and national days with state-of-the-art technologies in collaboration with GE and Cloud Solutions.
- **E-channels:** The Group has adopted a number of the state-of-the-art technologies in advance, which have a great impact on the provision of electronic services to satisfy the patients and enrich their treatment experience, through cooperation with Cloud Solutions, including:
  - 1- **Self-Service Device for Patients (PCM):** It is a user-friendly, sophisticated self-service device used in all of the Group's branches. Its user can view and print medical records, laboratory results and prescriptions, review health professionals' profiles and make appointments in all health facilities of the Group.
  - 2- **Smart Phone Application:** It is an application that enables patients to access their health electronic record system, and benefit from more than available 60 services, such as appointment scheduling, access to laboratory reports, radiology reports and images, and medical prescriptions, and request medical reports, as well as many other services. Patients can also get answers to all of their concerns and questions. The application is available on all smart phone operating systems including Apple, Android and Windows.
  - 3- **Patients Portal:** It is an online platform that enables patients to access their health electronic record system, through more than available 60 services such as appointment scheduling, access to laboratory reports, radiology reports and images, and medical prescriptions, and request medical reports, as well as many other services.
  - 4- **IVR:** It is an automatic voice response system that offers a number of services including appointment confirmation, medical approvals by insurance companies and laboratory results, without the need to call the employees of the contact center.

## 4.4 Strategy

HMG aims to provide integrated high-quality medical care for all of its patients. It also seeks to strengthen its presence in the Kingdom and the region and to develop its financial position and results. Below is its main strategy to achieve its objectives:

### 4.4.1 Providing integrated healthcare services

The Group also aims to provide patient-centered integrated healthcare services and assess patient needs through providing them with high-quality and appropriate health services as well as technical and administrative services to ensure improved patient experience and contribute to advancing their health and enhancing their lifestyle in line with international best practices, while taking into account the latest medical developments.

### 4.4.2 Maintaining a Leading Brand in the Market

HMG aims to be constantly recognized as a leading brand in the healthcare market, in line with the highest international standards of patient care and medical excellence across the MENA region. It believes this will be achieved by focusing on a number of strategies, the most important of which are as follow: (1) owning, designing, developing, managing and operating integrated and state-of-the-art health facilities in major cities with advanced infrastructure and high population densities; (2) meeting the highest standards of patient safety through mandatory accreditations or standards that develop the Group's operations and medical procedures; (3) continuing to invest in the latest cutting-edge medical technologies; and (4) striving to employ the highest caliber of highly competent Health Practitioners and retaining them by providing several benefits and incentives.

#### **4.4.3 Expanding to New Locations**

The Group plans to take advantage of its operating model, accumulated experience and know-how in designing and overseeing the development of medical facilities in accordance with the highest technical and medical standards to open new locations. It also plans to add about 815 clinics and around 1,180 beds over the next years. The Group will continue to focus on establishing and operating its medical facilities in the Kingdom and the GCC region, as well as operating and managing medical facilities owned by third parties in return for service and management fees. In the future, the Group seeks to benefit more from the increasing scale of its operations, which should result in further economies of scale.

#### **4.4.4 Increasing Operational Efficiency**

The Group seeks to continue improving its performance indicators by increasing operational efficiency, including the effectiveness of the Health Practitioners, to enable the Group to serve the largest number of patients at its existing facilities, while maintaining studied increase of medical and administrative staff in order to increase average bed revenue, average clinic revenue and average revenue of medical staff.

HMG also plans to continue its heavy reliance on information technology as a key method for following operational performance by monitoring patients' appointments to reduce non-attendance rates and waiting times, and to increase operating room and medical device utilization rates and bed turnover rate.

#### **4.4.5 Meeting Demand in Growing Sectors and Diversifying Income Sources**

Since its establishment, the Group has been diversifying its sources of income through the expansion of its current medical services and engaging in new activities related to its field of work. This includes the provision of management and operation services to third parties. The Group operates and manages the KAMC UMC in Bahrain and operates intensive care units in a number of MOH health facilities in several cities at the Kingdom. It provides home healthcare services to its patients, enabling the Group to free up bed capacity and increase bed turnover rates by moving these long-term inpatients and patients who are only in need of nursing services to their homes to receive home healthcare services therein.

Through various strategic partnerships with major international companies, the Group plans to develop systems and services enabling it and its strategic Shareholders to benefit from its technical infrastructure and medical competencies by providing cutting-edge medical services, including but not limited to providing remote medical and diagnostic consulting, benefiting both the Group and third parties. This is in addition to licensing a health information system for patients (VIDA) to third party hospitals and providing a wide range of consultancy services relating to IT and relevant products.

#### **4.4.6 Attracting and Retaining Highly Qualified Medical and Nursing Staff**

The Group continues to attract the most skilled medical and nursing staff, including physicians, surgeons, highly specialized consultants, nurses and other healthcare practitioners. The Group also intends to continue adopting multiple and flexible policies designed to keep pace with the needs of qualified medical staff, in order to recruit and retain them. The Group has sought out young Saudi medical staff by qualifying them for employment and placing them in cooperative training programs to gain practical experience from the Group's consulting physicians.

## 4.5 Services Provided by the Group

### 4.5.1 Main Medical Services

HMG offers a comprehensive range of medical services for both inpatients and outpatients. These services include many medical and surgical divisions, 24-hour emergency services and pharmacy, laboratory and radiology services, as well as preventive examinations and obesity treatment programs. Below is a brief description of the main medical services provided by the Group.

**Table (4-23): Main Medical Services Provided by the Group**

| Specialty                     | Sub-specialty                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Anesthesia                    | <ul style="list-style-type: none"> <li>General anesthesia</li> <li>Spinal anesthesia</li> <li>Epidural anesthesia (back needle)</li> <li>Pain treatment</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>Lumbo-sacral nerve Block</li> <li>Intrathecal injection (Cerebrospinal)</li> <li>Moderate anesthesia</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Ear, nose and throat surgery  | <ul style="list-style-type: none"> <li>Tonsillectomy and adenoids removal</li> <li>Treatment of tinnitus</li> <li>Thyroid surgery</li> <li>Swallowing disorders (dysphagia)</li> <li>Joint jaw disorders</li> <li>Otitis media</li> <li>Auditory nerve tumor treatment</li> <li>Sleep apnea</li> <li>Treatment of Meniere's disease</li> </ul>                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Treatment of ear disorders and problems</li> <li>Earphone transplant</li> <li>Evaluation and treatment of hearing loss</li> <li>Treatment of snoring</li> <li>Sinus surgery</li> <li>Salivary gland disorders and surgery</li> <li>Rhinoplasty</li> <li>Perforation of the eardrum</li> <li>Eardrum patching</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Internal Medicine</b>      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| a- Endocrinology and Diabetes | <ul style="list-style-type: none"> <li>Diabetes</li> <li>Treatment of pituitary disorders</li> <li>Physical growth</li> <li>Treatment of metabolic syndrome</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>Treatment of Turner syndrome</li> <li>Treatment of rickets</li> <li>Adrenal gland disorders</li> <li>Treatment of thyroid disorders</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| b- Neurology                  | <ul style="list-style-type: none"> <li>Headache</li> <li>Treatment of Parkinson's disease</li> <li>Treatment of sciatica</li> <li>Treatment of spinal stenosis</li> <li>Treatment of carpal tunnel syndrome</li> <li>Elbow pain surgery - ulnar nerve compression</li> <li>Treatment of slipped disc</li> <li>Lumbo-sacral nerve Block - back needle</li> <li>Neuroblastoma treatment</li> <li>Treatment of neurofibromatosis</li> <li>Treatment of muscle spasms</li> <li>Treatment of Alzheimer</li> <li>Asperger syndrome</li> <li>Cerebral Palsy</li> <li>Diagnostic medical branch block</li> <li>Huntington's disease</li> <li>Lewy Body Disease</li> </ul> | <ul style="list-style-type: none"> <li>Treatment of dizziness and vertigo</li> <li>Treatment of stroke</li> <li>Cerebral angiography</li> <li>Treatment of brain ischemia</li> <li>Treatment of aphasia</li> <li>Treatment of cerebral vascular tumor</li> <li>Treatment of traumatic brain injury</li> <li>Treatment of spinal cord injuries</li> <li>Treatment of brain inflammation</li> <li>Treatment of meningococcal infection</li> <li>Treatment of concussion</li> <li>Treatment of facial injuries and disorders</li> <li>Treatment of Bell's palsy</li> <li>Treatment of Guillain-Barré syndrome</li> <li>Treatment of herpes zoster</li> <li>Treatment of meningitis</li> <li>Treatment of tinnitus</li> <li>Treatment of motion sickness disease</li> </ul> |



| Specialty                         | Sub-specialty                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| b- Neurology<br>(Continued)       | <ul style="list-style-type: none"> <li>• Multiple sclerosis</li> <li>• Obstructive sleep apnea</li> <li>• Occipital nerve block</li> <li>• Treatment of hydrocephalus</li> <li>• Treatment of migraine</li> <li>• Treatment of diabetic polyneuritis</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>• Treatment of myasthenia gravis disease</li> <li>• Treatment of Guillain syndrome</li> <li>• Treatment of epileptic seizures</li> <li>• Treatment of muscular dystrophy disease</li> <li>• Movement disorders</li> <li>• Intellectual disability</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| c- Respiratory diseases           | <ul style="list-style-type: none"> <li>• Treatment of asthma</li> <li>• Treatment of emphysema disease</li> <li>• Treatment of cystic fibrosis</li> <li>• Treatment of influenza</li> <li>• Treatment of sleep disorders</li> <li>• Treatment of pulmonary clots</li> <li>• Bronchoscopy</li> <li>• Treatment of pulmonary tuberculosis</li> <li>• Treatment of asthma</li> <li>• Treatment of allergy</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>• Treatment of chronic obstructive pulmonary disease</li> <li>• Treatment of pneumonia</li> <li>• Bronchoscopy</li> <li>• Lung function test</li> <li>• Treatment of chronic obstructive pulmonary</li> <li>• Treatment of obstructive sleep apnea</li> <li>• Treatment of severe acute respiratory syndrome</li> <li>• Treatment of acute respiratory failure syndrome</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| d- Gastroenterology and endoscopy | <ul style="list-style-type: none"> <li>• Treatment of digestive bleeding</li> <li>• Treatment of irritable bowel syndrome</li> <li>• Treatment of Reye's syndrome</li> <li>• Drainage process - abdomen</li> <li>• Liver biopsy</li> <li>• Colorectal cancer screening</li> <li>• Colonoscopy and proctoscopy</li> <li>• Treatment of ulcerative colitis</li> <li>• Upper gastrointestinal endoscopy</li> <li>• Treatment of gallstones</li> <li>• Treatment of jaundice</li> <li>• Digestive disorders</li> <li>• Colostomy and Ileostomy</li> <li>• Colonic polyps removal</li> <li>• Treatment of liver diseases</li> <li>• Treatment of gastroesophageal reflux disease</li> <li>• Treatment of gastrointestinal bleeding</li> <li>• Treatment of Hepatitis C</li> <li>• Treatment of pancreatitis</li> <li>• Treatment of ulcerative colitis</li> <li>• Upper GI endoscopy</li> <li>• Treatment of indigestion</li> <li>• Treatment of Wilson's disease</li> </ul> | <ul style="list-style-type: none"> <li>• Treatment of gastrointestinal disease</li> <li>• Treatment of disorders of the stomach</li> <li>• Treatment of swallowing disorders</li> <li>• Treatment of stomach ulcers</li> <li>• Treatment of rectum and anus diseases</li> <li>• Treatment of constipation</li> <li>• Viral gastroenteritis</li> <li>• Treatment of diarrhea</li> <li>• Treatment of indigestion</li> <li>• Treatment of gastroesophageal reflux disease</li> <li>• Treatment of liver diseases</li> <li>• Treatment of biliary tract problems and diseases</li> <li>• Treatment of liver fibrosis</li> <li>• Treatment of gallbladder diseases and problems</li> <li>• Diagnosis and treatment of wheat allergies</li> <li>• Diagnosis and treatment of colonic polyps</li> <li>• Colonoscopy</li> <li>• Treatment of Crohn's disease</li> <li>• Treatment of cystic fibrosis disease</li> <li>• Endoscopic retrograde cholangiopancreatography</li> <li>• Treatment of esophagus diseases and disorders</li> </ul> |
| e- Hematology                     | <ul style="list-style-type: none"> <li>• Treatment of anemia</li> <li>• Treatment of high level of iron in the blood</li> <li>• Treatment of myeloma</li> <li>• Treatment of sickle cell anemia</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>• Treatment of hemophilia</li> <li>• Treatment of bone marrow disease</li> <li>• Monitoring of hemophilia</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |





| Specialty              | Sub-specialty                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| f- Infectious diseases | <ul style="list-style-type: none"> <li>• Cytomegalovirus</li> <li>• Dengue</li> <li>• Diphtheria</li> <li>• Ophthalmitis</li> <li>• Giardia</li> <li>• Hepatitis C</li> <li>• Polyarthritis and osteomyelitis</li> <li>• Influenza</li> <li>• Treatment of Epstein-Barr virus</li> <li>• Leishmaniasis</li> <li>• Meningitis</li> <li>• Meningococcal infection</li> <li>• Treatment of parasitic diseases</li> <li>• MRSA</li> <li>• Otitis media</li> <li>• Treatment of rubella</li> <li>• Treatment of typhoid salmonella</li> <li>• Treatment of staphylococcus bacteria</li> <li>• Treatment of streptococcal infection</li> <li>• Treatment of Pulmonary tuberculosis</li> </ul> | <ul style="list-style-type: none"> <li>• Chickenpox</li> <li>• Bacterial infection - E. coli</li> <li>• Encephalitis</li> <li>• Endocarditis</li> <li>• Gastroenteritis</li> <li>• Measles</li> <li>• Herpes</li> <li>• Mumps</li> <li>• Pneumococci</li> <li>• Parasitic Diseases</li> <li>• Pneumonia</li> <li>• Polio and post-polio syndrome</li> <li>• Intestinal catarrh viruses</li> <li>• Syphilis</li> <li>• Sexually transmitted diseases</li> <li>• Gonorrhea</li> <li>• Urinary tract infection</li> <li>• Toxoplasmosis</li> <li>• Difficile infection</li> <li>• Chlamydia</li> </ul> |
| g- Nephrology          | <ul style="list-style-type: none"> <li>• Treatment of acute renal failure</li> <li>• Treatment of chronic renal failure</li> <li>• Break up kidney stones</li> <li>• Transurethral prostatectomy</li> <li>• Ureteroscopy with laser lithotripsy</li> <li>• Kidney problems in diabetes</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>• Cystoscopy</li> <li>• Kidney cancer</li> <li>• Treatment of edema</li> <li>• Treatment of kidney failure</li> <li>• Treatment of renal stones</li> <li>• Hemodialysis</li> <li>• Peritoneal dialysis</li> </ul>                                                                                                                                                                                                                                                                                                                                            |
| h- Rheumatology        | <ul style="list-style-type: none"> <li>• Measurement of bone density</li> <li>• Arthrodesis</li> <li>• Fibromyalgia</li> <li>• Lupus erythematosus</li> <li>• Lyme disease</li> <li>• Bursa inflammation</li> <li>• Vasculitis</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>• Treatment of arthritis</li> <li>• Treatment of fibromyalgia</li> <li>• Treatment of sarcoidosis</li> <li>• Treatment of polyarthritis and osteomyelitis</li> <li>• Treatment of osteoporosis</li> <li>• Treatment of rheumatoid arthritis</li> <li>• Treatment of Ganglion cyst</li> <li>• Treatment of gout</li> </ul>                                                                                                                                                                                                                                    |



| Specialty                              | Sub-specialty                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i- Psychiatric and behavioral diseases | <ul style="list-style-type: none"> <li>• Treatment of social anxiety disorder - Asperger syndrome</li> <li>• Treatment of speech and language impairment</li> <li>• Treatment of depression - suicide</li> <li>• Treatment of instances of dementia</li> <li>• Treatment of obsessive-compulsive disorder</li> <li>• Treatment of compulsive eating disorders</li> <li>• Treatment of suicidal incidents</li> <li>• Treatment of delirium and dementia disorders</li> <li>• Electroconvulsive therapy (ECT)</li> <li>• Treatment of convulsions – Huntington</li> <li>• Treatment of attention deficit and disruptive behavior disorders</li> <li>• Treatment of Asperger syndrome - social communication</li> </ul> | <ul style="list-style-type: none"> <li>• Treatment of attention-deficit hyperactivity</li> <li>• Treatment of anxiety and low mood</li> <li>• Treatment of obsession and depression</li> <li>• Treatment of general depression</li> <li>• Treatment of learning disabilities</li> <li>• Treatment of stuttering and slurred speech</li> <li>• Treatment of dementia</li> <li>• Treatment of depressive mood</li> <li>• Treatment of schizophrenia</li> <li>• Treatment of psychological psychosis</li> <li>• Treatment of fear</li> <li>• Treatment of postpartum depression</li> <li>• Treatment of post-traumatic stress disorder</li> </ul> |
| <b>General Surgery</b>                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| a- General Surgery                     | <ul style="list-style-type: none"> <li>• Laparoscopic cholecystectomy</li> <li>• Breast biopsy</li> <li>• Colon cancer surgery</li> <li>• Colon and bowel surgery</li> <li>• Intestinal surgery - Ileostomy</li> <li>• Abdominocentesis</li> <li>• Liver biopsy examination</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>• Laparoscopic appendectomy</li> <li>• Fistulectomy</li> <li>• Hemorrhoids surgery</li> <li>• Hernia repair surgery</li> <li>• Thyroid surgery</li> <li>• Treatment of umbilical hernia</li> <li>• Treatment of carpal tunnel</li> <li>• Carpal bone release</li> </ul>                                                                                                                                                                                                                                                                                                                                 |
| b- Neurosurgery                        | <ul style="list-style-type: none"> <li>• Neurosurgery in children</li> <li>• Spine surgery</li> <li>• Operations of hydrocephalus</li> <li>• Operations of brain hemorrhage</li> <li>• Treatment of brain tumors</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• Neurosurgery and vascular surgery</li> <li>• Skull base surgery</li> <li>• Epilepsy surgery</li> <li>• Peripheral nerve surgery</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| c- Plastic Surgery                     | <ul style="list-style-type: none"> <li>• Surgeries for facial injuries and disorders</li> <li>• Skin grafting operations</li> <li>• Cleft lip operations</li> <li>• Ear plastic surgery</li> <li>• Plastic surgery operations</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>• Breast reconstructive surgery</li> <li>• Botox operations</li> <li>• Forehead lift operations</li> <li>• Liposuction</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| d- Urology surgery                     | <ul style="list-style-type: none"> <li>• Genitourinary surgery</li> <li>• Cystoscopy</li> <li>• Ureteroscopy</li> <li>• Break up kidney stones</li> <li>• Treatment of interstitial cystitis</li> <li>• Treatment of bedwetting</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>• Treatment of renal stones</li> <li>• Prostatectomy operations</li> <li>• Treatment of testicular disorders</li> <li>• Transurethral prostatectomy</li> <li>• Treatment of bladder diseases and problems</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                    |



| Specialty                                   | Sub-specialty                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| e- Vascular surgery                         | <ul style="list-style-type: none"> <li>• Treatment of gangrene</li> <li>• Surgeries of blockage of blood vessels - sciatic and aorta artery</li> <li>• Treatment of deep vein thrombosis</li> </ul>                                                                                                                                                                                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>• Carotid revascularization endarterectomy</li> <li>• Aorta abdominal surgery</li> <li>• Varicose veins surgery</li> <li>• Amputation operations - foot Amputation</li> </ul>                                                                                                                                                                                                                                                                                                 |
| <b>Cardiology</b>                           | <ul style="list-style-type: none"> <li>• Transesophageal echocardiogram</li> <li>• Pacemaker installation</li> <li>• Treatment of Mitral Valve Prolapse</li> <li>• Stress echocardiography</li> <li>• Treatment of vasculitis</li> <li>• Carotid revascularization endarterectomy</li> <li>• Mitral valve replacement</li> <li>• Arterial venous malformation</li> <li>• Coronary artery grafting</li> <li>• Angiography of the aorta</li> <li>• Carotid artery disease</li> <li>• Implantable cardiac defibrillator</li> <li>• Treatment of angina pectoris</li> </ul> | <ul style="list-style-type: none"> <li>• Treatment of hypertension</li> <li>• Treatment of hypotension</li> <li>• Treatment of arrhythmia</li> <li>• Treatment of arteriosclerosis</li> <li>• Treatment of atrial fibrillation</li> <li>• Treatment of congenital heart defects</li> <li>• Treatment of congestive heart failure</li> <li>• Coronary angiography</li> <li>• Coronary angioplasty</li> <li>• Ultrasound</li> <li>• Treatment of heart attack</li> <li>• Treatment of heart valves diseases</li> </ul> |
| <b>Obesity Treatment and Surgery Center</b> | <ul style="list-style-type: none"> <li>• Evaluation and diagnosis of obesity</li> <li>• Liposuction operations</li> <li>• Gastric balloon capsule</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>• Gastric bypass surgery</li> <li>• Gastric band surgery</li> <li>• Gastric sleeve surgery</li> </ul>                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Dermatology</b>                          | <ul style="list-style-type: none"> <li>• Treatment of melanoma (melanoma tumor)</li> <li>• Treatment of psoriasis</li> <li>• Treatment of scleroderma</li> <li>• Treatment of skin pigmentation disorders</li> <li>• Treatment of lupus erythematosus</li> <li>• Treatment of leishmaniasis</li> <li>• Treatment of vitiligo</li> <li>• Treatment of gangrene</li> <li>• Skin resurfacing operations</li> <li>• Treatment of pityriasis rosea</li> </ul>                                                                                                                | <ul style="list-style-type: none"> <li>• Treatment of acne</li> <li>• Mole removal</li> <li>• Treatment of nail disease</li> <li>• Treatment of scabies</li> <li>• Treatment of herpes</li> <li>• Treatment of eyelid disorders</li> <li>• Treatment of eczema</li> <li>• Blepharitis</li> <li>• Treatment of birthmarks</li> <li>• Treatment of hair loss</li> <li>• Skin warts removal</li> </ul>                                                                                                                  |
| <b>Emergency Medicine</b>                   | <ul style="list-style-type: none"> <li>• Heat-related illness and sunstrokes</li> <li>• Dehydration diseases</li> <li>• Treatment of hypertension</li> <li>• Treatment of eye injuries</li> <li>• Traumatic brain and fractures injuries</li> <li>• Bacterial infection diseases - E. coli</li> <li>• Treatment of epileptic seizures</li> <li>• Arrhythmia</li> </ul>                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>• Treatment of angina pectoris</li> <li>• Treatment of heart attack</li> <li>• Wound and surgical incision care</li> <li>• Treatment of suffocation</li> <li>• Treatment of diarrhea</li> <li>• Treatment of spinal cord injuries</li> <li>• Treatment of fractures and sprains</li> </ul>                                                                                                                                                                                    |



| Specialty                                             | Sub-specialty                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Obstetrics & gynecology                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| a- Obstetrics & gynecology                            | <ul style="list-style-type: none"><li>• Treatment of polycystic ovaries</li><li>• Hydrothermal endometrial ablation operations</li><li>• Treatment of gestational diabetes</li><li>• Treatment of gestational hypertension</li><li>• Treatment of uterine fibroids</li><li>• Treatment of uterine diseases</li><li>• Hysterectomies</li><li>• Hysteroscopy operations</li><li>• Mammography operations</li><li>• Transvaginal tape bladder sling surgery</li><li>• Tubal sterilization</li></ul> | <ul style="list-style-type: none"><li>• Natural childbirth operations</li><li>• Caesarean sections</li><li>• Premature births</li><li>• Treatment of ectopic pregnancy</li><li>• Treatment of female infertility</li><li>• Treatment of cervical disorders</li><li>• Colposcopy operations</li><li>• Endometrial migratory</li><li>• Birth control - contraception</li><li>• Pap smear operations</li><li>• Curettage operations</li></ul> |
| b- Treatment of infertility and assisted reproduction | <ul style="list-style-type: none"><li>• Diagnosis of infertility causes</li><li>• Provision of medical and surgical treatment for infertility</li></ul>                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"><li>• In vitro fertilization</li></ul>                                                                                                                                                                                                                                                                                                                                                                   |
| Medical Laboratories                                  | <ul style="list-style-type: none"><li>• Immunology</li><li>• Hematology</li><li>• Blood bank</li></ul>                                                                                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"><li>• Microbiology</li><li>• Biochemistry</li><li>• Tissue Medicine</li></ul>                                                                                                                                                                                                                                                                                                                            |
| Dentistry                                             | <ul style="list-style-type: none"><li>• Oral and maxillofacial surgery</li><li>• Pediatric dentistry</li><li>• Treatment of gums and surrounding tissues</li><li>• Orthodontics</li><li>• Treatment of dental nerve</li><li>• Cosmetic dentistry</li><li>• Conservative dentistry</li></ul>                                                                                                                                                                                                      | <ul style="list-style-type: none"><li>• Fixed and mobile prosthodontics</li><li>• Dental implant</li><li>• Oral diseases</li><li>• Prosthodontology</li><li>• Oral hygiene</li><li>• Advanced dentistry</li><li>• Preventive dentistry</li></ul>                                                                                                                                                                                           |
| Radiology and Imaging                                 | <ul style="list-style-type: none"><li>• Magnetic resonance imaging of heart</li><li>• Stress chocardiography</li><li>• Transesophageal echocardiogram</li><li>• X-ray therapy</li><li>• Nuclear scan</li><li>• Diagnostic molecular imaging</li><li>• Interventional radiology for nerves</li><li>• Nuclear medicine</li><li>• X-ray imaging</li></ul>                                                                                                                                           | <ul style="list-style-type: none"><li>• Ultrasound imaging</li><li>• CT scan</li><li>• Magnetic resonance imaging</li><li>• Spinal cord imaging</li><li>• Barium enema</li><li>• Measurement of bone density</li><li>• Cerebral angiography</li><li>• Mammography</li></ul>                                                                                                                                                                |
| Ophthalmology                                         | <ul style="list-style-type: none"><li>• Blepharoplasty</li><li>• Diabetic retinopathy</li><li>• Viral conjunctivitis</li><li>• Blepharitis</li><li>• LASIK surgery</li><li>• Achromatopsia</li><li>• Cataract surgerv and operations</li></ul>                                                                                                                                                                                                                                                   | <ul style="list-style-type: none"><li>• Eye injuries</li><li>• Eyelid disorders</li><li>• Photographic screening for diabetic retinopathy</li><li>• Retinal detachment operations</li><li>• Glaucoma operations</li></ul>                                                                                                                                                                                                                  |



| Specialty                     | Sub-specialty                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Bone and Joint Surgery</b> | <ul style="list-style-type: none"> <li>• Spinal cord injury</li> <li>• Plantar foot operations</li> <li>• Scoliosis surgery - spinal curvature</li> <li>• Balloon kyphoplasty operations</li> <li>• Hip replacement surgery</li> <li>• Arthrodesis operations</li> <li>• Carpal tunnel release</li> <li>• Cubital tunnel syndrome surgery</li> <li>• Polytenidinitis</li> <li>• Treatment of vasculitis</li> <li>• Measurement of bone density</li> <li>• Amputation operations - legs</li> <li>• Treatment of fractures and bruises</li> </ul>                                                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>• Treatment of carpal tunnel with open operations</li> <li>• Treatment of ankle injuries and disorders</li> <li>• Treatment of foot joints fractures</li> <li>• Treatment of slipped disc</li> <li>• Knee arthroscopy operations</li> <li>• Knee replacement operations</li> <li>• Partial knee replacement operations</li> <li>• Laminectomy lumbar operations</li> <li>• Osteoporosis - rickets</li> <li>• Arthritis and osteomyelitis</li> <li>• Shoulder arthroscopy</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Spine surgery</b>          | <ul style="list-style-type: none"> <li>• Treatment of slipped disc</li> <li>• Spinal cord injury</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>• Laminectomy lumbar operation</li> <li>• Scoliosis surgery</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Pediatrics</b>             | <ul style="list-style-type: none"> <li>• Treatment of meningitis in children</li> <li>• Treatment of leukemia</li> <li>• Treatment of rheumatism</li> <li>• Treatment of epileptic seizures</li> <li>• Treatment of neuroma</li> <li>• Cerebral palsy follow-up</li> <li>• Treatment of attention-deficit hyperactivity disorder</li> <li>• Treatment of learning disorders</li> <li>• Treatment of slurred speech</li> <li>• Kawasaki disease</li> <li>• Growth disorders</li> <li>• Endocrine disorders</li> <li>• Precocious puberty</li> <li>• Infectious diseases</li> <li>• Vaccination</li> <li>• Asperger syndrome</li> <li>• Turner syndrome</li> <li>• Usher syndrome</li> <li>• Cystic fibrosis</li> <li>• Muscle disorders - Duchenne disease</li> <li>• Phenylketonuria</li> </ul> | <ul style="list-style-type: none"> <li>• Treatment of influenza</li> <li>• Treatment of asthma</li> <li>• Treatment of bronchitis</li> <li>• Circumcision</li> <li>• Treatment of measles</li> <li>• Treatment of language and speech disorder</li> <li>• Treatment of autism</li> <li>• Treatment of type I diabetes in children</li> <li>• Treatment of congenital heart defects</li> <li>• Downs syndrome follow-up</li> <li>• Treatment of dust allergy</li> <li>• Tuberculosis treatment</li> <li>• Treatment of jaundice in neonates</li> <li>• Treatment of high level of galactose in the blood</li> <li>• Treatment of herpes</li> <li>• Treatment of scabies</li> <li>• Treatment of head lice infection</li> <li>• Treatment of mumps</li> <li>• Epstein-Barr virus</li> <li>• Treatment of pneumonia</li> <li>• Treatment of respiratory viruses</li> <li>• Treatment of otitis media</li> </ul> |
| <b>Physiotherapy</b>          | <ul style="list-style-type: none"> <li>• Treatment of spinal stenosis</li> <li>• Treatment of musculoskeletal disorders</li> <li>• Physiotherapy for children</li> <li>• Physiotherapy for women's health</li> <li>• Physiotherapy for sports injuries</li> <li>• Physiotherapy for senior citizens</li> <li>• Physiotherapy for pain</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>• Post-operation rehabilitation programs (e.g.: ACL - knee joint change - shoulder joint repair)</li> <li>• Post-accident rehabilitation programs</li> <li>• Rehabilitation programs for people with epilepsy (e.g.: strokes - multiple sclerosis - GBS disease - brain injuries)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |



| Specialty             | Sub-specialty                                                                                                                                                                      |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Intensive Care</b> | <ul style="list-style-type: none"> <li>Intensive care for adults</li> <li>Cardiology intensive care</li> <li>Neo-natal intensive care</li> <li>Pediatric intensive care</li> </ul> |

Source: The Company.

## 4.5.2 Management and Operation

The Group provides management and operating services to third parties, including its operation and management of the UMC in King Abdullah Medical City in Bahrain (please refer to section 12.9 **“Agreements on Management and Operation of Health Facilities”** of this Prospectus for further details on this Agreement). In addition, it operates intensive care units in a number of MOH health facilities in several cities in the Kingdom.

### A- UMC in Bahrain

On 28/09/2011G, the Company entered into an exclusive design, supervision, operation and management agreement with the Arab Gulf University in connection with the KAMC UMC Bahrain. In consideration for these services, the Company receives a proportion of the annual UMC revenues as administrative fees. The initial term of the agreement is ten years as of UMC’s operation (as of 06/11/2012G).

UMC in Bahrain provides outpatient and one day surgery services. Furthermore, it offers a variety of medical specialties, including heart surgery, dermatology, obstetrics, gynecology, and pediatrics, as well as a fully equipped training room that can accommodate 400 people. As of 31/03/2019G, UMC in Bahrain had 40 clinics, 16 beds and two one-day surgery rooms. UMC has 213 employees, including 53 physicians.

### B- ICU Company

In order to expand its operations in the management and operation of health facilities for third parties, ICU Company was established in 2017G to provide management and operation services for intensive care facilities. As of 13/05/2019G, HMG entered into 6 agreements for the management and operation of 139 intensive care beds in six MOH health facilities in Jeddah, Medina, Buraidah, Al Kharj and Al Qatif (please refer to section 12.9 **“Agreements on Management and Operation of Health Facilities”** for further details on these agreements). The Group intends to employ 583 Health Practitioners to implement the above agreements.

## 4.5.3 Pharmaceutical Services

Pharmaceutical services are instrumental to the Group’s provision of the highest quality of medical services, as well as promoting the optimal use of medicines for all patients. The Group strives to achieve this at a reasonable cost and maximum efficiency that will realize customer satisfaction. This is achieved by developing the necessary preventive or treatment plans in coordination with the medical team and monitoring the effect of medicines to avoid any side effects that may result from their use. Pharmaceutical services are characterized by the provision of various pharmaceutical and cosmetic products, with which the Group aims to reach maximum customer satisfaction and meet all of their needs. The Group’s pharmaceutical services aim to realize the Group’s Vision in terms of:

- Monitoring and providing affordable treatment.
- Educating and guiding patients on the proper use of medicines.
- Strengthening the drug safety education and training program for pharmacists and other healthcare providers.
- Meeting the highest pharmaceutical care standards and expanding clinical pharmacy services.
- Providing drug information to all Health Practitioners.
- Developing pharmaceutical services to meet the highest standards (JCI/CBAHI standards).

Pharmaceutical services include offering a wide range of products, including pharmaceuticals, diet foods, beauty and healthcare appliances, cosmetics, personal care products and baby care products. Al-Habib Pharmacies provide services through branches located in the Group’s centers and hospitals, as well as through the internal pharmacies of these branches, which serve the internal divisions of hospitals. Medical services provided by Al-Habib Pharmacies include:



## Internal Services:

Services are provided to inpatients at all of the various hospital divisions 24 hours a day, 7 days a week. These services include the provision of all medication. It also includes monitoring the medication available at the various nursing wings and in the surgical and emergency divisions. Below is a breakdown of these services:

- Verify and review drug dosages using cutting-edge technical software that provide direct information to the medical staff, improving quality of provided care and boosting medical safety.
- Provide scientific and advisory services to medical staff using the latest scientific references.
- Involve the medical team in CPR emergencies
- Prepare sterile intravenous solutions and mix solutions of parenteral nutrition in dedicated rooms and devices according to local and international standards.
- Prepare and create medicines in various pharmaceutical forms, such as liquid medicines, topical ointments and eye drops.
- Make single-dose administrations, providing patients with medication in a private and sealed form with all information about the medication and the patient.
- Manage and control the narcotic and restricted drugs used in the hospital in order to ensure their continuous availability and usage in accordance with the laws and regulations.
- Provide clinical pharmacy services, including qualified clinical pharmacists participating with the treating physicians in their daily visits to inpatients to review their conditions and treatment records, and make suggestions to the physician on suitable medication regimens to increase the effectiveness of the treatment regimen and reduce side effects or drug interactions.
- Prepare discharge medications and sufficient information on how to use those medications for inpatients, and provide guidance and instructions directly to outpatients.
- Raise awareness about drugs to ensure that patients receive accurate and sound information about medications and understand the medication they are taking and its importance and proper use
- Issue periodic bulletins on new developments in medicine, including research, publications or warnings issued by official bodies and accredited international organizations on pharmaceuticals.

## External Services:

Services are provided 24 hours a day, 7 days a week to outpatients through the Group's various hospitals and medical centers, or to individuals who come with medical prescriptions from other hospitals, or to direct cash customers. External services include:

- Dispense drugs to patients and provide them with pharmaceutical and medical advice regarding the best ways of using the drugs to achieve the desired effect and reduce side effects or drug interactions using cutting-edge technical software.
- Keep electronic pharmaceutical records on patients in order to ensure accurate follow-up and adherence to treatment programs and increase medication safety
- Prepare and create various pharmaceutical forms of medications in line with the individual needs of patients, such as liquid medicines, eye drops and ointments
- Provide various medical supplies and equipment, such as insulin pumps, movement devices, home medical tools, etc., and train patients on the best way to use them
- Electronic pharmaceutical services, including website and mobile application with various features and services, including the ability to directly contact the Pharma Consult Center.
- Pharma Consult Center: It has a number of highly qualified pharmacists and is responsible for responding to all inquiries received from all patients and healthcare staff. Its role is to provide accurate and adequate drug information, check the availability of medicines and find alternatives to unavailable ones via the unified number or available social media.

#### 4.5.4 Services Provided within HMG Solutions

In addition to the core medical and pharmaceutical services described in the foregoing paragraphs, the Group's services provided within HMG solutions include the following:

##### A- Home Healthcare Services

This service enables patients in Riyadh to receive medical treatment in their own homes without having to go to hospital. The type of services offered by HHC can vary from simple consultations to installing full home ICUs. Home healthcare services are complementary to the services provided at HMG's facilities and is intended to provide continuous seamless healthcare to patients of the same standards as medical facilities. The Home healthcare services are administered by a professional medical team of staff specially trained to provide such services. Home healthcare services include:

- **Medical services:** A consultant physician who diagnoses and oversees the patient's condition and develops treatment plans and medical programs.
- **Nursing services:** A patient escort service in addition to nursing visits service to perform all required nursing procedures.
- **Physiotherapy services:** Therapeutic exercises and ultrasound and electroconvulsive therapy sessions.
- **Respiratory services:** Treatment of respiratory problems.
- **Nutritional therapy services:** Preparation and monitoring of food regimens according to the medical condition.
- **Medical supply services:** Assessment of patient needs for home medical equipment.
- **Medical sales services:** A store selling products for all patient needs, beds, medical mattresses, wheelchairs, and other consumer materials needed by the patient on a daily basis.
- **Electronic health services:** A program to monitor the patient's vital signs (glucose, pressure, heart rate, temperature, and rate of oxygen in the blood). The program sends alerts to the physician when an abnormal change occurs in the vital signs so that the physician can intervene at the right time.
- **Home hemodialysis services:** Hemodialysis program for kidney failure patients, provided by a qualified nursing team using mobile hemodialysis equipment under medical supervision.

##### B- Facility Maintenance - Serco Services

Serco Services provides facilities maintenance services for public buildings, including medical, residential and commercial facilities. Its services include:

- **Property Management:** includes ensuring the cleanliness of buildings, applying cleaning instructions imposed by equipment manufacturers and the cleansing, and disinfecting surfaces exposed to human contact on a regular basis, as well as security, safety, laundry, reception and car parking services.
- **Maintenance:** includes electricity, plumbing, and air conditioning systems maintenance in all facilities.

##### C- MD Labs

The services offered by MD Labs include:

- **Clinical chemical analyses:** Include neonatal screening for metabolic disorders and monitoring of all vitamins using the High-performance liquid chromatography (HPLC) technique.
- **Hematology:** includes tumors, pre-marital tests, flow cytometry, diagnosis of spinal cord samples and analysis.
- **Molecular diagnosis:** Include communicable and non-communicable disease checks
- **Microbiology:** includes, but not limited to, tuberculosis, food, water, environment and food poisoning
- **Anatomical pathology**
- **Cytology**
- **Cytogenetics**
- **Histocompatibility and immunogenetics**
- **Neonatal screening for amino acid**

MD Labs are electronically linked to VIDA, which facilitates sending laboratory and test results accurately, effectively and confidentially. To maximize its client base, MD Labs provides a service for collecting samples and running tests using the healthcare unit's medical equipment.

- Division of analyzing blood bank and derivative samples and ensuring that the blood has no virus.
- Division of genetics, genetic diseases and patient gender identification.
- Diagnosis of all types of allergies.
- Division of bacterial and viral diseases and parasites.

#### D- Information Technology - Cloud Solutions

Cloud Solutions provides technical services, applications thereof and technical support to all Subsidiaries and third parties (please refer to section 4.2.5 (d) **"Cloud Solutions for Communication and Information Technology"** for further details on Cloud Solutions and services thereof). Cloud Solutions provides services primarily to the Group. It also intends to generally focus more on the private and public health sector. Cloud Solutions has obtained a Contractor Classification Certificate (third category for communications technology and fifth category for e-business) by the Ministry of Municipal and Rural Affairs. In this regard, a health information system for patients (VIDA) has been approved by MOH to be one of the systems approved to apply the Electronic File in MOH hospitals. MOH intends, through National Transformation Plan, to apply the Electronic File System over ten phases until 2020G in 220 hospitals. In this context, Cloud Solutions has been appointed to implement MOH projects in coordination with General Electric Saudi Arabia to start implementation of the first phase (a) in eight hospitals: Al Bukayriyah General Hospital, Al Nabhaniya General Hospital, Riyadh Al Khabra Hospital, Al Quwarah General Hospital, Al Qusayba General Hospital, Buraidah Central Hospital, Maternity and Children Hospital in Qassim and Qiba General Hospital.

## 4.6 Departments of Operation and Support Activities

As part of the Group's strategy for achieving high standards of unified performance, the Group has unified its policies, procedures, quality standards, operating model and electronic systems. In order to achieve administrative and operational efficiency, the Group centrally manages several key departments to ensure the safety of procedures, increase economic savings as a result of the size of the Company's operations and reduce double costs. The departments of operation and support activities provide services to its medical facilities and those operated and managed by the Group.

The Group believes that the current management structure provides an effective and scalable business model. It believes that it will facilitate the future expansion of the Company's operations and will practically allow the operation of any new projects within the Group's existing hospitals.

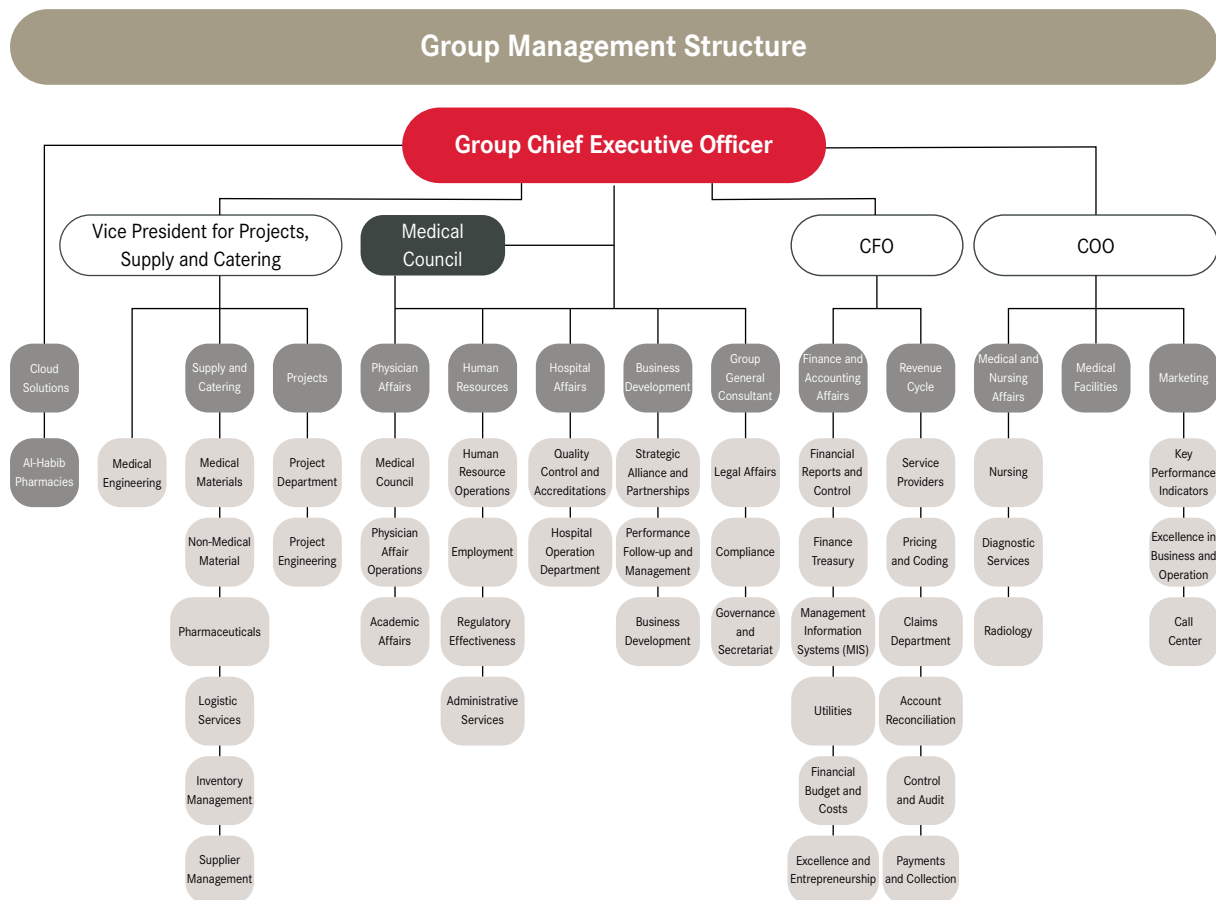
The main services are as follows:

- Physician Affairs
- Hospital Affairs
- Medical and Nursing Affairs
- Human Resources
- Finance
- Information Technology (through the Subsidiary Cloud Solutions)
- Business Development
- Legal and Compliance
- Projects and Logistics

The Group has all powers to absolutely represent all of its health facilities through the Company. Policies and procedures for the above mentioned departments are centrally developed, however, these departments do not centrally operate each health facility. Each health facility has an independent integrated team for the day-to-day management of its operations under the administrative supervision of the Company as described in the organizational structure below.

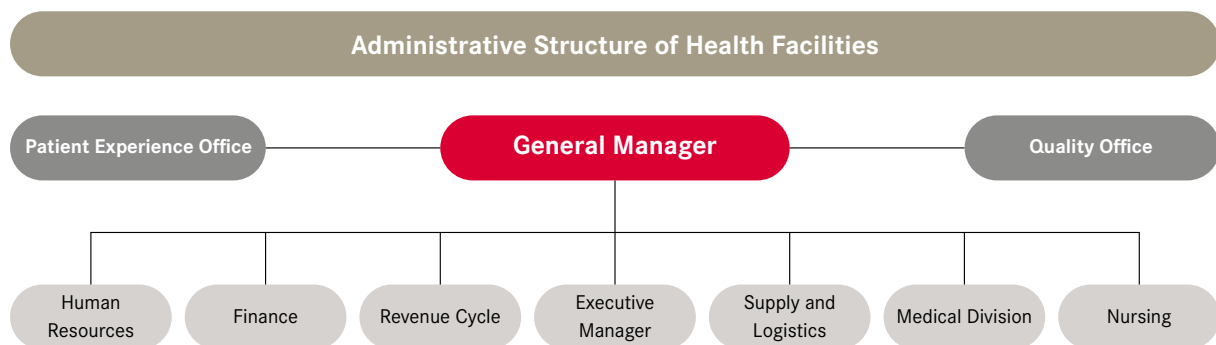


**Chart 4-3: The Structure of the Group's Departments of Operation and Support Activities (General Department)**



Source: The Company.

**Chart 4-4: Administrative Structure of Health Facilities**



Source: The Company.

#### 4.6.1 Department of Physician Affairs

The responsibilities of the Department of Physician Affairs are summarized in several tasks, including the following:

- Monitor the overall performance of services provided by physicians, including medical operations at the Group's health facilities.
- Supervise the comprehensive and interactive provision of medical services in a spirit of teamwork among physicians and nursing staff.
- Supervise the development and implementation of medical education strategies and plans to develop leadership skills for physicians and nursing staff.
- Introduce new medical services.
- Cooperate with human resources department to recruit and select physicians, evaluate their performance and promote their retention.
- Monitor education and continuous development programs for physicians, including medical licenses required to be submitted by physicians.
- Coordinate with regulators such as MOH and Saudi Commission for Medical Specialties.
- Coordinate with the relevant departments to ensure that the required level of healthcare is provided.

#### An Overview of Academic Affairs

HMG is developing and providing the latest technologies in various medical fields in order to provide exceptional medical care. On this basis, the Group considers investing in academic activities a cornerstone of its success. Therefore, the Academic Affairs Division was established in November 2017G to manage all training and academic activities in the Group. Academic Affairs have consolidated clinical education programs across the Group's health facilities to coordinate efforts in academic programs and activities.

The Academic Affairs Division is devoted to seven key pillars. Below is a brief overview of the seven key pillars:

##### 1- Continuous Medical Education Program:

This program focuses on holding international and local conferences, workshops, medical lectures and specialized medical clubs on a periodic basis. It is worth noting that many national and international activities have been hosted by the Group, such as the International Critical Care Conference, the International Internal Medicine Conference, and the International Nose Diseases Symposium. The Group also covered periodic conferences at the University of Edinburgh in Britain, including training courses for the British and Saudi fellowship test. These conferences bring speakers from all over the world to participate therein and bring opportunity to the attendance to benefit from their experience and knowledge.

Since its establishment in 1995G, the Continuous Medical Education Program has organized about 3,445 scientific activities. These events were attended by about 150,355 people, under which about 7,328 hours of continuous medical education approved by the Saudi Commission for Health Specialties and the American Academy of Continuing Medical Education. The number of speakers was 4,522 speakers from within and outside the Group.

##### 2- Medical Fellowship Program:

In November 2017G, the Academic Affairs Division officially launched the Medical Fellowship Program for the Saudi Fellowship under the supervision of the Saudi Commission for Health Specialties. 14 training programs have been successfully approved, with a total of 60 trained physicians. In addition, the Group pioneered the provision of critical care fellowship programs among all private sector healthcare organizations in the region. The Group's approved Fellowship Programs are: Critical care for elders, internal medicine, pediatrics, obstetrics & gynecology, orthopedics, general surgery, family medicine, emergency medicine, orthodontics, prosthodontics, root canal treatment, family medicine, high specialty in critical care for elders and high specialty in cardiology.

##### 3- Research Center:

The Group believes in its role as a global leader in clinical research. Therefore, a research center has been established in the Group to provide development leadership and promote absorption of the clinical researches

of the Group's physicians. The center has been recognized and licensed by the National Committee of Bio and Medical Ethics. Since the center inception, 68 research papers have been accepted by the Institutional Review Board and 13 studies have been supervised by the Group's Research Center. The Group has recently launched the Dr. Sulaiman Al-Habib Medical Journal as the first private peer-reviewed medical journal in the GCC. In addition, the Group's Research Center provides periodic training courses for health workers inside and outside the Group to train them on the patterns and pillars of peer-reviewed scientific research.

#### **4- Cardiopulmonary Resuscitation Center:**

This center provides basic and advanced life support courses, such as heart aid, first aid, basic life support, advanced life support, advanced life support for children and other courses. The center also ensures that all national and international standards required by customers are applied inside and outside the Group. The Cardiopulmonary Resuscitation Center was accredited by the American Heart Association in 2018G as a recognized global center. It should be noted that the Group's Cardiopulmonary Resuscitation Center held 877 training events in 2018G to train 5,286 employees both inside and outside the Group.

#### **5- Vocational Training Development Center:**

This center plays an important role in promoting the personal and behavioral development of all Group's personnel. The center is responsible for conducting personal skills and leadership skills courses, as well as English language and medical terminology courses. The center oversees cooperation agreements with well-known international companies, such as General Electric, to provide leadership training courses for health service coordinators, managers and patient relations staff. The Vocational Training Development Center organized about 120 courses for 2,991 employees in 2018G.

#### **6- University Training Programs:**

Under this program, joint cooperation agreements have been signed with three government universities, as well as eight private universities and colleges. The Academic Affairs Division is responsible for facilitating the affairs of university students and interns in order to achieve all the objectives of the training programs. More than 1,200 trainees completed university training programs in all majors of the Group.

#### **7- Medical Qualification Programs:**

Through these programs, the Group qualifies Saudi female graduates of College of Sciences through accredited programs from the Saudi Commission for Health Specialties to give them the opportunity to enter the labor market and increase the Saudization rate. This is part of the social responsibility of HMG. The diploma programs accredited in the group in cooperation with the Saudi Commission for Health Specialties include:

- a- Medical Sterilization Diploma Program.
- b- Infection Control Diploma Program.
- c- Nursing Assistant Diploma Program.
- d- Dental Assistant Diploma Program.
- e- Blood-drawing Diploma Program.

#### **4.6.2 Department of Hospital Affairs**

The responsibilities of the Department of Hospital Affairs are summarized in several tasks, including the following:

- Review the architectural plans and designs for all Group's projects according to national and international healthcare standards.
- Identify future plans for opening new health facilities, starting their operations, and monitoring the level of medical services provided in the initial stages of hospitals' operation.
- Develop the manpower plan, as well as medical equipment and devices for new health facilities.
- Develop and standardize regulations, policies and procedures, and test regulations and operations.
- Provide adequate training for new health facilities staff in cooperation with relevant departments.





- Establish key medical performance indicators according to plans and expectations.
- Develop, implement and monitor medical services provided in all medical facilities and ensure compliance with relevant regulations and procedures.
- Develop, review, implement and monitor all quality indicators, performance improvement projects, risk assessment and medical incident reporting system.
- Prepare and maintain healthcare facilities to achieve national and international healthcare accreditation standards.
- Develop standard policies and procedures to achieve patient satisfaction, listen to medical services complaints, measure patient satisfaction levels, and identify corrective actions for the continuous improvement of service levels.

#### 4.6.3 Department of Medical and Nursing Affairs

The responsibilities of the Department of Medical and Nursing Affairs are summarized in several tasks, including the following:

##### First: Nursing:

- Supervise the development and implementation of nursing policies, procedures and protocols as required by international and local recommendations and standards.
- Follow-up and monitor the key performance indicators of projects' nursing departments.
- Recruit and provide required and qualified nursing staff in cooperation with Human Resources Department and Project Department.
- Retain the nursing staff according to the acceptable rate in cooperation with the Human Resources Departments and Project Department.
- Provide support to the nursing departments in projects to comply with government laws and regulations (Commission for Health Specialties and Health Affairs).
- Work with Nursing Departments Management to implement and improve quality projects based on the general performance indicators report.
- Follow-up and monitor the effective use of human resources and available supplies and tools without compromising quality.
- Participate in preparing the necessary actions for the new projects opening and services established in cooperation with the relevant departments.
- Monitor adherence to infection control standards and recommendations in cooperation with the Infection Control Division.
- Supervise and hold liable for the overall performance of nursing services provided.
- Manage and monitor the overall performance of nursing departments, identify needs for improvements and coordinate with other departments as needed.
- Develop standards for scheduling the work of nursing staff and working hours in all clinics and healthcare facilities of the Group.
- Monitor protocols and standards of care for proper use, disposal of medical waste and infection control.

##### Second - Radiology:

- Develop policies, procedures and protocols necessary for the operation of radiology department according to the national recommendations.
- Follow-up the level of services provided by monitoring the basic performance indicators for all radiologists, and the continuous follow-up of reports issued.
- Ensure the effective use of equipment and devices in radiology departments.
- Develop educational programs to develop and improve the level of reports issued by radiology departments.
- Develop strategic plans to increase the income of radiology departments in cooperation with the marketing department.
- Recruit the required and qualified human resources, including physicians and technicians, in cooperation with the human resources department.

- Ensure the compliance with safety standards and protocols for the radiation risk according to international and local recommendations.

### Third - Laboratories:

- Develop policies and procedures for the operation of laboratories according to international and local recommendations.
- Supervise fully the work of all Group's laboratories.
- Evaluate and select medical and technical staff.
- Monitor periodically medical work standards.
- Supervise blood collection and transfusion to all hospitals.
- Develop the work.

#### 4.6.4 Human Resources Department

The human resources department recruits and attracts talent and human resources by attracting the most outstanding expertise. It also works to establish and develop a culturally distinct and diverse environment based on the principle of equal opportunity and equality in terms of incentives and allowances, and also to provide job stability to human resources over the long term. This department also depends on the modern strategic principle in developing human resources through developing capacities, increasing the level of job performance, qualifying talent and developing leaders.

Therefore, the human resources department plays an effective role in achieving the Group's objectives and formulating policies and regulations that are consistent with the Group's overall strategy. The human resources department is a resource through which the Group achieves a competitive advantage through the development of human resources capabilities and skills, organizational culture, and effective administrative operations and regulations, according to the following strategies:

- **Efficiency:** Focusing on the operational efficiency and reducing costs by attracting human skills that meet the needs of the work with those who have professional experience and knowledge.
- **Innovation Capacity and Teamwork:** Achieving performance quality, taking responsibility, achieving high levels of innovation by recruiting human resources, focusing on fostering corporation among the Group's staff, and using accurate performance appraisal standards to achieve the Group's strategic objectives.
- **Focus:** Developing skills to achieve the Group's objectives and strategies using training and development programs to develop staff skills and abilities.

The human resources department provides support, including recruiting, obtaining licenses, and conducting performance reviews of Health Practitioners, and administering the remuneration system based on professional performance. It also uses a special program to train the Group's staff. The Group places the continuous training and development of its staff at the forefront of its objectives. Medical staff is required to complete CME programs to maintain their certification and training. Training is also supplemented by the various symposiums organized by HMG at its medical facilities. Nursing staff are required to complete basic training in addition to specialized ICU, CPR and/or ER training, depending on the area of specialization. Training is coordinated by the human resources department together with the department of physician affairs and the department of medical and nursing affairs.

Following is a summary of the main responsibilities of the human resources department:

- **Planning:** Setting objectives, developing standards and establishing employment policies.
- **Regulation:** Identifying the tasks and responsibilities of departments and divisions, limits of powers and delegations based thereon, in addition to developing organizational/job structures and establishing lines and channels of communication among the divisions.
- **Recruitment of Talents:** Developing a mechanism to attract distinctive talents to meet the Group's needs.
- **Leadership:** Urging employees to perform their duties effectively in accordance with the set plans and performance standards in the Group.
- **Staff Development:** Developing staff skills and competencies through training and qualification programs to improve staff ability to perform the tasks assigned to them.

- **Remuneration and Reimbursement:** Determining the salaries, benefits and allowances for the Group's staff.
- **Performance Management:** Evaluating and measuring performance, improving staff abilities and directing them towards achieving the Group's objectives, as well as effectively identifying training needs.
- **Saudization:** Attracting and employing Saudis, providing them with the means to continue working and offering them suitable opportunities.

#### 4.6.5 Group's General Counsel

The Group applies best practices in relation to the structuring of its various departments and in line with the interests of the Group. Therefore, the Group has established the post of the Group's General Counsel in line with modern governance practices. Group's General Counsel answers to Senior Management and is responsible for overseeing the legal, compliance, secretariat, and governance divisions at the Company. The functions of these divisions are as follows:

##### 4.6.5.1 Legal Division

The legal division performs all legal responsibilities in the Group, in its efforts to maintain the highest and to protect and preserve the Group's achievements and employees. The legal division relies on modern strategy principles in the practice of legal consultancy through the utilization of local capacity and competence, and by the use of advisers working in each department, as well as the use of the best external local and international expertise through legal advice offices to preserve and protect the Group's interests and rights.

The responsibilities of the legal division include:

- Preparing operational and developmental plans and programs for the division's work to achieve the Group's main objectives.
- Developing the overall strategy, legal policies and procedures and ensure their effective implementation and compliance.
- Preparing the legal drafting of decisions issued by the relevant departments.
- Participating in committees formed within the Group and providing a legal opinion for results and decisions.
- Representing the Group before judicial bodies, judicial and arbitration committees and government institutions, and managing legal cases.
- Following-up cases filed by or against the Company, preparing all the relevant petitions and memoranda and following-up sessions thereof.
- Developing the Group's legal strategies and policies to help reduce litigation and settle disputes with Related Parties.
- Participating in investigation committees concerning employees' violations, complaints filed by or against them or cases and matters where the department considers the need to form an investigation committee to study them in accordance with the relevant laws and approved regulations.
- Delivering all Group's declarations, notices and warnings and taking the necessary action.
- Supervising the development of a special system for identifying, reviewing, classifying, indexing and archiving all cases and relevant documents.
- Providing legal advice in all matters referred to the Department including interpretation of laws and regulations.
- Providing comprehensive legal and regulatory services to ensure adequate compliance and cost-effective protection from commercial and legal risks for all HMG key business areas.
- Preparing, drafting and studying the contracts necessary for the business of the Group and its all Subsidiaries, which ensures the proper operation of the business in accordance with the legal provisions and commercial principals.
- Supervising the development of a special system for identifying, reviewing, classifying, indexing and archiving all the Group's contracts and official documentation.
- Monitoring the government laws and legislation and regulations affecting the Group's business, and



submitting them to Senior Management for discussion, and making the necessary legal recommendations.

- Coordinating with all government entities in all legal subjects and issues related to the Group's functions and operations.

#### 4.6.5.2 Compliance Division

High standards of trust and integrity between the Group and its clients are a top priority. They are among the most important pillars upon which the Group builds its reputation amongst clients and stakeholders. The protection of this reputation in all activities carried out by the Group must be firmly rooted in the minds of the Group's personnel. This requires them to have a high level of trust, integrity and professionalism while carrying out the tasks assigned to them, and their behaviors must be committed to the letter and spirit of the laws, regulations and instructions governing the Group's activity.

The compliance division carries out an independent function of identifying and assessing the risks of non-compliance with the Group's laws, regulations, standards and policies, providing advice and guidance, monitoring and preparing reports on compliance and potential risks to the Group as a result of its failure to comply with the applicable laws, regulations, codes of conduct and sound standards and practices, and submitting these reports to the competent department in the Group. The compliance function is one of the most important factors for the success of the Group, since it plays a key role in maintaining its reputation, credibility and client interests and providing protection against penalties by carrying out the following tasks:

- Implementing and applying the compliance program in the Group.
- Averting reputational and operational risks and establishing appropriate values and practices.
- Following-up compliance with all requirements of laws, regulations, standards and policies relevant to the Group's business.
- Periodically auditing and reviewing compliance requirements in the Group.
- Consolidating and managing relations with legislative and regulatory bodies.
- Training and raising awareness in the Group to promote a culture based on high standards of honesty and professional integrity.
- Finding mechanisms and frameworks to address cases of non-compliance.
- Providing periodic reports on legal and regulatory non-compliance cases and related risks.
- Verifying that all legal legislations are applied in the Group and taking the initiative to indicate the loopholes of the decisions and instructions in force in the Group, by applying them on the ground and proposing the necessary amendments.
- Supervising the development of a special system to monitor compliance with all requirements of laws, regulations, standards and policies relevant to the Group's business.

#### 4.6.5.3 Secretariat and Governance Division

The Group attaches great importance to its governance and its Shareholders' interests, and ensure work flows between executive functions efficiently and governing laws are obeyed to ensure that the similar best practices of governance are applied through a team concerned with the requirements of the Group's governance manual, regulations of the Board Secretariat and committees, as well as the Boards of Directors and/or Managers of Subsidiaries, and assemblies of Shareholders and Shareholders.

The functions of the secretariat and governance division include the following:

- Verifying that the rules and standards of the governance are applied in the Group to ensure adherence to best governance practices ensuring the protection of Shareholders and stakeholders rights.
- Regulating the disclosure record of Directors and Senior Management members in accordance with the disclosures required under Companies Law, Capital Market Law and their implementing regulations.
- Verifying the Group's disclosure of the necessary financial and non-financial information relevant to the Shareholders.
- Ensuring the implementation of appropriate governance mechanisms and principles for the purpose of protecting Shareholders' interests.
- Ensuring that the Directors comply with and adhere to the procedures approved by the Board.

- Make coordination among the Directors in a manner that would increase the efficiency of the Board's work and enhance the speed and efficiency of decision-making.
- Providing assistance and advice to the Directors.
- Documenting the meetings of the Group's Board of Directors, as well as the Boards of Directors and Managers of the Group's Subsidiaries, preparing minutes, including the discussions and deliberations, and archiving them in a special structured record.
- Archiving reports submitted to and prepared by the Board.
- Providing the Directors with all information they need in their business.
- Supervising and organizing ordinary and extraordinary general assemblies of Shareholders and Shareholders.
- Developing a special system for identifying, classifying, indexing and archiving all minutes and relevant decisions and documents.

#### 4.6.6 Finance and Accounting Department

The finance and accounting department is responsible for the proper and accurate financial reporting, the effective financial management and planning, the design of robust internal financial control systems, the timely provision of the necessary information to Senior Management and the support of all business activities of the Group through the following sub-divisions:

- **Financial Reporting and Control:** Ensuring the integrity of financial data, providing reliable financial information and reports to various relevant departments within the Group or third parties in a timely manner, developing financial policies and procedures, implementing internal controls, preparing financial studies and projections, maintaining the fixed assets register, managing working capital and subsequent allocation of amounts payable to suppliers in accordance with the Group's policies, and ensuring payment of employees' salaries in a timely manner, as well as dealing with the GAZT, submitting Zakat returns, obtaining Zakat assessments, providing VAT documents, and filing withholding tax returns.
- **Finance and Treasury:** Managing liquidity, improving working capital requirements, investing surplus funds, maintaining strategic relationships with financial institutions, and obtaining the necessary finance for the activities
- **Management Information Systems:** Dealing with the Group's information systems by applying the best financial practices and standards in the preparation of financial and operating reports in a clear and accurate manner to ensure that Senior Management and the Board of Directors obtain adequate and updated financial and operational information to enable them to read and analyze the Group's performance and develop its future plans.
- **Business Benefits:** Taking responsibility for all types of income sharing agreements and incentives of medical staff and ensuring that all policies, procedures and programs comply with the Group's overall strategy and cooperating with the Department of Physician Affairs and Human Resources to plan, develop and take actions to identify and supervise the benefits and rewards of physicians.
- **Budget and Costs:** Developing the Group's annual budget in cooperation with all operational departments, forecasting the cash flows of the Group to work on future plans, conducting feasibility studies for new health projects or any other projects which the Group intends to undertake, analyzing statistical data, providing the necessary and needed information to Senior Management and the Board, and preparing policies of costs and prices for new services or facilities.
- **Business Excellence:** Developing short- and long-term objectives, policies and procedures to improve business performance by calculating and presenting performance indicators and methodological management principles, working as a financial business partner to analyze various business unit performance and financial viability of new projects, and automating business procedures to ensure that financial information correlates between different systems within the Group.

#### 4.6.7 Revenue Cycle Department

Revenue cycle department centrally negotiates, signs and executes all the Group's medical services contracts with its corporate clients, insurance companies and government entities, and follows up on medical requests submitted to such entities to ensure the revenue collection of medical services provided to patients, thus provides the best practices to insurance companies, their clients and those insureds, and maintains the financial position of the Company through the following:

- Identifying, classifying and coding the elements of the provided medical services and programs in VIDA system.
- Determining the prices of medical services provided according to the Group's pricing strategy and in line with the cost of services and their competitiveness in the market.
- Managing contracts with insurance companies, government entities and other institutions.
- Coordinating internally to submit timely claims and follow-up accounts receivables.
- Following-up continually to collect amounts due from insurance companies and other institutions.
- Reviewing the financial and credit situations of insurance companies continuously and proposing any related credit limits or terms.
- Negotiating for obtaining appropriate medical insurance coverage for the Group's employees.
- Providing the necessary support to the Group's corporate clients through the Support Office.

#### 4.6.8 Marketing Department

The Group's marketing department strategy is based on the following:

- Delivering outstanding medical services to all segments of the society through the digital marketing strategy that aims to increase the efficiency of applications and digital platforms to reach different segments in all regions of the Kingdom and neighboring countries, facilitate the means of communication and provide tele-health services with the highest efficiency.
- Developing outreach programs to guide all patients during their treatment journey by providing guidance and advice in various stages of treatment and daily life aspects, which positively affect the chances of successful treatment, in addition to measuring and developing support services to improve the quality of patient experience in the Group's health facilities.
- Developing integrated health awareness programs to enrich community health awareness, which are in line with the Kingdom Vision and contributes to the change and improvement of healthy community life patterns through integrated programs in the areas of: Early preventive examination programs, nutrition awareness programs, daily sport awareness and stimulation programs and community service programs.
- Developing marketing programs to raise the awareness of the target segments through the various programs, therapeutic measures and the latest technology in the Group's health facilities.

The marketing department conducts a number of activities, including:

- E-marketing and digital platform development.
- Marketing studies and programs to improve the "quality of patient experience" within the Group's health facilities.
- Various marketing programs inside and outside the Group's health facilities, awareness-raising campaigns and community service programs.

#### 4.6.9 Logistics Department

The logistics department focuses on all aspects related to purchasing medical and non-medical supplies and equipment and monitoring inventory to ensure that all services are provided effectively through the following divisions:

- **Medical Materials Division:** Evaluating and identifying the list of approved medical material suppliers and distributors, developing the logistics department through effective procurement processes that follow best practices in the sector, negotiating with suppliers and distributors with regard to procurement cost, payment terms, and supply duration, implementing procurement of supplies and



equipment in accordance with the Group's approved policies and budgets, and managing and planning medical material and equipment procurements of future health projects.

- **Non-Medical Materials Division:** Evaluating and identifying the list of approved suppliers and distributors of non-medical materials, equipment and services, developing Logistics Department through effective procurement processes that follow best practices in this sector. Negotiating with approved suppliers and distributors with regard to procurement cost, payment terms, and supply duration, implementing procurement of non-medical supplies, equipment and services in accordance with the Group's approved policies and budgets. Managing and planning the procurement of non-medical supplies, equipment and services for future health projects.
- **Inventory Management Division:** Preparing expected demand for medical and non-medical materials and supplies according to the Group's approved regulations to ensure availability thereof in the right place in a timely manner, and conducting effective planning to reduce the cost of storage and automate procedures to avoid excess inventory.
- **Logistics Division:** Ensuring that the required medical and pharmaceutical materials and supplies are received and safely stored in accordance with the laws and regulations, continuously following up the inventory to request new quantities according to the current demand of the Group, ensuring the distribution of medical and pharmaceutical materials and supplies to the sub-warehouses and pharmacies of the Group in a timely and appropriate manner, taking into account the relevant production and expiration dates through proper distribution, classification and sorting, maintaining warehouses and facilities thereof and providing transport and loading equipment.
- **Supplier Management Division:** Standardizing the contract models, developing a standard supplier and distributor selection policy across the procurement departments, negotiating with suppliers and distributors regarding the procurement cost and payment terms, ensuring the draft and signing of contracts for all medical and non-medical equipment and devices, pharmaceutical materials and service contracts for all projects in accordance with the applicable laws and regulations, archiving all contracts in a central site, following-up renewal or termination thereof, registering and evaluating suppliers, conducting market researches, and analyzing market in order to adopt and update the approved supplier and distributor regulations for all procurement departments
- **Pharmaceutical Materials Division:** Evaluating and identifying the list of approved suppliers and distributors of pharmaceutical materials, developing Logistics Department through effective procurement processes that follow best practices in this sector, negotiating with suppliers and distributors with regard to procurement cost, payment terms, and supply duration, implementing procurement of pharmaceutical materials and services in accordance with the Group's approved policies and budgets, and managing and planning procurements of pharmaceutical materials and services for future health projects.

#### 4.6.10 Department of Business Development

The responsibilities of the department of business development include:

- Identify and evaluate new business opportunities and projects for the Group in line with its strategic plans and targeted geographical areas.
- Evaluate business opportunities and projects in line with the strategic priorities and plans
- Determine the ownership structure of new projects.
- Develop plans for new business and projects to evaluate the operational performance against set targets.

#### 4.6.11 Project Department

The responsibilities of the project department include:

- Design and develop new medical facilities.
- Identify accredited construction contractors.
- Oversee construction contracts and ensure adherence to estimated project costs and timelines for new medical projects.
- Oversee the implementation of new projects and receive the sites.



#### 4.6.12 Information Technology (through Cloud Solutions)

As the Group believes that technology is an important driver in the health sector in the Kingdom and the region and due to the few numbers of national companies specialized in the development and implementation of specialized technologies and solutions in the healthcare services sector in the local and regional market, the Group established Cloud Solutions for Communication and Information Technology as a wholly owned subsidiary of the Group in 2013G. All IT department staff were transferred from the Group to this Company. Cloud Solutions is one of the first companies specialized in integrated systems and technical support and maintenance services in the healthcare sector. It has been recognized by MOMRA as an e-business and active communication technology company. Cloud Solutions provides technical services, applications thereof and technical support to all of the Subsidiaries of Group and other parties. Its headquarters are located in Riyadh and has a state-of-the-art center specialized in health systems' development and programming in Sri Lanka. It has 276 employees (please refer to section 4.2.5 (d) **"Cloud Solutions for Communication and Information Technology"** for further details on Cloud Solutions).

#### 4.6.13 Medical Engineering Division

This division deals with planning, implementing and managing the technical strategies of the medical system that are in line with the objectives and aspirations of the group. The division relies on intelligent and sophisticated engineering management systems based on international best practices in the field of medical technologies and management, to ensure the highest standards of safety and quality and enhance the efficiency of operation in all services and facilities of the Group. The division manages medical technologies, and related risks, conducts research and development to enhance the level of medical services, plans and implements technical projects and designs specialized facilities of various sizes. Cooperation and exchange of experiences with specialized centers and research centers contributed to developing qualitative plans and operations of the department. The division is also entrusted with managing all resources related to such technologies starting from the planning until implementation, operation, and maintenance.

It is worth mentioning that the Group's Medical Engineering division holds the International Accreditation Certificate from ECRI Institute for best practices in the field of medical engineering. Accordingly, the Group is the first private health facility in the Kingdom to receive such accreditation. This division has three main activities:

- **Research and planning of medical technologies:**

It includes planning, development and evaluation of medical technologies required by the Group based on its strategic plans. This phase starts from the planning point for the implementation of a new project or the development of an existing product, through research, auditing and evaluation of the implementation and pulse check before the operational phase. The planning and development phase includes monitoring of existing medical technologies and specialized facilities in cooperation with other activities of the department in order to ensure the highest efficiency and effectiveness and control the quality of the medical product resulting from such technologies.

- **Medical technologies:**

Medical technologies include management of the post installation and operation of medical technologies and training thereon to ensure around the clock availability of medical technology with the highest standards of safety and quality. The tasks include maintenance and repair of medical technologies, periodic maintenance, management of spare parts and consumables, monitoring of compliance with the safe operation of medical devices and equipment, after sale management of relationships and contracts with suppliers and manufacturers, and management of resources related to such technologies.

- **Performance excellence:**

This includes the management of risks associated with medical technologies or specialized facilities as well as quality management and compliance with national and international safety standards. This activity is the point of contact with the regulatory authorities concerned with medical devices and supplies and other authorities concerned with setting standards of medical services in the Kingdom.

## 4.7 Business Continuity

Directors shall declare that during the last 12 months there has been no interruption or suspension of the Group's business, which has had or may have a material impact on its financial position and that there is no intention to make any material change to the nature of the Company's activity.

## 4.8 Employees

The Group's strength and success are attributed to the expertise and experience of its employees in the healthcare industry. Accordingly, the recruitment and retention of skilled, professional and motivated doctors, nurses and support staff is at the forefront of the Group's priorities.

### 4.8.1 Employment

As of 31/03/2019G, the Group has 10,475 employees, of whom 3,613 employees (34.5%) are Saudis and 6,862 employees (65.5%) are residents. The section below provides a detailed analysis of employees' data according to nationality, Saudization percentage and Nitaqat rating:

**Table (4-24): Employment details by the Group's departments in the kingdom according to the type of work during 2017G, 2018G and three-month period ended 31 March 2019G<sup>(1)</sup>**

| Department                               | 31/12/2017G  |              |               |              | 31/12/2018G  |              |               |              | 31/03/2019G  |              |               |              |
|------------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|
|                                          | Saudis       | Non-Saudis   | Total         | Saudization  | Saudis       | Non-Saudis   | Total         | Saudization  | Saudis       | Non-Saudis   | Total         | Saudization  |
| Senior Management                        | 22           | 5            | 27            | 81.5%        | 21           | 6            | 27            | 77.8%        | 22           | 6            | 28            | 78.6%        |
| Finance                                  | 49           | 146          | 195           | 25.1%        | 41           | 135          | 176           | 23.3%        | 45           | 137          | 182           | 24.7%        |
| Group's General Counsel                  | 6            | 1            | 7             | 85.7%        | 7            | 2            | 9             | 77.8%        | 8            | 2            | 10            | 80.0%        |
| Human Resources                          | 123          | 83           | 206           | 59.7%        | 120          | 78           | 198           | 60.6%        | 111          | 76           | 187           | 59.4%        |
| IT (Cloud Solutions)                     | 45           | 105          | 150           | 30.0%        | 121          | 134          | 255           | 47.5%        | 133          | 176          | 309           | 43.0%        |
| Business Development                     | 4            | 5            | 9             | 44.4%        | 3            | 6            | 9             | 33.3%        | 4            | 5            | 9             | 44.4%        |
| Logistics                                | 30           | 111          | 141           | 21.3%        | 35           | 128          | 163           | 21.5%        | 38           | 136          | 174           | 21.8%        |
| Revenue cycle                            | 185          | 189          | 374           | 49.5%        | 186          | 169          | 355           | 52.4%        | 185          | 159          | 344           | 53.8%        |
| Physician Affairs                        | 692          | 1,346        | 2,038         | 34.0%        | 761          | 1,260        | 2,021         | 37.7%        | 811          | 1,274        | 2,085         | 38.9%        |
| Projects                                 | 10           | 43           | 53            | 18.9%        | 13           | 44           | 57            | 22.8%        | 12           | 44           | 56            | 21.4%        |
| Marketing                                | 8            | 10           | 18            | 44.4%        | 6            | 12           | 18            | 33.3%        | 9            | 29           | 38            | 23.7%        |
| Hospital Affairs                         | 1,250        | 604          | 1,854         | 67.4%        | 1,143        | 551          | 1,694         | 67.5%        | 1020         | 617          | 1,637         | 62.3%        |
| Medical and Nursing Affairs              | 603          | 4,757        | 5,360         | 11.3%        | 713          | 3,959        | 4,672         | 15.3%        | 848          | 3,716        | 4,564         | 18.6%        |
| Al-Habib Pharmacies                      | 36           | 207          | 243           | 14.8%        | 99           | 217          | 316           | 31.3%        | 105          | 229          | 334           | 31.4%        |
| Medical Engineering                      | 20           | 23           | 43            | 46.5%        | 19           | 28           | 47            | 40.4%        | 20           | 39           | 59            | 33.9%        |
| Maintenance and management of facilities | 243          | 254          | 497           | 48.9%        | 254          | 221          | 475           | 53.5%        | 242          | 217          | 459           | 52.7%        |
| <b>Total</b>                             | <b>3,326</b> | <b>7,889</b> | <b>11,215</b> | <b>29.7%</b> | <b>3,542</b> | <b>6,950</b> | <b>10,492</b> | <b>33.8%</b> | <b>3,613</b> | <b>6,862</b> | <b>10,475</b> | <b>34.5%</b> |

Source: The Company.

(1) The above numbers of employees include the employees of Ajaji Dental and Collaborating Physicians along with the employees of Dubai Hospital and Cloud Solutions (Srilanka). Therefore, the numbers shown in the table are different from those stated in GOSI and Saudization Certificate.



The Group provides competitive employment conditions for all employees, including monthly housing and transportation wages and allowances, annual leaves, medical insurance for employees and their family members, and annual travel tickets. The benefits provided to some of the key employees also include educational assistance to children. The following table details the numbers of employees and doctors in the various hospitals and medical centers:

**Table (4-25): Employment details of the Company and its Subsidiaries in the Kingdom during 2017G, 2018G and the three-month period ended 31 March 2019G <sup>(1) (2)</sup>**

| The Company                                          | 31/12/2017G  |              |               |              | 31/12/2018G  |              |               |              | 31/03/2019G  |              |               |              |
|------------------------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|
|                                                      | Saudis       | Non-Saudis   | Total         | Saudization  | Saudis       | Non-Saudis   | Total         | Saudization  | Saudis       | Non-Saudis   | Total         | Saudization  |
| Dr. Sulaiman Al-Habib Medical Services Group Company | 201          | 323          | 524           | 38.4%        | 280          | 355          | 635           | 44.1%        | 155          | 250          | 405           | 38.3%        |
| Olaya Medical Complex                                | 645          | 1,463        | 2,108         | 30.6%        | 620          | 1,241        | 1,861         | 33.3%        | 634          | 1,217        | 1,851         | 34.3%        |
| Dubai Hospital                                       | 5            | 882          | 887           | 0.6%         | 4            | 939          | 943           | 0.4%         | 3            | 974          | 977           | 0.3%         |
| Qassim Hospital                                      | 359          | 677          | 1,036         | 34.7%        | 395          | 557          | 952           | 41.5%        | 373          | 555          | 928           | 40.2%        |
| Rayan Hospital                                       | 761          | 1,661        | 2,422         | 31.4%        | 775          | 1,379        | 2,154         | 36.0%        | 793          | 1,283        | 2,076         | 38.2%        |
| Takhassusi Hospital                                  | 732          | 1,224        | 1,956         | 37.4%        | 697          | 1,119        | 1,816         | 38.4%        | 741          | 1,085        | 1,826         | 40.6%        |
| Suweidi Hospital                                     | 527          | 1060         | 1,587         | 33.2%        | 622          | 824          | 1,446         | 43.0%        | 637          | 825          | 1,462         | 43.6%        |
| Khobar Hospital                                      | 0            | 0            | 0             | 0            | 0            | 0            | 0             | 0            | 4            | 19           | 23            | 17.4%        |
| MEP                                                  | 41           | 233          | 274           | 15.0%        | 92           | 212          | 304           | 30.3%        | 108          | 228          | 336           | 32.1%        |
| HHC                                                  | 10           | 273          | 283           | 3.5%         | 6            | 243          | 249           | 2.4%         | 6            | 237          | 243           | 2.5%         |
| MD Labs                                              | 35           | 47           | 82            | 42.7%        | 35           | 40           | 75            | 46.7%        | 32           | 40           | 72            | 44.4%        |
| Cloud Solutions                                      | 0            | 0            | 0             | 0            | 0            | 0            | 0             | 0            | 127          | 149          | 276           | 46.0%        |
| Rawafed Al Seha International Company                | 10           | 46           | 56            | 17.9%        | 16           | 41           | 57            | 28.1%        | -            | -            | -             | -            |
| <b>Total</b>                                         | <b>3,326</b> | <b>7,889</b> | <b>11,215</b> | <b>29.7%</b> | <b>3,542</b> | <b>6,950</b> | <b>10,492</b> | <b>33.8%</b> | <b>3,613</b> | <b>6,862</b> | <b>10,475</b> | <b>34.5%</b> |

Source: The Company.

- (1) The above numbers of employees include the employees of Ajaji Dental and Collaborating Physicians along with the employees of Dubai Hospital. Therefore, the numbers shown in the table are different from those stated in GOSI and Saudization Certificate.
- (2) Some of the Subsidiaries with no employees are not included as they have been recently established and are not yet operational. The same applies to those Subsidiaries providing maintenance and operation services to other Subsidiaries of the Group.



| Dr. Sulaiman Al-Habib Medical Services Group Company | 31/12/2017G |            |            |              | 31/12/2018G |            |            |              | 31/03/2019G |            |            |              |
|------------------------------------------------------|-------------|------------|------------|--------------|-------------|------------|------------|--------------|-------------|------------|------------|--------------|
|                                                      | Saudis      | Non-Saudis | Total      | Saudization  | Saudis      | Non-Saudis | Total      | Saudization  | Saudis      | Non-Saudis | Total      | Saudization  |
| Department                                           | 11          | 3          | 14         | 78.6%        | 11          | 5          | 16         | 68.8%        | 13          | 4          | 17         | 76.5%        |
| Support operations                                   | 190         | 320        | 510        | 37.3%        | 269         | 350        | 619        | 43.5%        | 142         | 246        | 388        | 36.6%        |
| <b>Total</b>                                         | <b>201</b>  | <b>323</b> | <b>524</b> | <b>38.4%</b> | <b>280</b>  | <b>355</b> | <b>635</b> | <b>44.1%</b> | <b>155</b>  | <b>250</b> | <b>405</b> | <b>38.3%</b> |

Source: The Company.

| Olaya Medical Complex <sup>(1) (2)</sup> | 31/12/2017G |              |              |              | 31/12/2018G |              |              |              | 31/03/2019G |              |              |              |
|------------------------------------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
|                                          | Saudis      | Non-Saudis   | Total        | Saudization  | Saudis      | Non-Saudis   | Total        | Saudization  | Saudis      | Non-Saudis   | Total        | Saudization  |
| Department                               | 2           | 0            | 2            | 100%         | 3           | 0            | 3            | 100%         | 3           | 0            | 3            | 100%         |
| Physicians                               | 127         | 264          | 391          | 32.5%        | 142         | 243          | 385          | 36.9%        | 148         | 242          | 390          | 37.9%        |
| Other Nurses and Health Practitioners    | 117         | 936          | 1053         | 11.1%        | 94          | 789          | 883          | 10.6%        | 118         | 774          | 892          | 13.2%        |
| Other employees                          | 399         | 263          | 662          | 60.3%        | 381         | 209          | 590          | 64.6%        | 365         | 201          | 566          | 64.5%        |
| <b>Total</b>                             | <b>645</b>  | <b>1,463</b> | <b>2,108</b> | <b>30.6%</b> | <b>620</b>  | <b>1,241</b> | <b>1,861</b> | <b>33.3%</b> | <b>634</b>  | <b>1,217</b> | <b>1,851</b> | <b>34.3%</b> |

Source: The Company.

(1) It consists of Olaya Medical Company that operates outpatient clinics ("Outpatient Clinics Complex") and its branches including: (a) Bone, Joint and Spine Hospital Company ("**Spinal Hospital**"), (b) Al Mustaqbal for Hospitals Development Company ("Maternity Hospital"), and (d) IVF Center.

(2) The above numbers of employees include the employees of Ajaji Dental and the Collaborating Physicians. Therefore, the numbers shown in the table are different from those stated in GOSI and Saudization Certificate.

| Dubai Hospital                        | 31/12/2017G |            |            |             | 31/12/2018G |            |            |             | 31/03/2019G |            |            |             |
|---------------------------------------|-------------|------------|------------|-------------|-------------|------------|------------|-------------|-------------|------------|------------|-------------|
|                                       | Saudis      | Non-Saudis | Total      | Saudization | Saudis      | Non-Saudis | Total      | Saudization | Saudis      | Non-Saudis | Total      | Saudization |
| Department                            | 0           | 2          | 2          | 0.0%        | 0           | 1          | 1          | 0.0%        | 0           | 1          | 1          | 0.0%        |
| Physicians                            | 0           | 171        | 171        | 0.0%        | 0           | 191        | 191        | 0.0%        | 0           | 196        | 196        | 0.0%        |
| Other Nurses and Health Practitioners | 1           | 424        | 425        | 0.2%        | 1           | 486        | 487        | 0.2%        | 1           | 486        | 487        | 0.2%        |
| Other employees                       | 4           | 285        | 289        | 1.4%        | 3           | 261        | 264        | 1.1%        | 2           | 291        | 293        | 0.7%        |
| <b>Total</b>                          | <b>5</b>    | <b>882</b> | <b>887</b> | <b>0.6%</b> | <b>4</b>    | <b>939</b> | <b>943</b> | <b>0.4%</b> | <b>3</b>    | <b>974</b> | <b>977</b> | <b>0.3%</b> |

Source: The Company.



| Qassim Hospital <sup>(1)</sup>        | 31/12/2017G |            |              |              | 31/12/2018G |            |            |              | 31/03/2019G |            |            |              |
|---------------------------------------|-------------|------------|--------------|--------------|-------------|------------|------------|--------------|-------------|------------|------------|--------------|
|                                       | Saudis      | Non-Saudis | Total        | Saudization  | Saudis      | Non-Saudis | Total      | Saudization  | Saudis      | Non-Saudis | Total      | Saudization  |
| Department                            | 1           | 0          | 1            | 100%         | 1           | 0          | 1          | 100%         | 2           | 0          | 2          | 100%         |
| Physicians                            | 35          | 136        | 171          | 20.5%        | 49          | 132        | 181        | 27.1%        | 41          | 133        | 174        | 23.6%        |
| Other Nurses and Health Practitioners | 62          | 469        | 531          | 11.7%        | 84          | 372        | 456        | 18.4%        | 85          | 363        | 448        | 19.0%        |
| Other employees                       | 261         | 72         | 333          | 78.4%        | 261         | 53         | 314        | 83.1%        | 245         | 59         | 304        | 80.6%        |
| <b>Total</b>                          | <b>359</b>  | <b>677</b> | <b>1,036</b> | <b>34.7%</b> | <b>395</b>  | <b>557</b> | <b>952</b> | <b>41.5%</b> | <b>373</b>  | <b>555</b> | <b>928</b> | <b>40.2%</b> |

Source: The Company.

(1) The above numbers of employees include the employees of Ajaji Dental and the Collaborating Physicians. Therefore, the numbers shown in the table are different from those stated in GOSI and Saudization Certificate.

| Rayan Hospital <sup>(1)</sup>         | 31/12/2017G |              |              |              | 31/12/2018G |              |              |              | 31/03/2019G |              |              |              |
|---------------------------------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
|                                       | Saudis      | Non-Saudis   | Total        | Saudization  | Saudis      | Non-Saudis   | Total        | Saudization  | Saudis      | Non-Saudis   | Total        | Saudization  |
| Department                            | 2           | 0            | 2            | 100%         | 1           | 0            | 1            | 100%         | 2           | 0            | 2            | 100%         |
| Physicians                            | 199         | 312          | 511          | 38.9%        | 211         | 267          | 478          | 44.1%        | 235         | 270          | 505          | 46.5%        |
| Other Nurses and Health Practitioners | 139         | 1,105        | 1,244        | 11.2%        | 156         | 889          | 1,045        | 14.9%        | 162         | 881          | 1,043        | 15.5%        |
| Other employees                       | 421         | 244          | 665          | 63.3%        | 407         | 223          | 630          | 64.6%        | 394         | 132          | 526          | 74.9%        |
| <b>Total</b>                          | <b>761</b>  | <b>1,661</b> | <b>2,422</b> | <b>31.4%</b> | <b>775</b>  | <b>1,379</b> | <b>2,154</b> | <b>36.0%</b> | <b>793</b>  | <b>1,283</b> | <b>2,076</b> | <b>38.2%</b> |

Source: The Company.

(1) The above numbers of employees include the employees of Ajaji Dental and the Collaborating Physicians. Therefore, the numbers shown in the table are different from those stated in GOSI and Saudization Certificate.

| Takhassusi Hospital <sup>(1)</sup>    | 31/12/2017G |              |              |              | 31/12/2018G |              |              |              | 31/03/2019G |              |              |              |
|---------------------------------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
|                                       | Saudis      | Non-Saudis   | Total        | Saudization  | Saudis      | Non-Saudis   | Total        | Saudization  | Saudis      | Non-Saudis   | Total        | Saudization  |
| Department                            | 2           | 0            | 2            | 100%         | 3           | 0            | 3            | 100%         | 2           | 0            | 2            | 100%         |
| Physicians                            | 231         | 252          | 483          | 47.8%        | 227         | 238          | 465          | 48.8%        | 250         | 244          | 494          | 50.6%        |
| Other Nurses and Health Practitioners | 170         | 818          | 988          | 17.2%        | 223         | 753          | 976          | 22.8%        | 297         | 756          | 1,053        | 28.2%        |
| Other employees                       | 329         | 154          | 483          | 68.1%        | 244         | 128          | 372          | 65.6%        | 192         | 85           | 277          | 69.3%        |
| <b>Total</b>                          | <b>732</b>  | <b>1,224</b> | <b>1,956</b> | <b>37.4%</b> | <b>697</b>  | <b>1,119</b> | <b>1,816</b> | <b>38.4%</b> | <b>741</b>  | <b>1,085</b> | <b>1,826</b> | <b>40.6%</b> |

Source: The Company.

(1) The above numbers of employees include the employees of Ajaji Dental and the Collaborating Physicians. Therefore, the numbers shown in the table are different from those stated in GOSI and Saudization Certificate.



| Suweidi Hospital <sup>(1)</sup>       | 31/12/2017G |              |              |              | 31/12/2018G |            |              |              | 31/03/2019G |            |              |              |
|---------------------------------------|-------------|--------------|--------------|--------------|-------------|------------|--------------|--------------|-------------|------------|--------------|--------------|
|                                       | Saudis      | Non-Saudis   | Total        | Saudization  | Saudis      | Non-Saudis | Total        | Saudization  | Saudis      | Non-Saudis | Total        | Saudization  |
| Department                            | 2           | 0            | 2            | 100%         | 2           | -          | 2            | 100%         | 2           | -          | 2            | 100%         |
| Physicians                            | 100         | 211          | 311          | 32.2%        | 132         | 189        | 321          | 41.1%        | 137         | 189        | 326          | 42.0%        |
| Other Nurses and Health Practitioners | 80          | 763          | 843          | 9.5%         | 116         | 553        | 669          | 17.3%        | 142         | 603        | 745          | 19.1%        |
| Other employees                       | 345         | 86           | 431          | 80.0%        | 372         | 82         | 454          | 81.9%        | 356         | 33         | 389          | 91.5%        |
| <b>Total</b>                          | <b>527</b>  | <b>1,060</b> | <b>1,587</b> | <b>33.2%</b> | <b>622</b>  | <b>824</b> | <b>1,446</b> | <b>43.0%</b> | <b>637</b>  | <b>825</b> | <b>1,462</b> | <b>43.6%</b> |

Source: The Company.

(1) The above numbers of employees include the employees of Ajaji Dental and the Collaborating Physicians. Therefore, the numbers shown in the table are different from those stated in GOSI and Saudization Certificate.

| Khobar Hospital <sup>(1)</sup>        | 31/12/2017G |            |          |             | 31/12/2018G |            |          |             | 31/03/2019G |            |           |              |
|---------------------------------------|-------------|------------|----------|-------------|-------------|------------|----------|-------------|-------------|------------|-----------|--------------|
|                                       | Saudis      | Non-Saudis | Total    | Saudization | Saudis      | Non-Saudis | Total    | Saudization | Saudis      | Non-Saudis | Total     | Saudization  |
| Department                            | -           | -          | 0        | 0%          | -           | -          | -        | 0%          | 1           | -          | 1         | 100%         |
| Physicians                            | -           | -          | 0        | 0%          | -           | -          | -        | 0%          | -           | -          | -         | 0.0%         |
| Other Nurses and Health Practitioners | -           | -          | 0        | 0%          | -           | -          | -        | 0%          | -           | 14         | 14        | 0.0%         |
| Other employees                       | -           | -          | 0        | 0%          | -           | -          | 0        | 0%          | 3           | 5          | 8         | 37.5%        |
| <b>Total</b>                          | <b>-</b>    | <b>-</b>   | <b>0</b> | <b>0%</b>   | <b>-</b>    | <b>-</b>   | <b>0</b> | <b>0%</b>   | <b>4</b>    | <b>19</b>  | <b>23</b> | <b>17.4%</b> |

Source: The Company.

(1) The above numbers of employees include the employees of Ajaji Dental and the Collaborating Physicians. Therefore, the numbers shown in the table are different from those stated in GOSI and Saudization Certificate.

| MEP                               | 31/12/2017G |            |            |              | 31/12/2018G |            |            |              | 31/03/2019G |            |            |              |
|-----------------------------------|-------------|------------|------------|--------------|-------------|------------|------------|--------------|-------------|------------|------------|--------------|
|                                   | Saudis      | Non-Saudis | Total      | Saudization  | Saudis      | Non-Saudis | Total      | Saudization  | Saudis      | Non-Saudis | Total      | Saudization  |
| Management and support operations | 14          | 51         | 65         | 21.5%        | 24          | 48         | 72         | 33.3%        | 27          | 64         | 91         | 29.7%        |
| Pharmacists                       | 27          | 182        | 209        | 12.9%        | 68          | 164        | 232        | 29.3%        | 81          | 164        | 245        | 33.1%        |
| <b>Total</b>                      | <b>41</b>   | <b>233</b> | <b>274</b> | <b>15.0%</b> | <b>92</b>   | <b>212</b> | <b>304</b> | <b>30.3%</b> | <b>108</b>  | <b>228</b> | <b>336</b> | <b>32.1%</b> |

Source: The Company.



| HHC                               | 31/12/2017G |            |            |             | 31/12/2018G |            |            |             | 31/03/2019G |            |            |             |
|-----------------------------------|-------------|------------|------------|-------------|-------------|------------|------------|-------------|-------------|------------|------------|-------------|
|                                   | Saudis      | Non-Saudis | Total      | Saudization | Saudis      | Non-Saudis | Total      | Saudization | Saudis      | Non-Saudis | Total      | Saudization |
| Management and support operations | 10          | 13         | 23         | 43.5%       | 6           | 18         | 24         | 25.0%       | 6           | 19         | 25         | 24.0%       |
| Pharmacists                       | -           | 260        | 260        | 0.0%        | -           | 225        | 225        | 0.0%        | -           | 218        | 218        | 0.0%        |
| <b>Total</b>                      | <b>10</b>   | <b>273</b> | <b>283</b> | <b>3.5%</b> | <b>6</b>    | <b>243</b> | <b>249</b> | <b>2.4%</b> | <b>6</b>    | <b>237</b> | <b>243</b> | <b>2.5%</b> |

Source: The Company.

| MD Labs                               | 31/12/2017G |            |           |              | 31/12/2018G |            |           |              | 31/03/2019G |            |           |              |
|---------------------------------------|-------------|------------|-----------|--------------|-------------|------------|-----------|--------------|-------------|------------|-----------|--------------|
|                                       | Saudis      | Non-Saudis | Total     | Saudization  | Saudis      | Non-Saudis | Total     | Saudization  | Saudis      | Non-Saudis | Total     | Saudization  |
| Management and support operations     | 3           | 9          | 12        | 25.0%        | 3           | 9          | 12        | 25.0%        | 3           | 7          | 10        | 30.0%        |
| Other Nurses and Health Practitioners | 32          | 38         | 70        | 45.7%        | 32          | 31         | 63        | 50.8%        | 29          | 33         | 62        | 46.8%        |
| <b>Total</b>                          | <b>35</b>   | <b>47</b>  | <b>82</b> | <b>42.7%</b> | <b>35</b>   | <b>40</b>  | <b>75</b> | <b>46.7%</b> | <b>32</b>   | <b>40</b>  | <b>72</b> | <b>44.4%</b> |

Source: The Company.

| Cloud Solutions    | 31/12/2017G |            |          |             | 31/12/2018G |            |          |             | 31/03/2019G |            |            |              |
|--------------------|-------------|------------|----------|-------------|-------------|------------|----------|-------------|-------------|------------|------------|--------------|
|                    | Saudis      | Non-Saudis | Total    | Saudization | Saudis      | Non-Saudis | Total    | Saudization | Saudis      | Non-Saudis | Total      | Saudization  |
| Department         | -           | -          | 0        | 0.0%        | -           | -          | -        | 0.0%        | 1           | -          | 1          | 100%         |
| Support operations | -           | -          | 0        | 0.0%        | -           | -          | -        | 0.0%        | 126         | 149        | 275        | 45.8%        |
| <b>Total</b>       | <b>-</b>    | <b>-</b>   | <b>0</b> | <b>0.0%</b> | <b>-</b>    | <b>-</b>   | <b>-</b> | <b>0.0%</b> | <b>127</b>  | <b>149</b> | <b>276</b> | <b>46.0%</b> |

Source: The Company.

| Rawafed Al Seha International Company | 31/12/2017G |            |           |              | 31/12/2018G |            |           |              | 31/03/2019G |            |          |             |
|---------------------------------------|-------------|------------|-----------|--------------|-------------|------------|-----------|--------------|-------------|------------|----------|-------------|
|                                       | Saudis      | Non-Saudis | Total     | Saudization  | Saudis      | Non-Saudis | Total     | Saudization  | Saudis      | Non-Saudis | Total    | Saudization |
| Department                            | -           | 1          | 1         | 0.0%         | -           | 1          | 1         | 0.0%         | -           | -          | -        | 0.0%        |
| Support operations                    | 10          | 45         | 55        | 18.2%        | 16          | 40         | 56        | 28.6%        | -           | -          | -        | 0.0%        |
| <b>Total</b>                          | <b>10</b>   | <b>46</b>  | <b>56</b> | <b>17.9%</b> | <b>16</b>   | <b>41</b>  | <b>57</b> | <b>28.1%</b> | <b>-</b>    | <b>-</b>   | <b>-</b> | <b>0.0%</b> |

Source: The Company.



## 4.8.2 Medical Staff Qualifications

The Group believes that hiring medical staff with vast experience, in-depth knowledge in their field of specialization, and excellent reputation is essential for its success, mission and vision. Medical staff recruitment is managed directly by the Group. It involves a thorough screening and interview process with each candidate. The Group has adopted a policy of hiring doctors who have been certified by the Western Boards (**North America, United Kingdom, and Canada**) in addition to those certified by the Arab Boards and all other countries. As shown in the table below, the Group employed 2,085 physicians, of whom 869 physicians (42%) hold American, Canadian or British certification as of 31/03/2019G.

**Table (4-26): Number of Physicians by Qualification Country as of 31 March 2019G**

| Qualification Country    | No. of Health Practitioners <sup>(1)</sup> |
|--------------------------|--------------------------------------------|
| Kingdom of Saudi Arabia  | 359                                        |
| United Kingdom           | 279                                        |
| Canada                   | 209                                        |
| United States of America | 184                                        |
| Jordan                   | 172                                        |
| Sudan                    | 133                                        |
| Egypt                    | 119                                        |
| Pakistan                 | 116                                        |
| Arab fellowship          | 89                                         |
| Syria                    | 89                                         |
| India                    | 61                                         |
| Germany                  | 40                                         |
| France                   | 37                                         |
| Lebanon                  | 33                                         |
| Australia                | 19                                         |
| Spain                    | 18                                         |
| Greece                   | 14                                         |
| Ireland                  | 14                                         |
| Sweden                   | 11                                         |
| Other                    | 89                                         |
| <b>Total</b>             | <b>2,085</b>                               |

Source: The Company.

(1) The above numbers of employees include the employees of Ajaji Dental and Collaborating Physicians.

## 4.8.3 Saudisation Requirements

The Nitaqat program was approved under the Minister of Labor Resolution No. 4040 dated 12/10/1432H (corresponding to 10/09/2011G) based on Council of Ministers' Resolution No. 50 dated 21/05/1415H (corresponding to 27/10/1994G), which came into force as of 12/10/1432H (corresponding to 10/09/2011G). The Ministry of Labor has launched "Nitaqat" program to provide incentives to organizations to recruit Saudi nationals. Such program assesses the performance of any institution based on specific ranges, which are platinum, green (divided into three categories: low, medium and high green), yellow, and red. Enterprises that are classified within the Platinum and Green ranges are committed to Saudization requirements and receive certain privileges, such as enabling them to obtain and renew work visas for foreign employees or enabling them to change the profession of foreign employees (except professions exclusively intended for Saudi nationals). Enterprises classified within yellow or red ranges (depending on the extent of non-compliance) are not committed to Saudization requirements and subject to certain punitive measures, such as limiting their ability to renew work visas for foreign employees or being not fully enabled to obtain or renew work visas for foreign staff.



The following table includes the Group's classification under Nitaqat:

**Table (4-27): Saudization percentages in the Company and its Subsidiaries according to Nitaqat program in the Kingdom and the report of the Ministry of Labor as of 31 March 2019G<sup>(1)</sup>**

| #  | The Company                               | Activity type                                  | Saudization percentage | Range        |
|----|-------------------------------------------|------------------------------------------------|------------------------|--------------|
| 1  | Olaya Medical Company <sup>(2)</sup>      | -                                              | -                      | -            |
| 2  | Qassim Hospital                           | Medical Services                               | 34.41%                 | High green   |
| 3  | Rayan Hospital                            | Medical Services                               | 34.14%                 | High green   |
| 4  | Takhassusi Hospital                       | Medical Services                               | 35.75%                 | Platinum     |
| 5  | HHC                                       | Medical Services                               | 40.00%                 | Platinum     |
| 6  | MD Labs                                   | Medical Services                               | 49.18%                 | Platinum     |
| 7  | Suweidi Hospital                          | Medical Services                               | 35.74%                 | Platinum     |
| 8  | Khobar Hospital                           | -                                              | -                      | -            |
| 9  | Qurtoba Hospital <sup>(3)</sup>           | -                                              | -                      | -            |
| 10 | South West Jeddah Hospital <sup>(3)</sup> | -                                              | -                      | -            |
| 11 | North Jeddah Hospital <sup>(3)</sup>      | -                                              | -                      | -            |
| 12 | North Riyadh Hospital <sup>(3)</sup>      | -                                              | -                      | -            |
| 13 | Antab Al Riyadh                           | Maintenance and operation contract-<br>ing     | 12.95%                 | Low green    |
| 14 | Cloud Solutions                           | Information Technology                         | 57.50%                 | High green   |
| 15 | Rayan Maintenance                         | Maintenance and operation                      | 18.84%                 | Medium green |
| 16 | ICU Company <sup>(3)</sup>                | -                                              | -                      | -            |
| 17 | Afia Pharmacies                           | Establishment and management of<br>pharmacies  | 100%                   | Platinum     |
| 18 | MEP<br>MEP branch                         | Wholesale and retail trading (Phar-<br>macies) | 38.62%                 | Platinum     |
| 19 | HMG                                       | Medical Services                               | 33.57%                 | High green   |
| 20 | Maternity Hospital                        | Medical Services                               | 33.69%                 | High green   |
| 21 | Spinal Hospital                           | Medical Services                               | 30.74%                 | High green   |

Source: The Company.

(1) The Saudization percentages and number of employees stated above do not include employees of Associate Companies, Collaborating Physicians and Dubai Hospital.

(2) None of the employees are sponsored by this Company, since its facilities are operated by employees registered under the sponsorship of its branches (Spinal Hospital and Maternity Hospital).

(3) None of the employees are sponsored by these companies as of the date of this Prospectus, since they are future or new projects.

## 4.9 Future Projects

In addition to its current health facilities, the Group plans to set up the following three new health facilities in the Kingdom: (1) North Riyadh Hospital located on King Fahd Road, Al-Sahafa District, Riyadh; and (2) South West Jeddah Hospital located on Prince Majid Road, Al-Fayhaa District, and (3) North Jeddah Hospital located on Prince Sultan Street, Mohammedia District.

The Group is also considering the establishment of one of the largest private health complexes in the Kingdom in Qurtoba District in Riyadh, where it established Al Wosta Medical Limited Company ("**Qurtoba Hospital**") in partnership with Jarir for Commercial Investment Company for business investments and purchased land with an area of 129,143.30 m<sup>2</sup>. However, no decision was made with regard to the commencement of this project as of the date of this Prospectus. Accordingly, Qurtoba Hospital is not included in the Company's future projects.

All below information is approximate based on the Company's prospects and plans for each project. It is possible for the Group to amend any project plans, building area, estimated cost of construction, and project construction start/completion dates. It is also possible to reconsider the feasibility of any of such projects under economic, regulatory and competitive conditions.

**Table (4-28): Overview of the Group's Future Projects**

| Item                                                        | South West Jeddah Hospital                                                                                                                                       | North Riyadh Hospital                                                                                                                                            | North Jeddah Hospital                                                                                                                                            |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Incorporation date                                          | 16/02/2017G                                                                                                                                                      | 12/03/2018G                                                                                                                                                      | 05/04/2018G                                                                                                                                                      |
| Company's project ownership (%)                             | 50%                                                                                                                                                              | 100%                                                                                                                                                             | 100%                                                                                                                                                             |
| Project land ownership                                      | 100% owned by Gharb Jeddah Hospital Company (50% owned by the Group)                                                                                             | 100% owned by the Group                                                                                                                                          | 100% owned by the Group                                                                                                                                          |
| Capacity                                                    | 330 beds and 245 clinics                                                                                                                                         | 500 beds and 300 clinics                                                                                                                                         | 350 beds and 270 clinics                                                                                                                                         |
| Project land area                                           | 30,250 m <sup>2</sup>                                                                                                                                            | 43,601 m <sup>2</sup>                                                                                                                                            | 24,128 m <sup>2</sup>                                                                                                                                            |
| Built-up area                                               | 211,679 m <sup>2</sup>                                                                                                                                           | 353,371 m <sup>2</sup>                                                                                                                                           | 233,970 m <sup>2</sup>                                                                                                                                           |
| Project Cost                                                | SAR 1.6 billion <sup>(1)</sup>                                                                                                                                   | SAR 2.8 billion <sup>(1)</sup>                                                                                                                                   | SAR 1.7 billion <sup>(1)</sup>                                                                                                                                   |
| Project construction start                                  | 2019G                                                                                                                                                            | 2019G                                                                                                                                                            | 2021G                                                                                                                                                            |
| Project operation start                                     | 2023G                                                                                                                                                            | 2023G                                                                                                                                                            | 2024G                                                                                                                                                            |
| Licenses issued                                             | <ul style="list-style-type: none"> <li>Construction license by Jeddah Municipality</li> <li>MOH Initial approval on project designs and plans</li> </ul>         | <ul style="list-style-type: none"> <li>Construction license by Riyadh Municipality</li> <li>MOH Initial approval on project designs and plans</li> </ul>         | -                                                                                                                                                                |
| Are there transactions with Related Parties of contractors? | No contract has been concluded with any related contractors to date                                                                                              | Yes, the Extraordinary General Assembly approved the structure construction contract of SAR 348.9 million with Masah Contracting Company (a Related Party).      | No contract has been concluded with any related contractors to date                                                                                              |
| Project Financing                                           | The Group intends to finance the project through a Ministry of Finance loan and Sharia-compliant loans from local banks, and its internally generated cash flows | The Group intends to finance the project through a Ministry of Finance loan and Sharia-compliant loans from local banks, and its internally generated cash flows | The Group intends to finance the project through a Ministry of Finance loan and Sharia-compliant loans from local banks, and its internally generated cash flows |

Source: The Company.

(1) The Company is reviewing the cost of this project, taking into account changes to the design, the criteria used, and the operational phases.

The following is a brief overview of the future projects:

#### 4.9.1 South West Jeddah Hospital

Gharb Jeddah Hospital Company ("**South West Jeddah Hospital**") was established in 2017G as a limited liability company under Commercial Registration No. 4030538330 dated 19/05/1438H. The Company has a share capital of SAR 500,000. The Group owns 50% of that share capital, while Al Andalus Real Estate Company owns the remaining portion. (It should be noted that Al Andalus Real Estate Company is a Related Party to the Chairman Sulaiman Abdulaziz Sulaiman Al-Habib and the Director Saleh Mohammed Abdulaziz Al-Habib). The project will be built on a land wholly owned by the Gharb Jeddah Hospital Company, in which 50% is owned by the Group. All operational and administrative operations of the hospital relate to the Company, and the Shareholder role is restricted to only capital investment through funding its share in the project. Accordingly, the Group will control South West Jeddah Hospital operations and consolidate the financial statements. The land of the project was

transferred to South West Jeddah Hospital by Al Andalus Real Estate Company for ninety-one million, four hundred thousand Saudi Riyals (SAR 91.4 million). The Group will pay the value of its share in South West Jeddah Hospital equivalent to the land value through the development of the project until payment of its full share is made. Then, both parties shall pay future capital expenditures for the establishment of South West Jeddah Hospital on a fifty-fifty basis. The Group intends to finance its share in the project through a Ministry of Finance loan and Sharia-compliant loans from local banks, and its internally generated cash flows.

South West Jeddah Hospital is located on King Abdulaziz Square at the junction of King Abdullah Road with Prince Majed Road in Jeddah in the Western Province in KSA. The hospital will be built on an area of 30,250 m<sup>2</sup> and an estimated total built-up area of 211,679 m<sup>2</sup>. The Group aims to make South West Jeddah Hospital an integrated hospital to provide healthcare services through 245 clinics and 330 beds. The Group plans to complete the project and commence operations in 2023G. The Group has obtained a construction license from Jeddah Municipality and the MOH initial approval on project designs and plans. It is worth noting that the Company awarded the structure construction contract of SAR 194.0 million to United Standards Co.

#### 4.9.2 North Riyadh Hospital

Shamal Al Riyadh for Healthcare Company (“**North Riyadh Hospital**”) was established in 2018G as a limited liability company under Commercial Registration No. 1010946027 dated 24/06/1439H. The company has a share capital of SAR 500,000. North Riyadh Hospital will be built on an area of 43,601 m<sup>2</sup> owned by the Group and an estimated total built-up area of 353,371 m<sup>2</sup>. The Group aims to make North Riyadh Hospital an integrated hospital to provide healthcare services through 300 clinics and 500 beds. As of this Prospectus, the Group has applied for a construction license by the Riyadh Municipality. The project is still at the engineering design phase. Therefore, the Group has not completed the final engineering and operational project studies. The project will include the construction of a tower for the Group’s Head Office.

As of the date of publishing this Prospectus, the Group has obtained a building permit from Riyadh Municipality and an initial approval on the project designs and plans from the Ministry of Health. The project will include building of a tower for the Group’s headquarters. It is worth noting that the Company awarded the structure construction contract of SAR 348.9 million to Masah Contracting Company (a Related Party). The Extraordinary General Assembly approved this contract (please refer to section 12.12 “**Material Contracts with Related Parties**” for further details).

The Group intends to finance its share in the project through a Ministry of Finance loan and Sharia-compliant loans from local banks, and its internally generated cash flows. The Group intends to complete the project and commence operations in 2023G.

#### 4.9.3 North Jeddah Hospital

Al Muhammadiya Hospital for Healthcare Company (“**North Jeddah Hospital**”) was established in 2018G as a limited liability company under Commercial Registration No. 4030794660 dated 19/07/1439H. The company has a share capital of SAR 500,000. North Jeddah Hospital will be built on an area of 24,128 m<sup>2</sup> owned by the Group with an estimated total built-up area of 233,970 m<sup>2</sup>. The Group aims to make North Jeddah Hospital an integrated hospital to provide healthcare services through 270 clinics and 350 beds. The project is still at the engineering design phase. Therefore, the Group has not completed the final engineering and operational project studies.

The Group intends to finance its share in the project through a Ministry of Finance loan and Sharia-compliant loans from local banks, and its internally generated cash flows. The Group intends to complete the project and commence operations in 2024G.

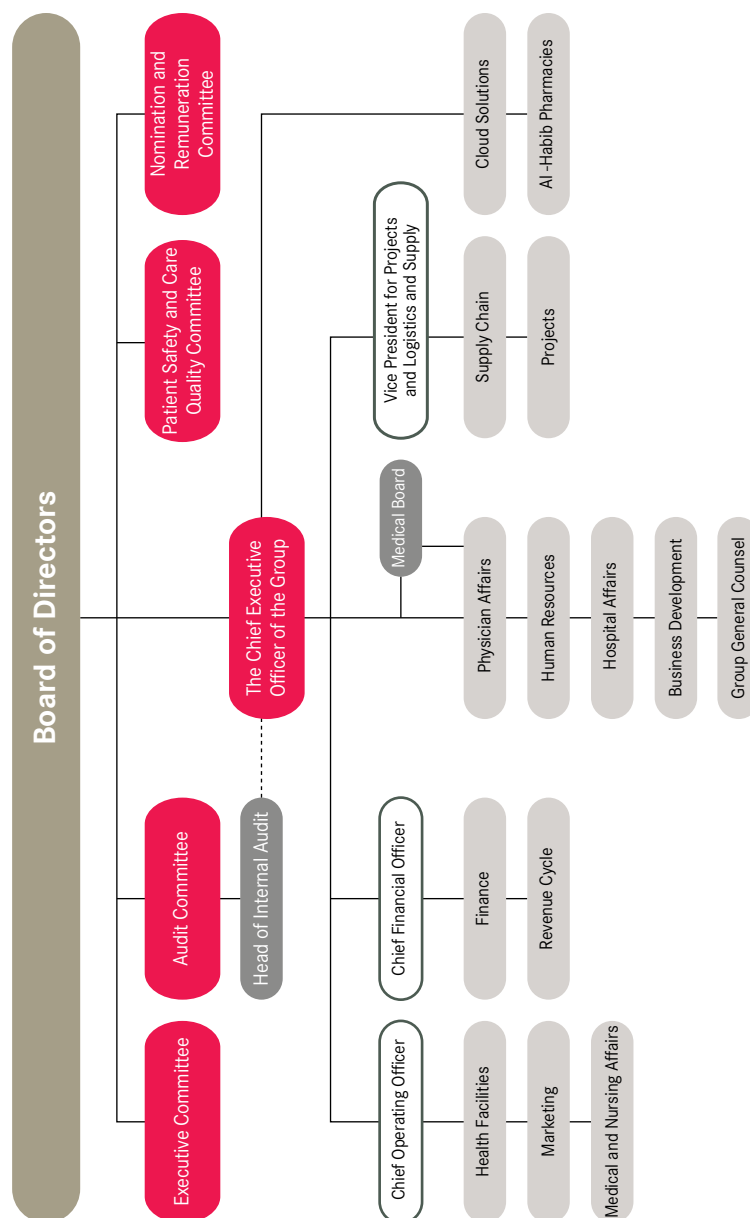
## 5- The Company's Organizational Structure and Governance

### 5.1 Organizational Structure

The organizational structure of the Company consists of the Board of Directors (“**Board of Directors**” or “**Board**”) and the Board committees, namely the Executive Committee, Audit Committee, Nomination and Remuneration Committee, and Patient Safety and Quality of Care Committee. The Board assumes final responsibility for guidance, general supervision and general control over the Company and the Senior Management.

The following chart sets out the organizational structure of the Company.

**Figure 5-1: The Company's Organizational Structure**



Source: The Company.



The following table shows the Company's direct and indirect ownership structure before and after the Offering:

**Table (5-1): Company's Shareholding Structure Before and After the Offering**

| Shareholders                                                        | Pre-Offering       |                     |                      |                        | Post-Offering      |                     |                      |                        |
|---------------------------------------------------------------------|--------------------|---------------------|----------------------|------------------------|--------------------|---------------------|----------------------|------------------------|
|                                                                     | No. of Shares      | Nominal Value (SAR) | Direct Ownership (%) | Indirect Ownership (%) | No. of Shares      | Nominal Value (SAR) | Direct Ownership (%) | Indirect Ownership (%) |
| Sulaiman Abdulaziz Sulaiman Al-Habib <sup>(1)</sup>                 | 157,488,333        | 10                  | 45.00%               | 3.67%(2)               | 140,105,000        | 10                  | 40.03%               | 3.67%(2)               |
| Thabat Business Company Ltd.                                        | 12,845,000         | 10                  | 3.67%                | -                      | 12,845,000         | 10                  | 3.67%                | -                      |
| Mohammed Abdulaziz Al-Habib and Sons Holding Company <sup>(1)</sup> | 152,903,333        | 10                  | 43.69%               | 4.98%(3)               | 118,136,666        | 10                  | 33.75%               | 4.98%(3)               |
| Jawharat Al Bahr Investment Company                                 | 17,430,000         | 10                  | 4.98%                | -                      | 17,430,000         | 10                  | 4.98%                | -                      |
| Hesham Sulaiman Abdulaziz Al-Habib                                  | 7,000,000          | 10                  | 2.00%                | -                      | 7,000,000          | 10                  | 2.00%                | -                      |
| Mohammed Sulaiman Abdulaziz Al-Habib <sup>(1)</sup>                 | 2,333,334          | 10                  | 0.67%                | -                      | 1,983,334          | 10                  | 0.57%                | -                      |
| Public                                                              | -                  | -                   | -                    | -                      | 52,500,000         | 10                  | 15.00%               | -                      |
| <b>Total</b>                                                        | <b>350,000,000</b> | <b>10</b>           | <b>100%</b>          | <b>-</b>               | <b>350,000,000</b> | <b>10</b>           | <b>100%</b>          | <b>-</b>               |

Source: The Company.

(1) Selling Shareholder.

(2) Sulaiman Abdulaziz Sulaiman Al-Habib indirectly owns 12,845,000 shares (3.67%) of the Company's shares before and after the Offering through Thabat Business Company Ltd. (which directly owns 12,845,000 shares (3.67%) of Issuer's shares). Sulaiman Abdulaziz Sulaiman Al-Habib directly and indirectly owns 100% of the shares of Thabat Business Company Ltd. (1% owned by Sulaiman Abdulaziz Sulaiman Al-Habib and 99% owned by Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company, 100% of which is directly owned by Sulaiman Abdulaziz Sulaiman Al-Habib).

(3) Mohammed Abdulaziz Al-Habib and Sons Holding Company directly owns 100% of Jawharat Al Bahr Investment Company shares, which directly owns 17,430,000 shares of the Issuer's shares. Thus, the indirect ownership of Mohammed Abdulaziz Al-Habib and Sons Holding Company is 17,430,000 shares (4.98%) before and after the Offering.

## 5.2 Directors and Board Secretary

### 5.2.1 Formation of the Board of Directors

The Board of Directors consists of nine (9) members appointed by the Ordinary General Assembly by means of cumulative voting. The Companies Law, the Corporate Governance Regulations, the Company's Bylaws and internal corporate governance manuals define the functions and responsibilities of the Board of Directors. The term of Directors, including the Board Chairman, shall be a maximum of three (3) years for each session. Unless otherwise provided for in the Company's Bylaws, Board Directors may be reappointed. The Board of Directors is comprised of six (6) non-executive directors, three (3) executive directors, three (3) independent directors, and six (6) dependent directors.

The following table shows the Board of Directors as of the date of the publication of this Prospectus:

**Table (5-2): Company's Board of Directors**

| Name <sup>(1)</sup>                                 | Position      | Nationality | Status                      | Direct ownership (%) |               | Indirect ownership (%) |               | Date of appointment |
|-----------------------------------------------------|---------------|-------------|-----------------------------|----------------------|---------------|------------------------|---------------|---------------------|
|                                                     |               |             |                             | Pre-Offering         | Post-Offering | Pre-Offering           | Post-Offering |                     |
| Sulaiman Abdulaziz Sulaiman Al-Habib <sup>(2)</sup> | Chairman      | Saudi       | Non-executive / Dependent   | 45.00%               | 40.03%        | 3.67%                  | 3.67%         | 10/12/2018G         |
| Mazen Abdulrazzaq Sulaiman Al-Rumaih                | Vice Chairman | Saudi       | Non-executive / Independent | -                    | -             | -                      | -             | 10/12/2018G         |
| Saleh Mohammed Abdulaziz Al-Habib <sup>(3)</sup>    | Member        | Saudi       | Non-executive / Dependent   | -                    | -             | 0.48%                  | 0.38%         | 10/12/2018G         |
| Hesham Sulaiman Abdulaziz Al-Habib                  | Member        | Saudi       | Executive / Dependent       | 2.00%                | 2.00%         | -                      | -             | 10/12/2018G         |
| Samer Saeed Mohamed Jundi <sup>(4)</sup>            | Member        | Jordanian   | Non-executive / Dependent   | -                    | -             | -                      | -             | 20/06/2019G         |
| Nasser Mohammed Abdulaziz Al Huqbani                | Member        | Saudi       | Executive / Dependent       | -                    | -             | -                      | -             | 10/12/2018G         |
| Ubaid Abdullah Ubaid Al-Rasheed                     | Member        | Saudi       | Non-executive / Independent | -                    | -             | -                      | -             | 10/12/2018G         |
| Ziad Fouad Fahd Al Saleh                            | Member        | Saudi       | Non-executive / Independent | -                    | -             | -                      | -             | 10/12/2018G         |
| Faisal Abdullah Ali Al-Nassar                       | Member        | Saudi       | Executive / Dependent       | -                    | -             | -                      | -             | 10/12/2018G         |

Source: The Company.

- (1) The current Board Secretary is Saud Abdulaziz Al Arifi, who was appointed as Board Secretary on 07/04/1440H (corresponding to 16/12/2018G) and who does not own any shares in the Company.
- (2) Sulaiman Abdulaziz Sulaiman Al-Habib indirectly owns 12,845,000 shares (3.67%) of the Issuer's shares before and after the Offering through Thabat Business Company Ltd. (which directly owns 12,845,000 shares (3.67%) of Issuer's shares). Sulaiman Abdulaziz Sulaiman Al-Habib directly and indirectly owns 100% of the shares of Thabat Business Company Ltd. (1% owned by Sulaiman Abdulaziz Sulaiman Al-Habib and 99% owned by Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company, 100% of which is directly owned by Sulaiman Abdulaziz Sulaiman Al-Habib).
- (3) Saleh Mohammed Abdulaziz Al-Habib indirectly owns 1,692,131 shares (0.48%) and 1,346,751 shares (0.38%) of the Issuer's shares before and after the Offering, respectively. Saleh Mohammed Abdulaziz Al-Habib owns 0.993% of Mohammed Abdulaziz Al-Habib and Sons Holding Company, which owns directly 152,903,333 shares and indirectly (through 100% ownership of Jawharat Al Bahr Investment Company) 17,430,000 shares of the Issuer's shares.
- (4) The Board of Directors approved his appointment as of 20/06/2019G. The Ordinary General Assembly voted on and approved this appointment in accordance with the Company's Bylaws and the Companies Law.

## 5.2.2 Responsibilities of the Board of Directors

The Company is supervised by a Board of Directors composed of highly competent and experienced individuals in several areas related to the Group's business, as well as having financial, and business expertise. Save for the powers reserved to the General Assembly in the Companies Law and its implementing regulations, the Company's Bylaws and the requirements of the Corporate Governance Regulations issued by the CMA, and without prejudice to any laws or regulations applicable to the Company, the Board of Directors shall have the fullest powers in managing the Company and guiding its activities to achieve its purposes. The responsibilities and powers of the Board of Directors shall include the following:

- Developing the plans, policies, strategies and main objectives of the Company, supervising implementation thereof, periodic review of such plans, and ensuring the availability of human and financial resources necessary to achieve them, including:





- Developing, reviewing, and guiding the Company's comprehensive strategy, main work plans, and risk management policies and procedures.
- Setting the Company's optimal capital structure along with its strategy, and financial objectives, and approving budgets of different kinds.
- Supervising the main capital expenses of the Company and acquisition/disposal of assets.
- Deciding the performance objectives to be achieved and supervising the implementation thereof and the overall performance of the Company.
- Reviewing and approving the organizational and functional structures of the Company on a periodical basis.
- Ensuring the availability of human and financial resources necessary to achieve the Company's objectives and main plans.
- Developing and supervising internal control rules and systems; this includes:
  - Developing a written policy to remedy actual or potential conflicts of interests involving Directors and the Senior Management members, as well as the Shareholders, including misuse of the Company's assets and facilities and misconduct resulting from transactions with Related Parties.
  - Ensuring the integrity of the finance and accounting systems, including systems related to the preparation of the financial reports.
  - Ensuring the implementation of control systems appropriate for risk measurement and management by forecasting the risks that the Company could encounter, enhancing the environment of risk management culture across the Company, and disclosing them with transparency to stakeholders and Related Parties.
  - Annually reviewing the effectiveness of internal control procedures in the Company.
- Developing clear and specific policies, standards, and procedures for Board membership - without prejudice to the mandatory provisions of Corporate Governance Regulations issued by CMA - and implementing them after the General Assembly's approval.
- Developing a written policy that regulates the relationship with stakeholders under the requirements of the Corporate Governance Regulations issued by CMA.
- Drawing up policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to Shareholders and stakeholders, and ensuring the Senior Management's compliance with the same.
- Supervising the management of the Company's financial affairs, cash flows, and financial and credit relations with third parties.
- Providing its proposals to the Extraordinary General Assembly with respect to:
  - Increasing or decreasing the Company's share capital.
  - Dissolving the Company before the term set out in its bylaws or its continuance report.
- Providing proposals of the Board to the Ordinary General Assembly with respect to:
  - Using the Company's contractual reserve if created by the Extraordinary General Assembly and not designate it for a specific purpose.
  - Creating additional financial reserves or provisions for the Company.
  - Developing the Company's dividend distribution policy and method.
- Preparing the Company's pro-forma and annual financial statements and approving them before publication.
- Preparing the Board of Directors' report and approving it before publication.
- Ensuring that the data and information needed to be disclosed are accurate and integrated. This shall be done in accordance with the applicable policies and procedures of disclosure and transparency.
- Establishing effective communication channels to enable Shareholders continuously and periodically to have access to the Company's different activities and any material developments.
- Forming its ad-hoc committees by virtue of resolutions in which the Board determines the term, authorities, and responsibilities of such committees and how to monitor them, provided that the formation resolution shall include the designation of the members and the determination of their



functions, rights and duties along with assessing performance and work of such committees and their members.

- Determining types of compensation given to the Company's employees, such as fixed compensation, and compensation related to performance, as well as compensation in the form of shares without prejudice to the regulatory controls and procedures issued pursuant to the Company's Bylaws pertaining to listed joint-stock companies.
- Developing principles and standards that govern the work of the Company.
- Supervising the management of the Group's business and internal affairs.
- Ensuring the survival of the Group by appointing CEO and his successor, applying internal and organizational terms, and ensuring an effective Board of Directors at all times.

### 5.2.3 Chairman of the Board

Without prejudice to the responsibilities of the Board of Directors, the Board Chairman shall lead the Board and oversee the progress of its work and effective performance of its functions. The functions and responsibilities of the Chairman particularly include:

- Ensuring Directors' timely access to full, clear, correct and non-misleading information.
- Ensuring that the Board discusses all the main issues in an efficient and timely manner.
- Representing the Company before other parties, as provided for in the Companies Law, its Implementing Regulations, and the Company's Bylaws.
- Encouraging the Directors to perform their functions effectively and to achieve the Company's interest;
- Creating effective communication channels with Shareholders and making their opinions heard to the Board.
- Promoting constructive relationships and effective engagement of the Board of Directors and Senior Management with independent and non-executive directors.
- Preparing an agenda for Board meetings, taking into account any matter raised by a Director or Auditor, and holding consultations with the Directors and the CEO upon preparing the agenda of Board of Directors.
- Notifying the General Assembly, when convened, of the activities and contracts with respect to which a Director may have a personal direct or indirect interest, provided that such notice shall include the information reported by the Director to the Board in accordance with the Corporate Governance Regulations, and attaching to such notification a special report prepared by the Company's External Auditor.

### 5.2.4 Board Secretary

The Board Secretary shall assume the following responsibilities:

- Ensuring smooth management of the Board activities.
- Serving as a focal point and source of information and providing advice and guidance to Directors on the Group's activities to support decision-making.
- Continue close review and cooperation with the legal division on legislative or regulatory changes or developments that may affect the operations of the Group or the activities of the Board of Directors, and ensuring that the Board is fully informed thereof and takes them into account in decision-making.
- Maintaining the Board of Directors' regulations and guiding the Board activities to be implemented in accordance with the Regulations. This includes:
  - Providing advice to the Board of Directors on amendments to the Regulations as may be required.
  - Arranging and following up the annual declarations of the Board of Directors.
- Preparing letters of correspondence and communications in coordination with the Chairman as may be required and sending them to the Board of Directors, the Board Committees and the Related Parties. This includes communications and correspondence necessary to schedule or convene meetings of the Board of Directors.
- Preparing documents and reports to be sent to the Board of Directors when the Board meetings are to be held.



- Assisting the Chairman in developing and preparing the agendas of the Board meetings and circulating them to the Directors prior to the meeting date.
- Attending the Board meetings with a view to preparing and circulating meeting minutes to all Directors.
- Documenting and monitoring decisions and issues raised at meetings of the Board of Directors by recording them in the meeting minutes.
- Making arrangements with parties invited by the Board to attend its meetings. This includes consultants, legal advisers, auditors or any other party.
- Notifying the parties concerned of the Board decisions.
- Coordinating with relevant departments in relation to the Board decisions requiring legal compliance and legal actions.
- Providing assistance in the preparation of the Board annual report and coordination in this regard with the parties concerned, particularly the Chairman, Directors, CEO, legal division and Finance and Accounting Department.

### 5.2.5 Service Contracts with Directors

The Company has not entered into any service or employment contracts with the Directors, except for its Executive Directors.

### 5.2.6 Resumes of Board Members and Board Secretary

The following are a summary of the resumes of the current Board Members and Board Secretary and a statement of their qualifications and current and previous positions:

**Table (5-3): Summary of the Resume of Sulaiman Abdulaziz Sulaiman Al-Habib - Chairman of the Board**

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                                        | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Age</b>                                                | 68 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Position</b>                                           | Group Founder and Chairman of the Board                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Date of appointment to the Board (current session)</b> | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Academic and Professional Qualifications</b>           | <ul style="list-style-type: none"> <li>• Fellowship in Pediatrics from the Royal College of Physicians in 1984G.</li> <li>• Bachelor's degree in Medicine and Surgery from Faculty of Medicine, King Saud University, Riyadh, 1977G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Other Current and Previous Positions</b>               | <ul style="list-style-type: none"> <li>• Chairman of the Board of Managers at Dr. Sulaiman Al-Habib Commercial Investment Company, a limited liability company operating in the field of commercial and real estate investment, from 2007G to date.</li> <li>• Chairman of the Board of Managers at the National Pharmacies Inc. "Whites," a limited liability company operating in the field of ownership, management and operation of pharmacies, from 2007G to date.</li> <li>• Member of the Board of Managers of Mohammad A. Al-Habib &amp; Partner Co. For Real Estate Investment, a limited liability company operating in the field of managing, developing and operating properties, shopping centers, commercial real estates and real estate investment, from 2006G to date.</li> <li>• Head of the Medical Committee of Riyadh Chamber of Commerce, a non-profit organization operating under the umbrella of the Ministry of Commerce and Investment and having the representation of the commercial and industrial interests of the public authorities as part of its terms of reference, and working to protect and develop the same, from 2004G to 2008G.</li> <li>• Head of the Department of Pediatrics at the Security Forces Hospital in Riyadh, a governmental entity operating in the field of healthcare services from 1988G to 1991G.</li> <li>• Part-time consultant at MOH, a governmental entity operating in the field of public health for citizens and drawing up a plan for health policy in the Kingdom of Saudi Arabia, from 1985G to 1989G.</li> <li>• Chief Medical Officer, King Khalid University Hospital, Riyadh, a governmental entity operating in the field of healthcare services, from 1986G to 1988G.</li> </ul> |

Source: The Company.

**Table (5-4): Summary of the Resume of Mazen Abdul Razzaq Sulaiman Al-Rumaih – Vice-Chairman of the Board**

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                                        | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Age</b>                                                | 50 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Position</b>                                           | Vice Chairman of the Board                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Date of appointment to the Board (current session)</b> | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Academic and Professional Qualifications</b>           | Bachelor's degree in Accounting and Financial Management from the University of Buckingham, UK, in 1994G.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Other Current and Previous Positions</b>               | <ul style="list-style-type: none"> <li>Chairman of the Board of Directors and Chairman of the Executive Committee of Banque Saudi Fransi, a public joint stock company operating in the financial services for companies, including investment services, investment banking consultancy, and investment banking and Islamic finance, from 2019G to date.</li> <li>Chairman of the Board of Saudi Fransi Capital, a closed joint stock company operating in the field of financial service activities, including investment banking, asset management, research, advisory services, financial institutions and brokerage services, from 2016G to date.</li> <li>A shareholder in Sada Investment Company, a limited liability company operating in the field of real estate development and investment, managing its Subsidiaries or participating in the management of other joint stock companies, from 2014G to date.</li> <li>Board Member of Al Yamamah Steel Company, a public joint stock company operating in the field of manufacturing metal products for construction, electricity and telecommunications services, from 2014G to 2015G.</li> <li>Board Member of the Capital Market Authority (CMA), a governmental entity, which oversees the organization and development of the financial market and issues the regulations, rules and instructions necessary to implement the provisions of the Capital Market Law, from 2009G to 2014G.</li> <li>Chief Executive Officer (CEO) of Samba Capital &amp; Investment Management Company, a closed joint stock company operating in the field of investment services, asset management, arrangement and reserve, from 2008G to 2009G.</li> <li>General Manager of Corporate Finance Department at the Capital Market Authority (CMA), a governmental entity, which oversees the organization and development of the financial market and issues regulations, rules and instructions necessary to implement the provisions of the Capital Market Law from 2004G to 2007G.</li> </ul> |

Source: The Company.

**Table (5-5): Summary of the Resume of Saleh Mohammed Abdulaziz Al-Habib – Board Member**

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                                        | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Age</b>                                                | 40 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Position</b>                                           | Board Member                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Date of appointment to the Board (current session)</b> | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Academic and Professional Qualifications</b>           | Bachelor's degree in Architecture, King Saud University, Riyadh, 2000G.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Other Current and Previous Positions</b>               | <ul style="list-style-type: none"> <li>General Manager of Jawhara Investment and Real Estate Development Company, a limited liability company operating in the field of the real estate development and investment, from 2018G to date.</li> <li>General Manager of Jawaher Al Gharbia Real Estate Development and Investment Company, a limited liability company operating in the field of real estate development, management and lease, from 2018G to date.</li> <li>Board Member and Chairman of the Executive Committee of Andalus Property, a public joint stock company operating in the field of the establishment, ownership and management of commercial centers and residential complexes, from 2018G to date.</li> </ul> |



Other Current and Previous Positions (Continued)

- Board Member of Al-Hayat Real Estate, a closed joint stock company, working in the field of purchasing, owning, renting and operating real estates, from 2018G to date.
- A shareholder in Althuluth Almutahidah Investment Company, a limited liability company operating in the field of online sale of food, beverages and trade, from 2018G to date.
- Member of the Board of Managers of Almasa Al Khadraa Real Estate Development and Investment Company, a limited liability company operating in the field of purchasing, selling and renting real estates, from 2018G to date.
- Member of the Board of Managers of Manafaa Al Andalus Company, a limited liability company operating in the field of establishing, owning and managing the commercial centers and residential complexes, from 2017G to date.
- Chairman of the Board of Managers of Awal Energy Solutions Company, a limited liability company operating in the field of maintenance and operation of buildings, from 2017G to date.
- Member of the Board of Managers of Jawharat Al Bahr Investment Company, a limited liability company operating in the field of purchasing, selling and renting real estates, from 2017G to date.
- Chairman of the Board of Managers of Qawaed Modern Technology for Information Technology Company, a limited liability company operating in the field of installing and extending computer networks, telecommunications and e-commerce, from 2017G to date.
- Chairman of the Board of Managers of Ebdaa Taiba Real Estate Development Company, a limited liability company operating in the field of real estate and renting activities, from 2017G to date.
- Member of the Board of Managers of South West Jeddah Hospital, a limited liability company operating in the field of establishing, managing and operating hospitals, medical centers, clinics, laboratories, radiology, dental clinics and pharmacies, from 2017G to date.
- Chairman of the Board of Managers of Asala Elmarkz Company, a limited liability company operating in the field of selling, purchasing and renting real estate, from 2016G to date.
- Chairman of the Board of Managers of Araqa Elmarkz Company, a limited liability company operating in the field of selling, purchasing and renting real estate, from 2016G to date.
- General Manager of Al-Nakheel Housing Company, a limited liability company operating in the field of managing and renting real estate, from 2015G to date.
- General Manager of Maalem Investment Holding Company, a limited liability company operating in the field of purchasing, owning and developing real estate and land, and investing in companies, from 2014G to date.
- Member of the Board of Managers of Sorouh Almarakiz Company, a limited liability company operating in the field of establishing the commercial and industrial projects and operating the commercial centers and investing in land, real estate, management and maintenance services, from 2014G to date.
- Board Member of Mohammed Abdulaziz Al-Habib and Sons Holding Company, a closed joint stock company, working in the field of managing, developing and operating real estate, shopping centers, commercial real estate and real estate investment, from 2013G to date and Managing Director from 2013G to date.



|                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Other Current and Previous Positions (Continued) | <ul style="list-style-type: none"> <li>• Board Member of Hamat Holding Co., a closed joint stock company, working in the field of managing, developing and operating real estate, shopping centers, commercial real estate and real estate investment from 2013G to date, and Managing Director from 2011G to date.</li> <li>• Member of the Board of Managers of Hamat Property Co., a limited liability company, providing services in the management, operation and leasing of commercial centers, and other real estate services such as real estate appraisal services and advisory services, from 2009G to date, and the Managing Director, from 2010G to date.</li> <li>• Member of the Board of Managers of Advanced Markets Company, a limited liability company operating in the field of general contracting for buildings, maintenance, electrical and mechanical works, commercial services and investment in land, from 2009G to date.</li> <li>• Member of the Board of Directors and Managing Director of Global Healthcare Co., a limited liability company operating in the field of wholesale and retail in medical supplies, establishment, management and operation of pharmacies, from 2007G to date.</li> <li>• Member of the Board of Managers and Chief Executive Officer of Mohammad A. Al-Habib &amp; Partner Co. for Real Estate Investment, a limited liability company operating in the field of managing, developing and operating properties, shopping centers, commercial real estates and real estate investment, from 2006G to date.</li> <li>• Member of the Board of Managers of Burooj International Co. Ltd., a limited liability company operating in the field of establishing, owning and managing shopping centers, from 2005G to date.</li> <li>• Member of the Board of Managers of Qawaem for Real Estate Development Company, a limited liability company operating in the field of purchasing and owning properties, and establishing and operating buildings, from 2004G to date.</li> </ul> |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: The Company.

**Table (5-6): Summary of the Resume of Hesham Sulaiman Abdulaziz Al-Habib – Board Member**

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                                        | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Age                                                | 32 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Position                                           | Board Member<br>Vice President of Business Development                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Date of appointment to the Board (current session) | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Academic and Professional Qualifications           | Bachelor's degree in Financial Management from American University of Sharjah, United Arab Emirates, 2009G.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Other Current and Previous Positions               | <ul style="list-style-type: none"> <li>• Board Member and Member of Audit Committee of Kingdom Holding Company, a public joint stock company operating in the field of all types of general commerce, educational, medical and contracting services, hotel services and foreign investments, from 2018G to date.</li> <li>• Member of the Board of Managers of Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company, a limited liability company, in the field of commercial and real estate investment, from 2014G to date.</li> <li>• Member of the Board of Managers of Saudi Serco Services Company, a limited liability company working in the field of maintaining, cleaning, operating, and restoring buildings, providing maintenance works for hospitals, medical centers and governmental utilities, and providing supporting services, air conditioning and cooling works, mechanical and electrical works, from 2014G to date.</li> <li>• Board Member of Hamat Holding Co., a closed joint stock company, working in the field of managing, developing and operating real estates, shopping centers, commercial real estates and real estate investment, from 2012G to date.</li> <li>• Business Development Manager of Dr. Sulaiman Al-Habib Medical Services Group, a closed joint stock company operating in the field of establishing, managing and operating hospitals, medical centers, clinics, laboratories, analysis, radiology, dental clinics and pharmacies, from 2009G to 2014G.</li> </ul> |

Source: The Company.



**Table (5-7): Summary of the Resume of Samer Saeed Mohammed Jundi – Board Member**

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                              | Jordanian                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Age</b>                                      | 40 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Position</b>                                 | Board Member                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Date of appointment at the Board</b>         | 20/06/2019G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Academic and Professional Qualifications</b> | <ul style="list-style-type: none"> <li>• Bachelor's degree in accounting from the University of Jordan, Amman, Kingdom of Jordan, 1999G.</li> <li>• Certified Professional Accountant (CPA) in 2000G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Other Current and Previous Positions</b>     | <ul style="list-style-type: none"> <li>• Chief Executive Officer of Mohammed Abdulaziz Al-Habib and Sons Holding Company, a closed joint stock company operating in the field of real estate, healthcare, transportation, medicines and education, from 2019G to date.</li> <li>• Member of Audit Committee of Al-Hayat Real Estate, a closed joint stock company, working in the field of purchasing, owning, renting and operating real estate, from 2017G to date.</li> <li>• Member of Audit Committee of Global Healthcare Co., a limited liability company operating in the field of wholesale and retail in medical supplies and the establishment, management and operation of pharmacies, from 2015G to date.</li> <li>• Member of Audit Committee of Hamat Holding Co., a closed joint stock company, providing services in field of managing, operating and leasing commercial centers, and other real estate services such as real estate appraisal and advisory services, from 2013G to date.</li> <li>• CFO of Mohammed Abdulaziz Al-Habib and Sons Holding Company, a closed joint stock company operating in the field real properties, healthcare, transportation, medicines and education, from 2013G to 2019G.</li> <li>• Internal Audit Director and Investment Director of Mohammed Abdulaziz Al-Habib and Sons Holding Company, a closed joint stock company operating in the field of real properties, healthcare, transportation, medicines and education, from 2009G to 2012G.</li> <li>• Operation Director of Dr. Sulaiman Al-Habib Medical Services Group – Qassim Hospital, a closed joint stock company, working in the field of establishing, managing and operating hospitals, medical centers, clinics, laboratories, radiology, dental clinics and pharmacies, from 2010G to 2012G.</li> <li>• CFO of Abdul Ghani Al-Ajou &amp; Sons Holding Group, a closed joint stock company operating in the field of distributing computers, office supplies, furniture and medical equipment, from 2012G to 2013G.</li> <li>• CFO of Saudi Printing and Packaging Company, a public joint stock company operating in the field of printing and packaging, from 2008G to 2009G.</li> <li>• Controller of the Saudi Research and Marketing Group, a public joint stock company operating in the field of research and marketing, from 2007G to 2008G.</li> <li>• Director of Budgets and Financial Operations of the Saudi Research and Marketing Group, a public joint stock company operating in the field of research and marketing, from 2004G to 2007G.</li> <li>• Supervisor in the External Audit Department and the Special Operations and Acquisitions Department of Ernst &amp; Young, a limited liability company operating in the field of professional services, from 2001G to 2004G.</li> <li>• Chartered accountant at Ernst &amp; Young, a limited liability company operating in the field professional services, from 1999G to 2001G.</li> </ul> |

Source: The Company.



**Table (5-8): Summary of the Resume of Nasser Mohammed Abdulaziz Al Huqbani – Board Member**

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                                        | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Age</b>                                                | 52 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Position</b>                                           | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Member of the Board of Directors at all of the Group's Subsidiaries</li> <li>• Chief Executive Officer</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Date of appointment at the Board (current session)</b> | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Academic and Professional Qualifications</b>           | <ul style="list-style-type: none"> <li>• Functional Master's Degree holder in Office Management from the Institute of Public Administration, Riyadh, in 1994G.</li> <li>• Bachelor's degree in Administrative Sciences and Public Administration from King Saud University in Riyadh in 1992.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Other Current and Previous Positions</b>               | <ul style="list-style-type: none"> <li>• Board Member of the First Health Cluster, a government initiative sponsored by MOH and aiming at creating an integrated and interconnected network to facilitate the beneficiary's access to the health service, as part of health efforts for institutional transformation to achieve Vision 2030 to improve the competence of health service providers through reducing waiting times and focusing on public health initiatives, from 2018G to date.</li> <li>• Board Member of the Saudi Patient Safety Center, a government entity operating in the field of providing harmless healthcare services and serving as a major expert in the National Patient Safety Strategy, with an emphasis on giving a voice to the community and healthcare providers, from 2017G to date.</li> <li>• Member of the Board of Trustees of the Saudi Commission for Health Specialties, a governmental entity operating in the field of protection and promotion of health in the Kingdom of Saudi Arabia led by Health Practitioners who humanely and efficiently serve the community and ensure the competence of anyone practicing any profession or service, including diagnosing or treating a patient, from 2017G to date.</li> <li>• Member of the Board of Managers of Saudi Serco Services Company, a limited liability company working in the field of maintaining, cleaning, operating, and restoring buildings, providing maintenance works for hospitals, medical centers and governmental utilities, and providing supporting services, air conditioning and cooling works, mechanical and electrical works, from 2014G to date.</li> <li>• A shareholder in Al-Fanar Educational Schools Company, a limited liability company operating in the field of establishing educational buildings and establishments, private schools, scientific institutes, training centers, private research centers, import and export services, wholesale and retail trade in the electronic devices and computers, from 2012G to date.</li> <li>• Member of the American College of Healthcare Executives (ACHE), an independent global organization based in the United States of America and working in the field of leadership of hospital and health system and organization operations, as well as granting an honorary fellowship certificate in healthcare management, from 2010G to date.</li> <li>• Director of the Division of User Support of the Institute of Public Administration, an independent governmental entity of legal personality, which works to raise the competence of the state employees and scientifically prepare the same in a manner that ensures upgrading of the administration and supports the rules of national economy, development, from 1994G to 2000G.</li> <li>• Lecturer in the Institute of Public Administration, an independent governmental entity of legal personality, which works to raise the competence of the state employees and prepare them scientifically in a manner that ensures upgrading of the administration and supports the rules of national economy development, from 1992G to 1994G.</li> </ul> |

Source: The Company.



**Table (5-9): Summary of the Resume of Ubaid Abdullah Ubaid Al-Rasheed – Board Member**

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                                        | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Age</b>                                                | 64 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Position</b>                                           | Board Member                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Date of appointment at the Board (current session)</b> | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Academic and Professional Qualifications</b>           | Bachelor's degree of Business Administration, San Jose State University, California, USA, 1983G.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Other Current and Previous Positions</b>               | <ul style="list-style-type: none"> <li>• Head of Private Banking Services and Deputy Chief Executive Officer (CEO) of Arab National Bank, a public joint stock company operating in the field of providing financial and banking services, from 2011G to date.</li> <li>• Board Member of the Saudi Chemical Company, a public joint stock company operating in the field of importing and distributing pharmaceuticals, medical preparations, manufacturing explosives and trading in medicines, pharmaceuticals and medical solutions, from 2013G to date.</li> <li>• Board Member of Saudi Home Loans, a closed joint stock company operating in the field of real estate finance, from 2010G to date.</li> <li>• Chairman of the Board of Directors of Al-Arabi Heavy Equipment Lease Co., a closed joint stock company operating in the field of heavy equipment leasing, from 2010G to date.</li> </ul> |

Source: The Company.

**Table (5-10): Summary of the Resume of Ziad Fouad Fahd Al-Saleh – Board Member**

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                                        | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Age</b>                                                | 39 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Position</b>                                           | Board Member<br>Audit Committee Member                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Date of appointment at the Board (current session)</b> | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Academic and Professional Qualifications</b>           | <ul style="list-style-type: none"> <li>• Master of Business Administration – Finance, Geneva University in Switzerland, 2004G.</li> <li>• Bachelor's degree in Business Administration, University of Miami, USA, 2002G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Other Current and Previous Positions</b>               | <ul style="list-style-type: none"> <li>• Board Member of J.P. Morgan Saudi Arabia Company, a closed joint stock company, operating in the field of arranging, advising, custody, acting as a principal and acting as an agent, from 2016G to date.</li> <li>• Board Member of Gulf Union Insurance Company, a public joint stock company operating in the field of cooperative insurance on property, liability, vehicle insurance, insurance of persons and medical insurance, from 2016G to date.</li> <li>• Board Member of Riyadh Cables Company, a closed joint stock company operating in the field of manufacturing wires and electrical cables from copper and aluminum separated and non-insulated and producing normal connectors, from 2014G to date.</li> <li>• Member of the Board of Managers of Al-Romansiah Restaurant, a limited liability company operating in the field of managing and operating restaurants and executing catering contracts, from 2014G to present.</li> <li>• Board Member of Abdul Kadir Al-Muhaidib &amp; Sons Company, a closed joint stock company operating in the field of multi trade and investments, from 2009G to date.</li> <li>• Vice Head of Investments and Head of Merger &amp; Acquisition Department at Abdul Kadir Al-Muhaidib &amp; Sons Company, a closed joint stock company operating in the field of multi trade and investments, from 2004G to present.</li> </ul> |

Source: The Company.

**Table (5-11): Summary of the Resume of Faisal Abdullah Ali Al-Nassar – Board Member**

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                                        | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Age</b>                                                | 41 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Position</b>                                           | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Member of the Board of Directors at all of the Group's Subsidiaries</li> <li>• CFO</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Date of appointment at the Board (current session)</b> | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Academic and Professional Qualifications</b>           | Bachelor's degree in Accounting and Information Systems, College of Industrial Management, King Fahd University of Petroleum and Minerals in Dhahran, 2001G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Other Current and Previous Positions</b>               | <ul style="list-style-type: none"> <li>• Member of the Board of Managers of Saudi Serco Services Company, a limited liability company working in the field of maintaining, cleaning, operating, and restoring buildings, providing maintenance works for hospitals, medical centers and governmental utilities, and providing supporting services, air conditioning and cooling works, mechanical and electrical works, from 2014G to date.</li> <li>• CFO, Member of the Board of Directors and Member of the Executive Committee of Roiaa Investment Company, a closed joint stock company operating in the field of infrastructure and supplementary facilities, water resource management, contracting, pipe production, chemicals and mining industry, from 2006G to 2011G.</li> <li>• Senior Manager at Samba Financial Group, a public joint stock company operating in the field of corporate banking and investment services and project finance, from 1999G to 2006G.</li> </ul> |

Source: The Company.

Please refer to Table 5.23 for further details on the experiences and qualifications of the Board Secretary, Saud Abdulaziz Saad Al Arifi and his current and previous positions.

## 5.3 Committees of the Board of Directors

The Board of Directors of the Company has a number of committees according to the Company's needs and requirements, helping it effectively carry out its duties and meet the relevant regulatory requirements. These committees consist of the Audit Committee, the Executive Committee, the Nomination and Remuneration Committee and the Patient Safety and Healthcare Quality Committee.

### 5.3.1 Audit Committee

The Audit Committee represents and assists the Board of Directors in discharging its supervisory responsibilities with regard to the integrity of HMG's internal financial statements and control through supervising internal and external auditors and their independence and effectiveness by:

- Studying the way through which management ensures and monitors the adequacy of the nature and scope of accounting systems, internal control systems and risk management and effectiveness.
- Reviewing the arrangements determined by the management to comply with regulatory requirements and those requirements for preparing and submitting financial reports.
- Applying, monitoring and reviewing, on behalf of the Board, compliance with the regulatory requirements related to the Group's audit work in accordance with relevant laws and regulations of the Kingdom.
- Monitoring and evaluating the performance of the Group's external auditors, including auditing and evaluating the qualifications of external auditors and their independence.
- Supervising the activities of the external auditors and approving any activity outside the scope of their audit work in the performance of their duties.
- Reviewing the audit plan with the external auditor and offering observations thereon.
- Reviewing the observations of the external auditor regarding the financial statements and following up on the procedures taken thereon.
- Reviewing the interim and annual financial statements before they are submitted to the Board of Directors, and give opinions and recommendations thereon.



The duties of the Audit Committee include, in particular, the following:

### External Audit:

- Submit recommendations to the Board of Directors on the appointment and dismissal of the external auditors and determination of their remuneration. Any such recommendation shall take into account the independence of the external auditors.
- Ensure the auditor's independence, objectivity and fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.
- Supervise and review the activities of external auditors, ensure that they do not provide technical or administrative work outside the scope of the audit and give opinions thereon and submit a recommendation to the Board of Directors with respect to the approval or rejection of any activity outside the scope of the work of external auditors they are assigned during the course of their audits.
- Review the observations of the external auditor regarding the financial statements and following up on the procedures taken thereon.
- Answer the inquiries of the external auditor.
- Identify and periodically meet the lead administrator of the external auditor.
- Review the proposed audit plan and the scope and methodology of the external auditor, including coordinating audit efforts with the internal audit.
- Review any problems or difficulties with the external auditors and management responses thereon.
- Review the report of the external auditor (report of the external auditor on financial statements) and review and discuss the reports on the internal controls of the management (management letter points), follow up from the time preparation of these reports, and hold appropriate discussions in time with the external auditors on the following matters:
  - All significant accounting policies and practices.
  - All alternative treatments of financial information discussed with management, implications of the use of these disclosures, alternative treatment, and treatment preferred by independent auditors.
  - Written correspondence between the external auditors and management, including, but not limited to, management letters and schedule of unadjusted differences that have not been resolved. The Committee also follows up on the actions taken on the observations made by the external auditor.
- Apply the instructions and directives issued by the Ministry of Commerce and Investment, SOCPA and CMA and the updates issued from time to time regarding the appointment of external auditors.

### Internal Audit

- Consider and review the internal control, financial and risk management systems in the Group.
- Consider the reports of the Internal Audit Department and follow up on the implementation of the corrective procedures for the notes contained therein.
- Supervise the internal audit management of the Company (including the external auditor, if any) to ensure its efficiency in carrying out the activities and tasks specified by the Board of Directors.
- Review and provide advice on the nomination or dismissal of the Director of the Internal Audit; the Internal Audit Department reports to the Board through the Audit Committee.
- Supervise the Internal Audit Department's plan and work and verify its effectiveness in line with the regulations, laws and professional norms in this regard.
- Submit recommendation to the Board of Directors with respect to appointing the Director of Internal Audit Department or internal auditor and determining his remuneration and evaluating his performance.
- Monitor and review the effectiveness of Internal Audit Department. This includes reviewing the Internal Audit Department procedures, preparing a report on the audit and the recommendations made thereon, and following up on the implementation of the corrective procedures in relation to the comments stated in the internal audit.
- Periodically review any significant difficulties jointly with the Internal Audit Department, disagreements with the department, or the scope of the constraints encountered thereby during the course of work of the department.

## Compliance

- Review the results of the reports of the supervisory entities and verify that the Company takes the required procedures.
- Ensure the Company's compliance with relevant laws, regulations, policies and instructions.
- Review the contracts and transactions to be conducted by the Company with the Related Parties and submit their opinions thereon to the Board of Directors.

## Supervision of accounting and financial reports

- Study the Group's pro-forma annual financial statements before submitting them to the Board of Directors and expressing opinion and making recommendations to ensure their integrity, fairness and transparency.
- Review and report significant accounting matters, including complex or unusual transactions and highly discretionary areas.
- Verify estimates in the material matters in the financial reports.
- Examine the Group's accounting policies, express opinions and submit recommendations to the Board of Directors with respect thereto.
- Review the recent announcements and professional and organizational initiatives while understanding the nature of their impact on the financial statements.
- Understand how the management develops quarterly and annual financial information and the nature and extent of involvement of the internal and external auditors in this process.
- Review the annual and quarterly financial statements and follow-up procedures and discuss them with management and external auditors as needed, before submitting them to the Board of Directors. The Committee also considers whether the financial reports are complete and in line with the information known to the members of the Audit Committee and provides views and recommendations thereon to ensure their fairness, equality and transparency.
- Express the technical opinion, at the request of the Board of Directors, on whether the Board of Directors' report and the Group's financial statements are fair, balanced and understandable and include information allowing Shareholders and investors to assess the Group's financial position, performance, business model and strategy.
- Thoroughly investigate any matters raised by the Company's chief financial officer, or anyone acting on his/her behalf, the Group's Compliance Officer or the Auditor.
- Review the management's responses to the CMA's examination reports and the management's declarations made during the audit activities.
- Receive and review any disclosures made by the Group's Senior Management regarding the Group's quarterly and annual reports on the following matters:
  - All significant deficiencies and material weaknesses in the design or internal control of financial reports that are likely to adversely affect the Group's ability to record, treat, summarize and submit the financial statements.
  - Material fraud cases committed by the management or other employees who have a significant role in the Group's internal control.
- Auditing of the analyses prepared by the management and independent auditors, identifying significant and unusual financial reporting issues and the views issued in preparation of the financial statements.
- Auditing of the integrity of the Group's financial reporting processes (both internal and external) and the internal control structure (which includes disclosure controls and procedures and internal control over financial reports), in consultation with external and internal auditors.
- Auditing of the extent to which changes or improvements in financial or accounting practices have been applied with external auditors, internal auditors and management.
- Understanding of key controls and reporting risks as identified by the management, internal auditors and independent auditors as well as mitigated checks and balances.



## Supervision of the control systems for the Group's operations

- Ensure that there is an integrated and effective internal control system for the Group's operations.
- Monitor the implementation of documented and approved policies and procedures. This includes monitoring of adherence to and continuous updating of policy and procedure manuals.
- Review and report compliance with the Professional Conduct Regulations for the Group's employees.
- Develop procedures for the receipt, retention and processing of complaints with respect to the operational matters, accounting, and internal, accounting and auditing controls. This includes the development of procedures related to anonymous reporting for the Group's employees with respect to suspicious management practices.
- Conduct and supervise special investigations, such as fraud cases, as needed.

## The Company's Board of Directors

- The Audit Committee maintains a direct organizational and structural relationship with the Board of Directors.
- It shall periodically, in such a way as it may determine, report to the Company's Board of Directors at least every three months with respect to the Audit Committee's activities, affairs and related recommendations.
- Provide open communication between the internal audit, external auditors and the Company's Board of Directors.
- If there is a conflict between the recommendations of the Audit Committee and the Board's decisions, or if the Board refuses to accept the recommendation of the Audit Committee with respect to appointing, dismissing the Company's auditor, determining his fees, evaluating his performance, or appointing the internal auditor, the Board's report shall include the Audit Committee's recommendation, justifications, and reasons for refusing the same.

The Audit Committee shall consist of a minimum of three (3) members (and a maximum of five members) of the independent or non-executive Directors, Shareholders or others, including at least one (1) independent member, other than the Executive Directors or any of the Company's Senior Executives, and a member concerned with finance and accounting affairs. The Audit Committee shall periodically meet at least four (4) times during the Financial Year of the Company. The internal auditor and the auditor may, whenever necessary, request a meeting with the Audit Committee. The General Assembly appointed the current members of the Audit Committee on 10/12/2018G, except for Samer Saeed Jundi and Ziad Fouad Al-Saleh. The Board of Directors approved the appointment of Samer Saeed Jundi as a Director and an Audit Committee member on 20/06/2019G, and the appointment of Ziad Fouad Al-Saleh as an independent Director in the Audit Committee on 17/09/2019G. The Ordinary General Assembly and the Extraordinary General Assembly voted on and approved these appointments in accordance in accordance with the Company's Bylaw and the Companies Law.

**Table (5-12): Audit Committee Members**

| Name                                        | Position |
|---------------------------------------------|----------|
| Abdulrahman Sulaiman Hamoud Al-Tariki       | Chairman |
| Sulaiman Nasser Jubran Al-Hitlan Al-Qahtani | Member   |
| Samer Saeed Mohamed Jundi <sup>(1)</sup>    | Member   |
| Ziad Fouad Fahd Al-Saleh <sup>(2)</sup>     | Member   |

Source: The Company.

(1) The Board of Directors approved his appointment as an Audit Committee member on 20/06/2019G. The Ordinary General Assembly voted on and approved this appointment in accordance with the Company's Bylaws and the Companies Law.

(2) The Board of Directors approved his appointment as an independent Director in the Audit Committee on 17/09/2019G. The Ordinary General Assembly voted on and approved this appointment in accordance with the Company's Bylaws and the Companies Law.



## Resumes of the Audit Committee Members

Below is a statement of the experiences, qualifications, and current and previous positions of each Audit Committee members:

**Table (5-13): Summary of Resume of Dr. Abdulrahman Sulaiman Hamoud Al-Tariki – the Chairman of Audit Committee**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Age                                      | 59 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Position                                 | Chairman of Audit Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Date of appointment                      | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Academic and Professional Qualifications | <ul style="list-style-type: none"> <li>• Ph.D. in Engineering Management from the University of Missouri, USA in 1997G.</li> <li>• Bachelor of Science in Engineering Management from the University of Missouri, USA, in 1994G.</li> <li>• Master of Science in Industrial Systems Engineering from the University of Michigan, USA, in 1990G.</li> <li>• Bachelor of Science in Industrial Systems Engineering from King Saud University, KSA, in 1986G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Other Current and Previous Positions     | <ul style="list-style-type: none"> <li>• Member of Board of Directors and Chairman of the Nomination and Remuneration Committee at Saudi Investment Recycling Company, a private company owned by the Public Investment Fund operating in the field of managing the Fund activities in the recycling management sector, from 2018G to date.</li> <li>• Member of the Audit Committee in King Abdullah University of Science and Technology, an educational entity specialized in research and postgraduate studies in the Kingdom, from 2017G to date.</li> <li>• Advisor to the Minister of Environment, Water &amp; Agriculture in the Kingdom. The Ministry is responsible for environment, water and agriculture policy from 2015G to date.</li> <li>• Member of the Executive Committee, the Audit and Risk Committee and the Board of Directors in the Agriculture Development Fund, a government credit institution operating in the field of agricultural finance, from 2015G to date.</li> <li>• Member of the Board of Director, the Chairman of the Audit Committee and Risk Committee and member of the Nomination and Remuneration Committee in Arabian Shield Cooperative Insurance, a public joint-stock company operating in the field of insurance, from 2013G to date.</li> <li>• Chairman of the Audit and Risk Committee at Almarai Company, a public joint-stock company operating in the field of food production, from 2013G to date.</li> <li>• Secretary-General of the Board of Directors at Almarai Company, a public joint-stock company operating in the field of food production, from 2004G to date.</li> <li>• Member of the Audit Committee and the Nomination and Remuneration Committee at the Arabian Agriculture Services Company (ARASCO), a closed joint stock company operating in the field of food supplying, from 2016G to 2018G.</li> <li>• Member of the Board of Directors and the Audit Committee at HGISC, a public joint-stock company operating in the field of manufacturing and wholesale and retail trade, from 2013G to 2016G.</li> <li>• President of the Gulf Industrial Development Co, a closed joint stock company operating in the field of manufacturing, from 2011G to 2012G.</li> <li>• Deputy Chief Executive Officer for New Projects at Almarai Company, a public joint-stock company operating in the field of food production, from 2009G to 2010G.</li> <li>• General Manager of Supporting Service Department at Almarai Company, a public joint-stock company operating in the field of food production, from 2007G to 2010G.</li> <li>• General Manager of human resources department at Almarai Company, a public joint-stock company operating in the field of food production, from 2004G to 2007G.</li> </ul> |





|                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Other Current and Previous Positions (Continued) | <ul style="list-style-type: none"> <li>• Director of HR, Sales and Marketing Department at Almarai Company, a public joint-stock company operating in the field of food production, from 2001G to 2003G.</li> <li>• Director of HR, Operation Department at Almarai Company, a public joint-stock company operating in the field of food production, from 1999G to 2001G.</li> <li>• Head of Production Engineering Department at the Technical and Vocational Training Corporation, a government corporation operating in the field of technical and vocational training, from 1997G to 1999G.</li> <li>• Consultant at Small Enterprise Center of Business Management Department in University of Missouri, USA, a center specialized in reviewing patents and identifying the new opportunities to be invested by appropriate investors, from 1994G to 1995G.</li> <li>• Vice President of the Arab Students Association in Missouri University of Science and Technology, USA, a government educational entity specialized in engineering, business and science, from 1993G to 1996G.</li> <li>• Associate Professor in College of Technology, a government educational entity affiliated to the Technical and Vocational Training Corporation, operating in the field of technical and vocational training, from 1986G to 1988G.</li> </ul> |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: The Company.

**Table (5-14): Summary of Resume of Sulaiman Nasser Jubran Al-Hitlan Al-Qahtani – the Audit Committee member**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Age                                      | 47 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Position                                 | Audit Committee Member                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Date of appointment                      | 10/12/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Academic and Professional Qualifications | <ul style="list-style-type: none"> <li>• Master of Professional Accounting, California State University, San Diego, USA, 1998G.</li> <li>• Bachelor of Accounting, King Saud University, Riyadh, 1994G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Other Current and Previous Positions     | <ul style="list-style-type: none"> <li>• Member of the Board of Directors and the Chairman of the Nomination and Remuneration Committee at Maharah Human Resources Company, a public joint-stock company operating in the field of recruiting manpower as a mediator and providing employment services to others, from 2017G to date.</li> <li>• Member of the Board of Directors and the Chairman of the Audit Committee at Maalem Financing Company, a closed joint stock company operating in the field of financing, from 2016G to date.</li> <li>• Member of the Audit Committee at Almarai Company, a public joint-stock company operating in the field of food production, from 2011G to date.</li> <li>• Member of the Audit Committee at Bank Albilad, a public joint-stock company operating in the field of banking, investment and financing services, from 2011G to date.</li> <li>• Partner, Board Member and Chief Executive Officer at the National Consulting House, a closed joint stock company operating in the field of securities arrangement and advice activities, from 2008G to date.</li> <li>• Member of the Audit Committee at Bupa Arabia Cooperative Insurance Company, a public joint stock company operating in the field of insurance, from 2018G to date.</li> <li>• Member of the Audit Committee at the Saudi Research and Marketing Group, a public joint stock company operating in the field of media, public relations and publishing, from 2018G to date.</li> <li>• Member of the Board of Directors and Chairman of the Audit Committee at Maalem Financing Company, a closed joint stock company licensed by the Saudi Arabian Monetary Authority, operating in the field of financing, from 2016G to date.</li> <li>• Member of the Board of Directors at AlHilal Saudi Club, from 2018G to date.</li> <li>• Member of the Nomination and Remuneration Committee and the Risk Committee at the Arabian Shield Cooperative Insurance Company, a public joint stock company operating in the field of insurance, from 2016G to 2017G.</li> </ul> |



#### Other Current and Previous Positions (Continued)

- Member of the Board of Directors at the Arabian Shield Cooperative Insurance Company, a public joint stock company operating in the field of insurance, from 2014G to 2017G.
- Chairman of the Audit Committee at the Arabian Shield Cooperative Insurance Company, a public joint stock company operating in the field of insurance, from 2014G to 2016G.
- Member of the Board of Directors and Chairman of the Audit Committee at AlJazierah Home Appliances, a limited liability company operating in the field of manufacturing home appliances, from 2012G to 2013G.
- Director of Consultancy at Al-Humaid and Al-Nimr Company for Consulting (HNC), a professional company operating in the field of financial and management consulting, from 2006G to 2008G.
- Trainer in the financial programs sector at the Institute of Public Administration, an independent government body with a legal personality working to raise the efficiency of the state employees, prepare them scientifically in a manner that ensures upgrading of the administration and support the rules of the national economy development, from 1998G to 2006G.
- Assistant trainer at the Institute of Public Administration, an independent government body with legal personality working to raise the efficiency of the state employees and prepare them scientifically in order to improve the level of management and support the rules of the national economy development, from 1994G to 1995G.

Source: The Company.

#### Summary of Resume of Ziad Fouad Fahd Al-Saleh - Audit Committee member

Please refer to Table 10.5 for further details on Ziad Fouad Fahd Al-Saleh's experience, qualifications and current and previous positions.

#### Summary of Resume of Samer Saeed Mohamed Jundi - Audit Committee member

Please refer to Table 5.7 for further details on Samer Saeed Mohamed Jundi's experience, qualifications and current and previous positions.

### 5.3.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall assume the functions of nominating the members of the Board of Directors and the Senior Management and developing the remuneration policy for the members of the Board and the Senior Management members of the Company. The functions and responsibilities of the Nominations and Remuneration Committee include the following:

#### Nomination:

- Propose clear policies and criteria for membership in the Board of Directors, Senior Management and representatives of the Company in its Subsidiaries.
- Annually review the required skills or experience requirements for Board membership and Senior Management functions, prepare a description of the skills and qualifications required for membership of the Board of Directors and position occupancy, including Senior Management.
- Define the time to be allocated by the Board Member for the Board works.
- Review the structure of the Board, Committees and Senior Management and recommend possible changes thereto.
- Review the structure of the Board of Directors, the Board Committees and the Senior Management and recommend any amendments thereto.
- Submit recommendations to the Board in the event of vacancy in the membership at any of the Board committees in order to appoint new members as required.
- Set job descriptions for executive, non-executive and independent members and Senior Executives.
- Set special procedures in the event of vacancy in membership at the Board of Directors or Senior Executives.



- Identify the weaknesses and strengths of the Board of Directors and propose solutions to address them in accordance with the Company's interest by proposing the necessary mechanisms to annually evaluate the performance of the Board, its members, committees and Senior Management through appropriate performance indicators related to the achievement of the Company's strategic objectives, quality of risk management and adequacy of internal control systems, etc., provided that the strengths and weaknesses shall be identified and solutions to address them shall be proposed in accordance with the Company's interest. This is also to be done by assisting the Board in its responsibility to make the necessary arrangements in order to obtain a competent third-party evaluation for its performance every three years and oversee the evaluation.
- Make recommendations to the Board of Directors on the nomination and re-nomination of members in accordance with the approved policies and standards, taking into account that nomination shall not include any person convicted of an offense prejudicial to honor and/or trust.
- Annually ensure the independence of independent members and the absence of any conflict of interest in case a Board member also acts as a member of the board of directors of another company.
- Consider and review the Chief Executive Officer's recommendations for the appointment and termination of Senior Executives.
- Consider and review the administrative succession or career replacement plans of the Company in general and the Board, Chief Executive Officer and Senior Executives in particular.
- Provide an appropriate level of training and introducing the tasks and achievements of the Company to new members of the Board and committees in order to enable them to perform their duties efficiently.
- Develop the mechanisms necessary to provide each of the Board members and Senior Management with ongoing training programs and courses for the purpose of developing their skills and knowledge in the fields related to the activities of the Company.
- Publish the declaration of nomination for the Board of Directors on the websites of the Company and the Saudi Stock Exchange and in any other means determined by the Authority in order to invite persons wishing to be nominated for membership at the Board of Directors. The nomination shall be open for at least one month after the date of announcement.

#### **Remuneration:**

- Develop a clear policy for the remuneration of members of the Board of Directors, the Board committees and the Senior Management that increases incentivizes of the management staff, attracts and retains the distinguished staff and report it to the Board of Directors for consideration in preparation for adoption by the General Assembly. This policy shall be consistent with the size and nature of the Company's work and degree of risk, and shall follow and disclose performance-related criteria and ensure that they are implemented to achieve success and long-term growth.
- Demonstrate the relationship between the awarded remuneration and the applicable remuneration policy and indicate any material deviation from this policy.
- Periodically review remuneration policy and evaluate its effectiveness in achieving its objectives.
- Make recommendations to the Board of Directors on the remuneration of the Company's members at the Board of Directors and Board committees, as well as Senior Executives in accordance with the adopted policy, taking into consideration the practices of other companies in determining the remuneration to avoid any unjustified increase in remuneration and compensation.
- Determine cases of suspension or refund of remuneration if it is given on the basis of inaccurate information provided by a member of the Board of Directors or Senior Management in order to prevent the exploitation of the career position to obtain undue remuneration.
- Make recommendations on the regulation under which the Group's shares are award to the members of the Board of Directors and Senior Management, whether they are newly issued shares or they are shares purchased by the Group.
- Review the financial remunerations of Senior Executives, including long-term and short-term incentives, determine the ceiling of results expected by Senior Executives and make recommendations thereon to the Board.
- Review and approve the Chief Executive Officer's recommendations on the general guidelines and criteria for financial and other benefits to Senior Executives, which are implemented by the Chief Executive Officer in the light of the adopted policy.



The Committee consists of a minimum of three (3) members (and a maximum of five members). The Committee's members shall be non-executive Board members, and it is possible to appoint external members in the Committee, whether they are Shareholders or otherwise, provided that the Committee shall have at least one independent Board member. In addition, the Chairman of the Committee shall be an independent Board member. The Committee shall meet periodically every six months in a year. In addition, extraordinary or emergency meetings may be held upon an invitation of the Chairman of the Committee or two of its members.

The Nominations and Remuneration Committee shall consist of the following members as at the date of this Prospectus:

**Table (5-15): Members of Nomination and Remuneration Committee**

| Name                              | Position |
|-----------------------------------|----------|
| Ubaid Abdullah Ubaid Al-Rasheed   | Chairman |
| Saleh Mohammed Abdulaziz Al-Habib | Member   |
| Ahmed Saleh Mohammed Al-Sudais    | Member   |

Source: The Company.

### Resumes of the Members of Nomination and Remuneration Committee

The following is the experience, qualifications, current and previous positions of each of the members of the Nomination and Remuneration Committee:

#### Summary of the Resume of Ubaid Abdullah Ubaid Al-Rasheed – Chairman of the Nomination and Remuneration Committee

Please refer to Table 5.9 for further details on Ubaid Abdullah Ubaid Al-Rasheed's experience, qualifications, current and previous positions.

#### Summary of the Resume of Saleh Mohammed Abdulaziz Al-Habib – Member of the Nomination and Remuneration Committee

Please refer to Table 5.5 for further details on Saleh Mohammed Abdulaziz Al-Habib's experience, qualifications, current and previous positions.



**Table (5-16): Summary of the Resume of Ahmed Saleh Mohammed Al-Sudais – Member of the Nomination and Remuneration Committee**

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Age</b>                                      | 49 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Position</b>                                 | Member of Nomination and Remuneration Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Date of appointment at the Committee</b>     | 30/05/2019G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Academic and Professional Qualifications</b> | Bachelor's degree in Accounting from King Abdulaziz University, Jeddah, Saudi Arabia, 1992G.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Other Current and Previous Positions</b>     | <ul style="list-style-type: none"> <li>• Board Member of Al Amad Company, a limited liability company operating in the field of airport and air transport services, from 2017G to date.</li> <li>• Member of the Board of Trustees of the Arabian Society for Human Resource Management, a non-profit society operating in the field of human resources, from 2015G to date.</li> <li>• Independent Board Member of Masik Holding Company, a closed joint stock company operating in the field of human resources, from 2018G to date.</li> <li>• Independent Board Member of Saudi Ground Services Company, a public joint stock company operating in the field of ground-handling services, from 2018G to date.</li> <li>• Vice President of Human Capital at Acwa Power Company, a closed joint stock company operating in the field of energy supply and water desalination, from 2017G to date.</li> <li>• Independent Board Member of HSBC Holding, a closed joint stock company operating in the field of intermediation and securities services, from 2016G to date.</li> <li>• General Manager of Human Resources at the Saudi British Bank, a public joint stock company operating in the field of banking and financial services, from 2012G to 2017G.</li> <li>• Head of Branches and Sales Department at Saudi British Bank, a public joint stock company operating in the field of banking and financial services, from 2011G to 2012G.</li> <li>• Chief Operating Officer of National Air Services Company (NAS), a closed joint stock company operating in the field of provision of air services, from 2009G to 2011G.</li> <li>• Deputy Managing Director of Saudi Research and Publishing Company, a public joint stock company operating in the field of publishing, from 2006G to 2009G.</li> <li>• Senior Manager of the Branch Network of Saudi British Bank, a public joint stock company operating in the field of banking and financial services, from 2005G to 2006G.</li> <li>• Regional Manager of Human Resources at Saudi British Bank, a public joint stock company operating in the field of banking and financial services, from 2004G to 2005G.</li> <li>• Regional Manager of Branch Network at Saudi British Bank, a public joint stock company operating in the field of banking and financial services, from 2000G to 2004G.</li> <li>• Branch Manager of Saudi British Bank, a public joint stock company operating in the field of banking and financial services, from 1997G to 2000G.</li> <li>• Privilege Officer at the Saudi British Bank, a public joint stock company operating in the field of banking and financial services, from 1997G to 1997G.</li> <li>• Program of new managers development for banking qualification at the Saudi British Bank, a public joint stock company operating in the field of banking and financial services, from 1996G to 1997G.</li> <li>• Director of Communication at Colsa International, a limited liability company operating in the field of technology, from 1992G to 1996G.</li> </ul> |

Source: The Company.



### 5.3.3 Executive Committee

The main purpose of the Executive Committee is to provide support and advice to the Board of Directors with regard to matters and questions related to the delegated functions and powers of the Board. The Committee shall, to the extent permitted by the Law, exercise all powers of the Board in the management of business and affairs of the Group and all operational matters, the implementation of which requires the contribution and guidance of the Board. The functions of the Committee include the following:

- Follow up, update and review long, medium and short-term plans in terms of Company strategy from time to time.
- Meet with department heads, internal and external auditors, and any other relevant party to monitor the Company's business and the financial performance of the Company and its departments.
- Follow up on the implementation of the Company's budgets and analyze any deviation therefrom – if noted – and make recommendations in this regard.
- Make recommendations on engagement in new investments and development of existing activities vertically and horizontally.
- Follow up and review all important issues related to legal procedures, insurance strategies, risks and contracts.
- Establish relationships with banks and other financial institutions and determine terms and conditions for such relationships.
- Approve the credit facilities necessary for the conduct of daily business.
- Approve the real estate transactions such as sale, purchase, leasing of land and/or facilities.
- Obtain legal advice and assistance from the Group and third parties, including other consultancy such as accounting and other services.
- Establish and delegate powers to the committees if needed.
- Periodically review and re-evaluate the efficiency of the regulations and recommend any changes proposed to the Board for approval.
- Annually review its performance.

The members of the Committee shall be knowledgeable, have in-depth practical competencies and expertise, understand the Group's policies and procedures, be aware of the healthcare sector, and have the ability to devote sufficient time for the performance of their duties.

The Executive Committee consists of the following members as at the date of this Prospectus:

**Table (5-17): Members of Executive Committee**

| Name                                 | Position |
|--------------------------------------|----------|
| Mazen Abdulrazzaq Sulaiman Al-Rumaih | Chairman |
| Nasser Mohammed Abdulaziz Al Huqbani | Member   |
| Faisal Abdullah Ali Al-Nassar        | Member   |
| Saleh Mohammed Abdulaziz Al-Habib    | Member   |
| Hesham Sulaiman Abdulaziz Al-Habib   | Member   |

Source: The Company.

### Resumes of the Members of Executive Committee

Below are the experience, qualifications and current and previous positions of each of the members of the Executive Committee:

#### Summary of the Resume of Mazen Abdul Razzaq Sulaiman Al – Rumaih – Member of Executive Committee

Please refer to Table 5.4 for further details on Mazen Abdul Razzaq Sulaiman Al – Rumaih's experience, qualifications and current and previous positions.



### **Summary of the Resume of Nasser Mohammed Abdulaziz Al Huqbani – the Chairman of Executive Committee**

Please refer to Table 5.8 for further details on Nasser Mohammed Abdulaziz Al Huqbani's experience, qualifications and current and previous positions.

### **Summary of the Resume of Faisal Abdullah Ali Al Nassar – Member of Executive Committee**

Please refer to Table 5.11 for further details on Faisal Abdullah Ali Al-Nassar's experience, qualifications and current and previous positions.

### **Summary of the Resume of Saleh Mohammed Abdulaziz Al-Habib – Member of Executive Committee**

Please refer to Table 5.5 for further details on Saleh Mohammed Abdulaziz Al-Habib's experience, qualifications and current and previous positions.

### **Summary of the Resume of Hesham Sulaiman Abdulaziz Al-Habib – Member of Executive Committee**

Please refer to Table 5.6 for further details on Hesham Sulaiman Abdulaziz Al-Habib's experience, qualifications and current and previous positions.

## **5.3.4 Patient Safety and Healthcare Quality Committee**

The Patient Safety and Healthcare Quality Committee is responsible for developing the Company's strategies to improve the overall quality, safety and control of its health facilities. The Patient Safety and Healthcare Quality Strategy enables the Group to improve its services provided to patients and increase the patient's satisfaction with its services. The functions of the Committee include the following:

- **Strategy and Performance**

- Develop a vision for the quality of healthcare services in the Group and determine performance measures and long-term objectives.
- Provide advice to the clinical management of the Group on competitive strategies in clinical practices to be evaluated and implemented, if deemed appropriate.
- Monitor the clinical performance of the Group compared to internal and external standards.
- Monitor the effectiveness of Group plans in order to improve the performance of clinical practices and quality of healthcare.
- Provide recommendations to the Board of Directors on the overall quality of healthcare and patient safety at the Group and propose initiatives to improve the performance.
- Coordinate and supervise the Group's plan in order to improve the healthcare quality and patient safety in all the Group's health facilities.
- Develop, implement, and evaluate the Group plan in order to improve the healthcare quality and patient safety.
- Review reports and minutes of meetings of quality improvement committees in all health facilities of the Group.
- Approve quality improvement initiatives proposed by quality improvement committees of the Group's health facilities.
- Review patient satisfaction at the Group's healthcare facilities on a quarterly basis.
- Review cases of serious errors, analyze their root causes and make recommendations for corrective actions.
- Review the facts appearing from analyses of serious adverse event results to approve or recommend measures aiming to reduce their frequency.
- Monitor the mechanisms for critical accident disclosure, quality indicators of infection acquired in the Group's healthcare facilities, mortality rate and any other cases as required.





## • Communication

- Promote awareness of the Group's clinical performance for the Management, the Board of Directors and other external stakeholders through appropriate communication channels.
- Provide quarterly and annual reports to the Board of Directors on statistical data related to the performance of the Group's healthcare, clinical performance and quality improvement plans.
- Prepare quarterly and annual reports regarding plans to improve clinical performance and clinical quality.
- Receive the quality reports submitted by the quality improvement committees at the healthcare facilities of the Group to provide proposals thereon.
- Review the strategic objectives on quality improvement and patient safety for recommendations and approval.

## • Policies

- Annually review the policies and procedures established by the Company's medical departments regarding quality of healthcare and patient safety, including those related to medical errors and injuries.
- Review the development of controls and internal control systems to ensure the application of the Group's safety and quality standards and policies.
- Develop risk mitigation strategies in terms of patient safety and quality of healthcare.
- Develop fully transparent policies on data related to patient safety and care quality to ensure professionalism of work and performance, data disclosure and decision-making.
- Approve the Group's policies and procedures on patient safety, care quality and performance improvement initiatives.

## • Operations

- Propose mechanisms to link the incentives and remunerations of Senior Management to quality standards.
- Ensure acquisition of all relevant accreditations, including the accreditations of CBAHI, JCI, etc.

The Patient Safety and Healthcare Quality Committee shall consist of at least three (3) members with the appropriate practical competencies and expertise. Further, they shall understand the Group's policies and procedures regarding the provision of high-quality healthcare and patient safety.

The Patient Safety and Healthcare Quality Committee consists of the following members as of the date of this Prospectus:

**Table (5-18): Members of Patient Safety and Healthcare Quality Committee**

| Name                                               | Position |
|----------------------------------------------------|----------|
| Mahmoud Shahin Shehada Al Ahwal                    | Chairman |
| Nasser Mohammed Abdulaziz Al Huqbani               | Member   |
| Sulaiman Ibrahim Sulaiman Altwaiyan                | Member   |
| Abdulilah Mohammed Rabea Mohammed Thani Al-Hawsawi | Member   |

Source: The Company.



## Resumes of the members of Patient Safety and Healthcare Quality Committee

Below are the experience, qualifications and current and previous positions of each member at the Patient Safety and Healthcare Quality Committee:

**Table (5-19): Summary of the Resume of Mahmoud Shahin Shehada Al Ahwal – Chairman of Patient Safety and Healthcare Quality Committee**

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Age</b>                                      | 60 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Position</b>                                 | Chairman of Patient Safety and Healthcare Quality Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Date of appointment at the Committee</b>     | 30/05/2019G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Academic and Professional Qualifications</b> | <ul style="list-style-type: none"> <li>• Canadian Fellowship in Cancer Diseases from University of Alberta, Canada, 1994G.</li> <li>• Canadian Fellowship in Internal Diseases from University of Alberta, Canada, 1991G.</li> <li>• American Board in Internal Diseases, 1990G.</li> <li>• Bachelor's degree in Medicine and Surgery from King Abdulaziz University, Jeddah, Saudi Arabia 1983G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Other Current and Previous Positions</b>     | <ul style="list-style-type: none"> <li>• Chairman of the Health Personnel Allowances Committee, King Abdulaziz University, a public university, from 2015G to date.</li> <li>• Member of the Board of Trustees of the Saudi Commission for Health Specialties, a government entity operating in the field of protection and promotion of the health sector, from 2015G to date.</li> <li>• Member of the Center of Innovation in Personalized Medicine, a government entity, working in the field of scientific research, from 2015G to date.</li> <li>• Dean of the Faculty of Medicine at the University of Jeddah, a state university, from 2014G to date.</li> <li>• Member of the Center of Excellence for Osteoporosis Research, a center of King Abdulaziz University operating in the field of scientific research, from 2013G to date.</li> <li>• Chairman of the Saudi Medical Colleges Deans' Committee, a government committee operating in the field of medical education, from 2012G to date.</li> <li>• The editor of the Saudi Journal of Internal Medicine, a journal of King Abdulaziz University operating in the field of scientific research, from 2010G to date.</li> <li>• Member at the Supreme National Committee for Cancer Control, a government committee operating in the field of cancer control, from 2010G to date.</li> <li>• Vice Chairman of Sheikh Mohammed Hussien AL-Amoudi Center of Excellence in Breast Cancer, an entity affiliated to the King Abdulaziz University operating in the field of medical care, from 2010G to date.</li> <li>• Chairman of the Health Sciences Deans Committee at King Abdulaziz University, a state university, from 2010G to date.</li> <li>• Dean of the Faculty of Medicine at King Abdulaziz University, a state university, from 2009G to date.</li> <li>• Chairman of the Medical Board of King Abdulaziz University, a state university, from 2009G to date.</li> <li>• Member of the King Fahd Center for Medical Research, a center of King Abdulaziz University operating in the field of scientific research, from 2009G to date.</li> <li>• Secretary of the Higher Supervisory Committee at the University Hospital affiliated to King Abdulaziz University, a state university, from 2009G to date.</li> <li>• Member of the Gulf Federation for Cancer Control, a regional organization operating in the field of development and support of cancer control programs in the Arabian Gulf region, from 2007G to date.</li> <li>• A local editor in the Gulf Journal of Oncology, a reference journal in the US National Register operating in the field of scientific research, from 2007G to date.</li> </ul> |

|                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Other Current and Previous Positions (Continued) | <ul style="list-style-type: none"> <li>• Professor/ Consultant of Medical Oncology at the Faculty of Medicine, King Abdulaziz University, a state university, from 2006G to date.</li> <li>• Professor and Consultant of Internal Medicine and Oncology at King Abdulaziz University, a state university, from 2006G to date.</li> <li>• Member and founder of Al-Eman Association for the Care of Cancer Patients, a charitable association operating in the field of supporting and caring for cancer patients in need, from 2004G to date.</li> <li>• Supervisor of the Colorectal Cancer Chair, a chair of King Abdulaziz University operating in the field of scientific research, from 2010G to 2018G.</li> <li>• Vice Dean of the Faculty of Medicine for Clinical Sciences, King Abdulaziz University, a state university, from 2005G to 2009G.</li> <li>• Associate Professor at Faculty of Medicine, King Abdulaziz University, a state university, from 1999G until 2006G.</li> <li>• Head of Internal Medicine Department, Faculty of Medicine, King Abdulaziz University, a state university, from 2001G to 2005G.</li> <li>• Assistant in the Faculty of Medicine, King Abdulaziz University, a state university, from 1992G to 1999G.</li> <li>• Professor and General Director of Medical Department, King Abdulaziz University, a state university, from 1993G to 1994G.</li> <li>• Teaching Assistant at the Faculty of Medicine, King Abdulaziz University, a state university, from 1987G until 1992G.</li> </ul> |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: The Company.

### Summary of the Resume of Nasser Mohammed Abdulaziz Al Huqbani – Member of Patient Safety and Healthcare Quality Committee

Please refer to Table 5.8 for further details on Nasser Mohammed Abdulaziz Al Huqbani's experience, qualifications and current and previous positions.

**Table (5-20): Summary of the Resume of Sulaiman Ibrahim Sulaiman Altwaiyan – Member of Patient Safety and Healthcare Quality Committee**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Age                                      | 52 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Position                                 | <ul style="list-style-type: none"> <li>• Member of Patient Safety and Healthcare Quality Committee</li> <li>• Vice President of Hospital Affairs</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Date of appointment at the Committee     | 30/05/2019G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Academic and Professional Qualifications | <ul style="list-style-type: none"> <li>• Fellowship of International Society for Quality in Healthcare, Ireland, 2015G.</li> <li>• Diploma in Business Administration from the University of Leicester in the United Kingdom, 2008G.</li> <li>• Bachelor's degree in Pharmaceutical Sciences from King Saud University, Riyadh, 1992G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Other Current and Previous Positions     | <ul style="list-style-type: none"> <li>• Member of the American College of Healthcare Executives (ACHE), an independent global organization based in the United States of America and working in the field of leadership of hospital and health system and organization operations, as well as granting an honorary fellowship certificate in Healthcare Management, from 2007G to date.</li> <li>• CEO of Dallah Hospital, a public joint stock company operating in the field of providing healthcare services, from 2004G to 2008G.</li> <li>• General Manager of Al Nokhba Medical Surgical Center, a limited liability company operating in the field of providing healthcare services, from 2003G to 2004G.</li> <li>• Executive Director of United Medical and Pharmaceutical Services Company, a limited liability company operating in the field of providing healthcare services, from 2001G to 2003G.</li> </ul> |



|                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Other Current and Previous Positions (Continued) | <ul style="list-style-type: none"> <li>Deputy General Manager for Sales at the United Medical and Pharmaceutical Services Company, a limited liability company operating in the field of providing healthcare services, from 2000G to 2001G.</li> <li>Sales Manager at the United Medical and Pharmaceutical Services Company, a limited liability company operating in the field of providing healthcare services, from 1997G to 2000G.</li> </ul> |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: The Company.

**Table (5-21): Summary of the Resume of Abdulilah Mohammed Rabea Mohammed Thani AlHawsawi - a Member of Patient Safety and Healthcare Quality Committee**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Age                                      | 42 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Position                                 | Member of Patient Safety and Healthcare Quality Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Date of appointment                      | 10/11/2019G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Academic and Professional Qualifications | <ul style="list-style-type: none"> <li>Certified surgeon for hepatobiliary organs in 2011G.</li> <li>Canadian Board Fellowship in 2009G and American Board Fellowship in 2010G.</li> <li>BA in medicine and surgery from King Abdulaziz University in the Kingdom of Saudi Arabia in 2001G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Other Current and Previous Positions     | <ul style="list-style-type: none"> <li>Chairman of the Organizing Committee for the Fourth Global Ministerial Summit on Patient Safety in Jeddah, held by the Kingdom of Saudi Arabia in 2019G and until now</li> <li>General Manager of the Saudi Patient Safety Center, an entity responsible for improving health care in KSA, since 2017G until now.</li> <li>Advisor of the Ministry of Health for patient safety since 2016G until now.</li> <li>Advisor of the quality of healthcare and patient safety at the World Health Organization for patient safety since 2016G and until now.</li> <li>Surgery Assistant Professor at King Abdulaziz University, a public university, since 2001G and until now.</li> <li>Consultant of general surgery, organ transplant surgery, and liver and bile duct surgery at King Abdulaziz University, a government educational entity, since 2012G until now.</li> <li>Assistant Secretary General for technical affairs at the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) from 2012G to 2016G.</li> <li>Director of the general surgery training program, from 2012G to 2015G.</li> </ul> |

Source: The Company.

## 5.4 Senior Management

### 5.4.1 Overview of the Company's Management

The Senior Management consists of qualified and experienced members who have the necessary knowledge and experience to manage the Company's business in line with the objectives and directives of the Board of Directors. The Company has managed to retain its Senior Management team and has enhanced the capacity of qualified staff and promoted them to senior positions. The following chart details the Company' Senior Management team as at the date of this Prospectus:

**Figure 5.2: Senior Management Chart**

Please refer to Figure 5.1 above for the organizational chart detailing the Senior Management team.

**Table (5-22): Details of Senior Management team**

| Name                                    | Position                                         | Nationality | Age          | Date of appointment | No. of Shares held prior to Offering | No. of Shares held after Offering |
|-----------------------------------------|--------------------------------------------------|-------------|--------------|---------------------|--------------------------------------|-----------------------------------|
| Nasser Mohammed Abdulaziz Al Huqbani    | Chief Executive Officer                          | Saudi       | 52 years old | 10/01/2000G         | N/A                                  | N/A                               |
| Faisal Abdullah Ali Al-Nassar           | Chief Financial Officer                          | Saudi       | 41 years old | 22/10/2011G         | N/A                                  | N/A                               |
| Hesham Sulaiman Abdulaziz Al-Habib      | Vice President of Business Development           | Saudi       | 32 years     | 14/02/2016G         | 7,000,000                            | 7,000,000                         |
| Saud Abdulaziz Saad Al Arifi            | Vice President, the Group's General Counsel      | Saudi       | 45 years old | 14/02/2016G         | N/A                                  | N/A                               |
| Sulaiman Ibrahim Sulaiman Altwaiyan     | Vice President of Hospital Affairs               | Saudi       | 52 years old | 19/04/2008G         | N/A                                  | N/A                               |
| Suleiman Abdulaziz Suleiman Al Majed    | Vice President for Medical and Nursing Affairs   | Saudi       | 64 years old | 01/10/2007G         | N/A                                  | N/A                               |
| Abdullah Sulaiman Abdullah Al Harbash   | Vice President for Physician Affairs             | Saudi       | 62 years old | 01/04/2009G         | N/A                                  | N/A                               |
| Being appointed                         | Vice President for Human Resources Affairs       | -           | -            | -                   | -                                    | -                                 |
| Vimal Supra Manian                      | Head of Internal Audit Department                | Indian      | 38 years old | 10/04/2016G         | N/A                                  | N/A                               |
| Mostafa Al Omary                        | Vice Head of Supply and Logistics Department     | Moroccan    | 42 years old | 30/06/2019G         | N/A                                  | N/A                               |
| Abdul Ilah Abdul Rahman Saleh Al Maiman | Chief Executive Officer, Cloud Solutions Company | Saudi       | 40 years old | 01/09/2012G         | N/A                                  | N/A                               |



| Name                                    | Position                                     | Nationality | Age          | Date of appointment | No. of Shares held prior to Offering | No. of Shares held after Offering |
|-----------------------------------------|----------------------------------------------|-------------|--------------|---------------------|--------------------------------------|-----------------------------------|
| Riad Saleh Abdulaziz Al Ateeqi          | General Manager of Pharmaceutical Facilities | Saudi       | 51 years old | 01/09/2009G         | N/A                                  | N/A                               |
| Abdulwahab Abdullah Mohammed Abdulwahab | Chief Operating Officer                      | Saudi       | 49 years     | 16/06/2019G         | N/A                                  | N/A                               |

Source: The Company.

## 5.4.2 Resumes of Senior Management team

Below are the experiences, qualifications, and current and other positions of each senior executive:

### Nasser Mohammed Abdulaziz Al Huqbani - CEO

Please refer to Table 5.8 for further details on Nasser Mohammed Abdulaziz Al Huqbani's experience, qualifications and current and previous positions.

### Faisal Abdullah Ali Al-Nassar - CFO

Please refer to Table 5.11 for further details on Faisal Abdullah Ali Al-Nassar's experience, qualifications and current and previous positions.

### Hesham Sulaiman Abdulaziz Al-Habib – VP of Business Development

Please refer to Table 5.6 for further details on Hesham Sulaiman Al-Habib's experience, qualifications and current and previous positions.

**Table (5-23): Saud Abdulaziz Saad Al Arifi**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Age                                      | 45 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Position                                 | <ul style="list-style-type: none"> <li>Secretary of the Board of Directors</li> <li>Vice president, and Group's General Counsel</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Date of appointment                      | 14/02/2016G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Academic and Professional Qualifications | <ul style="list-style-type: none"> <li>Master's degree in Securities Law from Georgetown University, Washington, USA, 2007G.</li> <li>Master's degree in Law from Duke University, Durham, USA, 2004G.</li> <li>Functional Master's degree in System Studies Program, Institute of Public Administration, Riyadh, Saudi Arabia, 2001G.</li> <li>Bachelor's degree in Islamic Da'wa from Imam Mohammad Bin Saud Islamic University, Riyadh, Kingdom of Saudi Arabia, 1998G.</li> </ul>                                                                                                                                                                                                             |
| Previous Professional Experience         | <ul style="list-style-type: none"> <li>Senior Legal Consultant at Clyde &amp; Co LLP, Dubai, United Arab Emirates, a limited liability company operating in the field of legal practice, from 2009G to 2015G.</li> <li>Legal Advisor at DLA Piper Middle East LLP, Dubai, United Arab Emirates, a limited liability company operating in the field of legal consultancy, from 2007G to 2009G.</li> <li>A Legal Researcher at the Saudi Arabian Monetary Authority (SAMA), a government entity operating in the field of supervision of the financial sectors licensed by SAMA and authorized to operate in Saudi Arabia, from 2001G to 2002G and from early 2003G to the end of 2003G.</li> </ul> |

Source: The Company.

## Sulaiman Ibrahim Sulaiman Altwaiyan - Member of Patient Safety and Healthcare Quality Committee

Please refer to Table 5.20 for further details on Sulaiman Ibrahim Sulaiman Altwaiyan's experience, qualifications and current and previous positions.

**Table (5-24): Suleiman Abdul Aziz Suleiman Al Majed**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Age                                      | 64 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Position                                 | <ul style="list-style-type: none"> <li>Vice President for Medical and Nursing Affairs</li> <li>Supervisor of diagnostic radiology, laboratory and nursing</li> <li>Consultant of Internal and Chest Diseases</li> </ul>                                                                                                                                                                                                                                                                                                                                                                             |
| Date of appointment                      | <ul style="list-style-type: none"> <li>Part time, since 1995G</li> <li>Full time, since 2007G</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Academic and Professional Qualifications | <ul style="list-style-type: none"> <li>Professor, King Saud University, Riyadh, 1996G.</li> <li>Associate Professor, King Saud University, Riyadh, 1992G.</li> <li>American Board of Chest Diseases, 1988G.</li> <li>American Board of Internal Medicine, 1987G.</li> <li>Canadian Fellowship in Chest Diseases from the University of British Columbia, Vancouver, Canada, 1987G.</li> <li>Canadian Fellowship in Internal Diseases from the University of British Columbia, Vancouver, Canada, 1986G.</li> <li>Bachelor's degree in Medicine from King Saud University, Riyadh, 1980G.</li> </ul> |
| Previous Professional Experience         | <ul style="list-style-type: none"> <li>Professor and consultant at the Faculty of Medicine, King Saud University, a governmental educational institution, from 1988G to 2007G.</li> <li>Head of Department of Chest at the Faculty of Medicine, King Saud University, a governmental educational institution, from 1992G to 2007G.</li> <li>Head of the Department of Training and Recognition in Medical Specialties of Internal Medicine at the Faculty of Medicine, King Saud University, a governmental educational institution, from 1998G to 2006G.</li> </ul>                                |

Source: The Company.

**Table (5-25): Abdullah Sulaiman Abdullah Al Harbash**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Age                                      | 62 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Position                                 | <ul style="list-style-type: none"> <li>Vice President for Physician Affairs</li> <li>Consultant of Pediatric Endocrinology and Diabetes</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Date of appointment                      | <ul style="list-style-type: none"> <li>Part time from 01/04/1995G to 31/03/2009G</li> <li>Full time from 01/04/2009G to date</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Academic and Professional Qualifications | <ul style="list-style-type: none"> <li>Canadian Fellowship in Pediatric Endocrinology and Diabetes from the Royal Canadian College of Physicians and Surgeons, University of Toronto, Toronto, Canada, 1989G.</li> <li>American Board in Pediatric Endocrinology and Diabetes from the American Board Association, USA, 1989G.</li> <li>Canadian Fellowship in pediatrics from the Royal Canadian College of Physicians and Surgeons, University of Calgary, Calgary, Canada, 1988G.</li> <li>American Board in pediatrics from the American Board Association, Seattle, USA, 1988G.</li> </ul> |
| Previous Professional Experience         | Professor and consultant at the Department of Pediatrics, Faculty of Medicine, King Saud University in Riyadh, a governmental educational institution, from 1982G to 2009G.                                                                                                                                                                                                                                                                                                                                                                                                                     |

Source: The Company.





**Table (5-26): Vice President for Human Resources Affairs**

|                            |                                            |
|----------------------------|--------------------------------------------|
| <b>Nationality</b>         | Vice President for Human Resources Affairs |
| <b>Date of appointment</b> | Being appointed                            |

Source: The Company.

**Table (5-27): Vimal Subramanian**

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality</b>                              | Indian                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Age</b>                                      | 38 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Position</b>                                 | <ul style="list-style-type: none"> <li>• Head of Internal Audit Department</li> <li>• Secretary of Audit Committee</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Date of appointment</b>                      | 10/04/2016G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Academic and Professional Qualifications</b> | <ul style="list-style-type: none"> <li>• Master of Business Administration – Finance from Bharathiar University, India, 2014G.</li> <li>• Certified Information Systems Auditor (CISA), the Association of Information Systems Audit and Control, USA, 2014G.</li> <li>• Certified Risk Management Assurance (CRMA), Institute of Internal Auditors, USA, 2011G.</li> <li>• Certified Fraud Examiner (CFE), the Association of Certified Fraud Examiners, USA, 2010G.</li> <li>• Certified Internal Auditor (CIA), the Institute of Internal Auditors, USA, 2009G.</li> <li>• Bachelor's degree in Commerce – Accounting, University of Anamalai, India, 2002G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Previous Professional Experience</b>         | <ul style="list-style-type: none"> <li>• Head of Internal Audit Department and Secretary of the Audit Committee at Dr. Sulaiman Al-Habib Medical Services Group, a closed joint stock company operating in the field of establishing, managing and operating hospitals, medical centers, clinics, analysis, laboratories, radiology, dental clinics and pharmacies, from 2016G to date.</li> <li>• Assistant Manager of Risk Consulting at KPMG Saudi Arabia, a limited liability company operating in the field of professional services, from 2014G to 2015G.</li> <li>• Manager of Internal Audit at RSM International (Saad Al Sabti CPA – Partnership) Internal Audit Consultancy – Saudi Arabia, a limited liability company operating in the field of professional services, from 2011G to 2014G.</li> <li>• Senior Consultant in Protiviti (Saad Al Sabti CPA – Chartered Accountants) – Business Risk and Internal Audit Service – Saudi Arabia, a chartered accountant office licensed by SOCPA and operating in the field of professional services, from 2010G to 2011G.</li> <li>• Assistant Manager at Astral Consulting Limited (Saad Al Sabti CPA – Partnership), Internal Audit and Risk Consulting – Saudi Arabia, a limited liability company operating in the field of technology and business consulting, from 2007G to 2010G.</li> <li>• Professional Consultant at Astral Consulting Limited (Audit Supervisor – Senior Advisor – Consultant), Internal Audit and Risk Consulting in India, a limited liability company operating in the field of technology and business consulting, from 2002G to 2007G.</li> </ul> |

Source: The Company.



**Table (5-28): Mostafa Al Omary**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Moroccan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Age                                      | 42 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Position                                 | Vice President of the Department of Supply and Logistics                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Date of appointment                      | 30/06/2019G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Academic and Professional Qualifications | State Engineer, a graduate of Mohammadia School of Engineers, Rabat, Kingdom of Morocco, 2000G.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Previous Professional Experience         | <ul style="list-style-type: none"> <li>General Manager, Biscuiterie Moderne Zine, Casablanca, Kingdom of Morocco, a private joint stock company affiliated to Zine Capital Invest Group, a local leader in the field of food industry, from 2017G to 2019G.</li> <li>Director of the Department of Supply and Logistics Development in Asia, Middle East, Africa and Eastern Europe, Mondelez International, Casablanca, Kingdom of Morocco, an American multinational company and a global leader in the field of food industry, from 2015G to 2017G.</li> <li>Director of Supply Chain Development in Eastern Europe, Middle East and Africa, Mondelez International/ Ex Kraft Food International, Casablanca, Kingdom of Morocco, an American multinational company and a global leader in the field of food industry, from 2013G to 2014G.</li> <li>Director of the Department of Supply, Logistics and Procurement, Bimo, Casablanca, Kingdom of Morocco, a private joint stock company affiliated to ONA &amp; Kraft Food Int., a leader in biscuit industry in North Africa, from 2010G to 2012G.</li> <li>Regional Supply &amp; Logistics Manager, Procter &amp; Gamble (P &amp; G Int.), Middle East &amp; Africa Branch in Dubai, United Arab Emirates, an American multinational company and a global leader in the field of consumer goods industry, from 2007G to 2009G.</li> <li>Supply and Logistics Manager, Procter &amp; Gamble (P &amp; G Int.), Northwest Africa Branch in Casablanca, Kingdom of Morocco, an American multinational company and a global and local leader in the field of consumer goods industry, from 2000G to 2006G.</li> </ul> |

Source: The Company.

**Table (5-29): Abdulilah Abdulrahman Saleh Al Maiman**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Age                                      | 40 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Position                                 | Chief Executive Officer, Cloud Solutions Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Date of appointment                      | 01/09/2012G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Academic and Professional Qualifications | Bachelor's degree in Computer Engineering from King Saud University, Riyadh, 2000G.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Previous Professional Experience         | <ul style="list-style-type: none"> <li>CEO Deputy for Information Technology, Dr. Sulaiman Al-Habib Medical Services Group, a closed joint stock company operating in the field of establishing, managing and operating hospitals, medical centers, clinics, laboratories, radiology, dental clinics and pharmacies, from 2012G to 2018G.</li> <li>Executive Director for business specifications, Samba Financial Group, a public joint-stock company operating in the field of providing financial services including investment services, investment banking consultancy, investment banking financing and Islamic financing, from 2011G to 2012G.</li> <li>Executive Director for banking applications, Alinma Bank, a public joint-stock company operating in the field of providing financial services including investment services, investment banking consultancy, investment banking financing and Islamic financing, from 2007G to 2011G.</li> <li>Head of American Express Systems, the Saudi Investment Bank, a public joint-stock company operating in the field of providing financial services including investment services, investment banking consultancy, investment banking financing and Islamic financing, from 2006G to 2007G.</li> </ul> |



|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Previous Professional Experience (Continued) | <ul style="list-style-type: none"> <li>General Supervisor of the main banking systems, the Saudi Investment Bank, a public joint-stock company operating in the field of providing financial services including investment services, investment banking consultancy, investment banking financing and Islamic financing, from 2000G to 2006G.</li> <li>Programmer, the Saudi Investment Bank, the Saudi Investment Bank, a public joint-stock company operating in the field of providing financial services including investment services, investment banking consultancy, investment banking financing and Islamic financing, from 2000G to 2002G.</li> </ul> |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: The Company.

**Table (5-30): Riad Saleh Abdulaziz Al Ateeqi**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Age                                      | 51 years old                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Position                                 | General Manager of Pharmaceutical Facilities                                                                                                                                                                                                                                                                                                                                                                                     |
| Date of appointment                      | 01/09/2009G                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Academic and Professional Qualifications | <ul style="list-style-type: none"> <li>Diploma in International Finance from the Paris Business School in 2017G.</li> <li>Master of Business Administration from King Saud University in 1996G.</li> <li>Bachelor of Pharmaceutical Sciences from King Saud University in 1991G.</li> </ul>                                                                                                                                      |
| Previous Professional Experience         | <ul style="list-style-type: none"> <li>Manager of the Central Region Branch of Saudi International Trading Company Ltd., a limited liability company operating in the field of importing and distributing drugs, from 1997G to 2008G.</li> <li>Regulatory Relations Officer, Swiss Novartis, Scientific Office Branch, a company operating in the field of research and pharmaceutical industry, from 1992G to 1997G.</li> </ul> |

Source: The Company.

**Table (5-31): Abdulwahab Abdullah Mohammed Al Abdulwahab**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nationality                              | Saudi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Age                                      | 49 years old                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Position                                 | Chief Operating Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Date of appointment                      | 16/06/2019G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Academic and Professional Qualifications | <ul style="list-style-type: none"> <li>PhD in Healthcare Management from the University of Wales, UK, in 2002G.</li> <li>Master of Healthcare Management from the University of Wales, UK, in 2000G.</li> <li>Bachelor of Applied Medical Sciences from King Saud University, Riyadh in 1995G.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Previous Professional Experience         | <ul style="list-style-type: none"> <li>General Manager, Rayyan Hospital affiliated to Dr. Sulaiman Al-Habib Medical Services Group, a closed joint stock company operating in the field of establishing, managing and operating hospitals, medical centers, clinics, laboratories, radiology, dental clinics and pharmacies, from 2017G to 2019G.</li> <li>General Manager of Home Healthcare Company, a company affiliated to Dr. Sulaiman Al-Habib Medical Services Group operating in the field of providing home healthcare services, from 2013G to 2019G.</li> <li>General Manager of UMC at King Abdullah Medical City, Bahrain, a center affiliated to Arabian Gulf University and a government educational entity operating under the umbrella of GCC countries, from 2012G to 2019G.</li> <li>General Manager of private projects (obesity center units, physical therapy divisions and skin and plastic surgery centers) at Dr. Sulaiman Al-Habib Medical Services Group, a closed joint stock company operating in the field of establishing, managing and operating hospitals, medical centers, clinics, laboratories, radiology, dental clinics and pharmacies, from 2010G to 2019G.</li> <li>Consultant of the General Directorate of Medical Services at the Ministry of Defense, a government entity seeking to preserve the sovereignty, security, unity, growth and stability of the Kingdom, from 2009G to 2010G.</li> </ul> |



#### Previous Professional Experience (Continued)

- Consultant to the General Manager of Prince Sultan Medical Military City, a government entity operating in the field of providing healthcare services to Armed Forces personals and their families, from 2008G to 2009G.
- Administrative Manager of Department of Family Medicine at Prince Sultan Medical Military City, a government entity operating in the field of providing healthcare services to Armed Forces personals and their families, from 2006G to 2008G.
- Manager of human resources at Prince Sultan Medical Military City, a government entity operating in the field of providing healthcare services to Armed Forces personals and their families, from 2005G to 2006G.
- Planning and Development Officer, human resources department, Prince Sultan Medical Military City, a government entity operating in the field of providing healthcare services to Armed Forces personals and their families, from 2002G to 2004G.
- Manager of MOH rehabilitation division, a government entity responsible for the public health of Kingdom's citizens and developing the health policy plan, from 1995G to 1997G.

Source: The Company.

### 5.4.3 Employment Contracts with Senior Management

The Company has entered into a number of employment contracts with Senior Management of the Company. Such contracts stipulate their salaries and remunerations in line with their qualifications and experiences. They include a number of advantages such as housing and/or transporting allowances. These contracts shall be renewable and subject to the Labor Law in the Kingdom. The following table summarizes the employment contracts of the CEO and CFO:

**Table (5-32): Summary of Contracts of CEO and Chief Financial Officer**

| Name                                | Position | Date of Appointment | Term of Contract |
|-------------------------------------|----------|---------------------|------------------|
| Nasser Mohammed Abdulaziz Al Hqbani | CEO      | 10/01/2000G         | Indefinite       |
| Faisal Abdullah Ali Al Nassar       | CFO      | 22/10/2011G         | Indefinite       |

### 5.5 Remunerations of the Board Directors and Senior Management

Subject to the Company's Bylaws, remunerations of Board Directors shall be determined in accordance with the official decisions and instructions issued by the Ministry of Commerce and Investment in this context and within the provisions of the Companies Law and any other relevant supplementary laws, as well as the Bylaws of the Company. The attendance and transportation allowances shall be determined by the Board according to the applicable laws, decisions and directions identified by the competent entities in the Kingdom.

It should be noted that no in-kind benefits have been paid to the Board members and Senior Management. The following table shows the remunerations of the Board Directors and the top five Senior Management (including the CEO and CFO) for the Financial Years ended 31 December 2016G, 2017G and 2018G and for the three-month period ended 31/03/2019G.

**Table (5-33): Remunerations of the Board and top five members of the Senior Management team (SAR)**

|                   | 2016G      | 2017G      | 2018G      | 31/03/2019G |
|-------------------|------------|------------|------------|-------------|
| Board Directors   | 1,845,000  | 1,030,000  | 1,248,000  | 300,000     |
| Committee Members | 1,005,000  | 596,000    | 566,000    | 125,000     |
| Senior Management | 10,839,021 | 10,652,280 | 11,055,097 | 2,800,662   |

Source: The Company.



## 5.6 Company Governance

The Company shall comply with the highest governance standards. It has developed its policy in line with the provisions and mandatory articles of the Corporate Governance Regulations issued by the CMA on 16/5/1438H (corresponding to 13/2/2017G) and amended on 15/09/1440H (corresponding to 20/05/2019G).

The Corporate Governance Regulations also show rules and standards regulating the management process of the Company in order to ensure the commitment of the best corporate governance practices protecting rights of Shareholders and stakeholders. The Corporate Governance Regulations shall be mandatory, excluding provisions referred to as indicative.

Since the Company believes in developing procedures, controls and systems that will enable the Company to achieve good governance in order to ensure systems of control and accountability with respect to the activities of the Company and its employees that are in line with the risks involved in such activities, and to implement and comply with the Company Governance Regulations, on 04/09/1440H (corresponding to 09/05/2019G) and/or the Board of Directors on 10/08/1440H (15/04/2019G), the Company's Ordinary General Assembly has approved and adopted the following charters, policies and instructions that are being implemented:

- 1- Audit Committee Charter.
- 2- Nominations and Remuneration Committee Charter.
- 3- Policy of Remuneration and Compensation of Directors, Committee Members and Senior Management.
- 4- Policies, Standards and Procedures for Membership in the Board of Directors of the Company.
- 5- Charter of Patient Safety and Healthcare Quality Committee.
- 6- Executive Committee Charter.
- 7- Board Regulations.
- 8- Conflicts of interest policy.
- 9- Internal audit framework.
- 10- Guidelines of transactions with Related Parties.
- 11- Disclosure and transparency policy
- 12- Investor relation guidelines.
- 13- Shareholder guidelines.
- 14- Code of conduct
- 15- Social responsibility policy

The Company confirms its compliance with the mandatory provisions of the Corporate Governance Regulations as of the date of this Prospectus, excluding some provisions related to the listed companies and with which the Company does not comply due to the fact that the Company's shares have not been listed in the market yet, as follows;

- Paragraph A of Article 8 relating to the announcement on Tadawul's website about the information of candidates for membership of the Board of Directors upon publishing or inviting for the General Assembly's meeting.
- Paragraph C of Article 8 relating to limit the voting of the General Assembly to candidates whose information are announced according to Paragraph A of Article 8.
- Paragraph D of Article 13 relating to the publication of the invitation to the General Assembly on Tadawul website and the Company's website.
- Paragraph C of Article 14 relating to the availability of information concerning the items of the General Assembly of Shareholders through Tadawul website and the Company's website.
- Paragraph E of Article 15 relating to the announcement to the public and notify the Authority and Tadawul of the results of the General Assembly immediately after its conclusion.
- Paragraph D of Article 17 relating to notifying the Authority of the Director names, their membership status and any changes in their membership.
- Paragraph B of Article 19 relating to notifying the Authority and Tadawul of the expiration of a Director membership immediately upon occurrence with the reasons.



- Article 68 relating to the publication of the Company's announcement of candidacy for Board membership on the Company's website and Tadawul website in order to invite persons wishing to run for Board membership.
- Article 89, Article 90, Paragraph B of Article 91, Article 92 and Article 93 relating to disclosure policy and procedures.

According to this Prospectus, the Board of Directors includes four committees, namely; Audit Committee, Executive Committee, Nomination and Remuneration Committee and Patient Safety and Care Quality Committee. These committees shall be responsible for following, reviewing and examining the Company's businesses in terms of its competence and shall submit reports regarding results and proposals to the Board.

Subject to Paragraph 1 of Article 95 of Companies Law and Paragraph B of Article 8 of the Corporate Governance Regulations, the Shareholders shall vote for the Directors according to cumulative voting mechanism, as stipulated in the Company's Bylaws which gives each Shareholder voting rights consistent with the number of shares he owns.

## 5.7 Conflict of Interests

The bylaws or the internal policies and regulations of the Company shall not confer any powers on the member of the Board of Directors to vote on a contract or business in which he has a direct or indirect interest, pursuant to the provisions of Article 71 of the Companies Law. The Directors shall declare that they:

- Comply with Articles 71 and 72 of the Companies Laws and Articles 44 and 46 of the Corporate Governance Regulations.
- Are committed not to vote on decisions related to contracts or transactions with relevant parties in the General Assembly meetings, whether they have direct or indirect interest.
- Are committed not to engage into a business competing the Company's business unless after obtaining the approval of the Ordinary General Assembly as stipulated in the Article 72 of the Companies law.

As of the date of this Prospectus, no current Director, Senior Executive or Shareholder is a party to any agreement, arrangement or understanding under which they are subject to any obligation that would prevent them from competing with the Group or any similar obligation with respect to the Group's business. However, any Directors' engagement in any business competitive with the Group shall be approved by the General Assembly under Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

The following table shows the details related to the participation of Directors in similar or competing activities of the Company (these cases have been approved by the Extraordinary General Assembly meeting held on 04/09/1440H corresponding to 09/05/2019G).

**Table (5-34): Board members who participate in companies that perform a business similar to or competing with the Company's business through their membership in the Board of Directors or contributing in the capital**

| Board Member                    | The other company related to Director | Director position in the relevant company |                  | Nature of the Company's work      |
|---------------------------------|---------------------------------------|-------------------------------------------|------------------|-----------------------------------|
|                                 |                                       | The Owner                                 | Director/Manager |                                   |
| Dr. Sulaiman Abdulaziz Al-Habib | National Pharmacies Company "Whites"  | Yes                                       | Yes              | Operating and managing pharmacies |
| Saleh Mohammed Al-Habib         | National Pharmacies Company "Whites"  | Yes                                       | Yes              | Operating and managing pharmacies |

Source: The Company.

It is worth mentioning that the Company has entered into a number of contracts with Related Parties that were presented and approved in the Company's General Assembly meeting on 04/09/1440H (corresponding to 09/05/2019G) The transactions between the Group and Related Parties for the year ended 31/12/2018G and the three-month period ended 31/03/2019G amounted to SAR 56.7 million and SAR 23.2 million, respectively. It is worth noting that the Company awarded the structure construction contract of SAR 348.9 million for North Riyadh Hospital to Masah Contracting Company (a Related Party to Sulaiman Abdulaziz Sulaiman Al-Habib and Hesham Sulaiman Abdulaziz Al-Habib). The Extraordinary General Assembly approved this contract (please refer to section 12.12 "**Material Contracts with Related Parties**" for further details).



Below are the details of such transactions between the Company and the Related Parties.

**Table (5-35): Summary of transactions between the Company and the Related Parties**

| # | Contracting Party                                    | Date        | Nature of Contract/ Transaction and its Objective                                                                                    | Related Party                                                               | Nature of Relationship                                  | Term of Contract                                                                                                                        | Value of transaction during the Financial Year ended 31/12/2018G (SAR Million) | Value of transaction for the three-month period ended 31/03/2019G (SAR Million) |
|---|------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| 1 | Masah Contracting Company                            | 30/10/2017G | General building contracting                                                                                                         | Sulaiman Abdulaziz Sulaiman Al-Habib<br>Hesham Sulaiman Abdulaziz Al-Habib  | Relative of a shareholder<br>Relative of a shareholder  | One-year                                                                                                                                | 21.2                                                                           | 1.38                                                                            |
| 2 | Masah Contracting Company                            | 05/02/2018G | General building contracting                                                                                                         | Sulaiman Abdulaziz Sulaiman Al-Habib,<br>Hesham Sulaiman Abdulaziz Al-Habib | Relative of a shareholder<br>Relative of a shareholder  | (3) Three-month contract                                                                                                                | 1.6                                                                            | -                                                                               |
| 3 | Nemara Specialized Trading Institution               | 15/10/2015G | Purchasing instruments and electrical supplies                                                                                       | Sulaiman Abdulaziz Sulaiman Al-Habib<br>Hesham Sulaiman Abdulaziz Al-Habib  | Shareholder<br>Relative of a shareholder                | Three years as of the agreement date, to be renewed automatically on annual basis afterwards. Contract value depends on purchase orders | 2.42                                                                           | 1.11                                                                            |
| 4 | Sulaiman Abdulaziz Al-Habib                          | 01/07/2018G | Warehouse lease contract for Dubai Hospital                                                                                          | Sulaiman Abdulaziz Sulaiman Al-Habib<br>Hesham Sulaiman Abdulaziz Al-Habib  | Contracting party<br>Relative of the contracting party  | One year, renewed annually thereafter                                                                                                   | 0.07                                                                           | 0.07                                                                            |
| 5 | Sulaiman Abdulaziz Al-Habib                          | 01/06/2018G | Warehouse lease contract for Dubai Hospital                                                                                          | Sulaiman Abdulaziz Sulaiman Al-Habib<br>Hesham Sulaiman Abdulaziz Al-Habib  | Contracting party<br>Relative of the contracting party  | One year, renewed annually thereafter                                                                                                   | 0.15                                                                           | 0.15                                                                            |
| 6 | Sulaiman Abdulaziz Al-Habib <sup>(1)</sup>           | 26/04/2018G | Pharmacy / medical center lease contract for Dubai Hospital                                                                          | Sulaiman Abdulaziz Sulaiman Al-Habib<br>Hesham Sulaiman Abdulaziz Al-Habib  | Contracting party<br>Relative of the contracting party  | One year, renewed annually thereafter                                                                                                   | 5.11                                                                           | 5.11                                                                            |
| 7 | Rawafed Al Seha International Company <sup>(1)</sup> | -           | waiver by a related party of its outstanding balance as a result of the Group's acquisition of Rawafed Al Seha International Company | Sulaiman Abdulaziz Sulaiman Al-Habib<br>Hesham Sulaiman Abdulaziz Al-Habib  | Relative of the assignor<br>Assignor of the balance due | Not applicable                                                                                                                          | 10.8                                                                           | -                                                                               |





| #  | Contracting Party                                          | Date        | Nature of Contract/ Transaction and its Objective                                                                                   | Related Party                        | Nature of Relationship      | Term of Contract                                                  | Value of transaction during the Financial Year ended 31/12/2018G (SAR Million) | Value of transaction for the three-month period ended 31/03/2019G (SAR Million) |
|----|------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| 8  | Rawafed Al Seha International Company <sup>(1)</sup>       | 01/01/2019G | Acquisition of all shares in the Company and repaying debts                                                                         | Sulaiman Abdulaziz Sulaiman Al-Habib | Relative of the acquiror    | Not applicable                                                    | -                                                                              | 13.761                                                                          |
|    |                                                            |             |                                                                                                                                     | Hesham Sulaiman Abdulaziz Al-Habib   | Relative of the acquiror    |                                                                   |                                                                                |                                                                                 |
| 9  | Rawafed Al Seha International Company                      | -           | Purchasing instruments, supplies and equipment                                                                                      | Sulaiman Abdulaziz Sulaiman Al-Habib | Relative of the shareholder | Purchase orders                                                   | -                                                                              | -                                                                               |
|    |                                                            |             |                                                                                                                                     | Hesham Sulaiman Abdulaziz Al-Habib   | Relative of the shareholder |                                                                   |                                                                                |                                                                                 |
| 10 | Al Andalus Real Estate Company                             | 30/10/2014G | Partnership contract for design, development, management and operation of South West Jeddah Hospital                                | Sulaiman Abdulaziz Sulaiman Al-Habib | Partner                     | Ninety-nine (99) years as of 30/10/2014G, automatically renewable | -                                                                              | -                                                                               |
|    |                                                            |             |                                                                                                                                     | Saleh Mohammed Abdulaziz Al-Habib    | Relative of a Partner       |                                                                   |                                                                                |                                                                                 |
|    |                                                            |             |                                                                                                                                     | Hesham Abdulaziz Sulaiman Al-Habib   | Relative of a Partner       |                                                                   |                                                                                |                                                                                 |
| 11 | Mohammad Abdulaziz Al-Habib Real Estate Investment Company | 01/10/2012G | Lease Contract for Employees Residential Complex between the Company and Mohammad Abdulaziz Al-Habib Real Estate Investment Company | Sulaiman Abdulaziz Sulaiman Al-Habib | Relative of the shareholder | Fifteen (15) years, automatically renewable                       | 1.6                                                                            | 1.6                                                                             |
|    |                                                            |             |                                                                                                                                     | Saleh Mohammed Abdulaziz Al-Habib    | Relative of the shareholder |                                                                   |                                                                                |                                                                                 |
| 12 | Masah Contracting Company                                  | 12/12/2019G | General building contracting                                                                                                        | Sulaiman Abdulaziz Sulaiman Al-Habib | Relative of a shareholder   | (20) Twenty months from the date of signing the contract          | -                                                                              | -                                                                               |
|    |                                                            |             |                                                                                                                                     | Hesham Sulaiman Abdulaziz Al-Habib   | Relative of a shareholder   |                                                                   |                                                                                |                                                                                 |

Source: The Company.

- (1) The Company has transferred all its shares in Rawafed Al Seha International Company (the Company has 100% ownership of the capital of Rawafed Al Seha International Company) to Rasha Bint Sulaiman Al-Habib (**Related Party**) pursuant to the Sale Agreement dated 01/01/2019G for an amount of SAR 13,761,974, representing the net book value of Rawafed Al Seha International Company as of the date of this Agreement. Whereas this Agreement with a Related Party has been presented to the General Assembly of the Company held on 05/06/2019G and has been approved.



## 5.8 Employee Share Program

On 10/12/2018G, the Company's Extraordinary General Assembly:

- approved an employee-share program, the terms and conditions of this program (including the allocation price for each share offered to the employees), and authorized the Board of Directors to implement such program and amended its terms as required.
- approved the purchase by the Company of (17,500,000) Shares to allocate to the employees share program, provided that the financing of such purchase is from the Company's own resources and that the allocation of the shares to the employees share program is made within a maximum period of 60 months as of the date of the Extraordinary General Assembly resolution, and authorized the Board of Directors to complete the procurement process (whether in one or several stages, subject to its discretion) during a 12 month period from the date of the Extraordinary General Assembly resolution.

As of the date of this Prospectus, the Company has not yet purchased any shares to be allocated under the employee share program.

Except as disclosed in this section, the Board acknowledges that there are no other arrangements involving employees in the Issuer's capital as at the date of publication of this Prospectus.

## 6- Management Discussion and Analysis of Financial Position and Results of Operations

### 6.1 Introduction

The following management discussion and analysis section provide an analysis of the operational performance and financial position of Dr. Sulaiman Al Habib Medical Services Group Company (the “**Group**”) during the financial years ended 31 December 2016G, 2017G and 2018G. This section is based on the audited consolidated financial statements for the financial year ended 31 December 2018G and the accompanying notes, in addition to the special purpose audited consolidated financial statements for the financial years ended 31 December 2017G and 31 December 2016G and the accompanying notes. These financial statements have been prepared by the Group and audited in accordance with the International Standards on Auditing by the Group’s auditors Ernst & Young & Co. (Public Accountants). The Group has applied the IFRS adopted in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants (collectively referred to as the “**International Financial Reporting Standards (IFRS) in Saudi Arabia**”) for the preparation of the consolidated audited financial statements for the year ended 31 December 2018G. The special-purpose audited consolidated financial statements have been prepared for the years ended 31 December 2017G and 31 December 2016G for comparison purposes and its inclusion in the Prospectus and submission to the CMA of the Kingdom of Saudi Arabia in connection with the Group’s application for public offering of its shares.

It is worth mentioning that the Group has prepared consolidated audited financial statements for the years ended 31 December 2017G and 31 December 2016G in accordance with the accounting standards adopted in the Kingdom of Saudi Arabia, which consist mainly of the accounting standards issued by SOCPA in line with regulatory requirements applicable during the years preceding the application of International Financial Reporting Standards adopted in Saudi Arabia.

Neither Ernst & Young & Co. (Public Accountants) nor any of its Subsidiaries or any of its employees have any shares or interest of any kind in the Group that would affect their independence. The auditors have given their written consent to refer in this Prospectus to their role as the Group’s auditors for the financial years ended 31 December 2016G, 31 December 2017G, and 31 December 2018G, and have not withdrawn their written consent as at the date of issuance of this Prospectus.

The above-mentioned financial statements are an integral part of this Prospectus and should be read in conjunction with these statements and their supplementary explanations. These financial statements are included in the “**Financial Statements and Auditor’s Report**” section of this Prospectus.

All amounts stated in this section are presented in Saudi Riyals unless otherwise stated, and the numbers and percentages are rounded to the nearest decimal. Therefore, if the figures in the tables are added, the totals may not correspond to the totals mentioned in those tables or consolidated audited financial statements of the Group.

This section may include data that are forward looking in nature about the Group and its future based on Management plans and current expectations regarding the Group’s business growth and results of operations and financial conditions. The information may entail uncertain risks and expectations. Actual group results may also differ materially from those projections, due to various future factors and events, including those discussed in this section of the Prospectus or elsewhere, particularly those in section 2 “**Risk Factors**”.

### 6.2 Directors’ Declaration on the Financial Statements

The Directors declare that the financial information presented in this section is extracted without material change and are presented to be consistent with the consolidated audited financial statement for the year ended 31 December 2018G and the accompanying notes, which were prepared by the Group in accordance with IFRS endorsed in the Kingdom of Saudi Arabia by the Saudi Organization for Certified Public Accountants. The special purpose consolidated audited financial statements for the years ended 31 December 2017G and 31 December 2016G and the accompanying notes were prepared by the Group for comparative purposes in accordance with the accounting standards to convert to IFRS endorsed in the Kingdom of Saudi Arabia by the Saudi Organization for Certified Public Accountants. All of the above statements have been reviewed in accordance with IFRS by the Group’s auditors Ernst & Young & Co. (Public Accountants).

The Directors declare that the Company, its Subsidiaries, and its Associate Companies have sufficient working capital for the next twelve months following the date of publication of this Prospectus.

The Directors declare that there has been no material adverse changes to the Group and its Subsidiaries' financial or business position in the three financial years directly preceding the date of the application for the registration and offer of securities until the date of issuing this Prospectus, with the exception to what has been mentioned in section 2 **"Risk Factors"**, and section 6 **"Management discussion and analysis of Financial Position and Results of Operations"** of this Prospectus.

The Directors declare that all material facts related to the Group and its Subsidiaries and their financial performance have been disclosed in this Prospectus, and that there are no other information, documents, or facts the omission of which would make any statement herein misleading.

The Directors declare that the Company and its Subsidiaries do not have any properties, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which significantly affects the evaluation of the financial position.

The Directors declare that no commissions, discounts, brokerage fees, or non-cash compensations were given by the Company and its Subsidiaries, throughout the three years immediately preceding the date of submission of its application for the registration and offer of securities that are subject to this Prospectus in connection with issuing or offering any securities.

The Directors declare that the company and its Subsidiaries do not have any loans or any other liabilities including overdraft from bank accounts, nor guaranteed liabilities (either covered by personal guarantee or non-personal guarantee), liabilities under acceptance, acceptance credits, or any hire purchase commitments except what has been disclosed in section 12.10 **"Ministry of Finance loan agreements"**, section 12.11 **"Financing agreements with commercial banks"**, and section 6 **"Management discussion and analysis of Financial Position and Results of Operations"** of this Prospectus.

The Directors declare that there are no mortgages, rights, burdens, or costs on the Group or its Subsidiaries' properties as at the date of this Prospectus, except for what has been disclosed in section 12.10 **"Ministry of Finance loan agreements"**, section 12.11 **"Financing agreements with commercial banks"**, and section 6 **"Management discussion and analysis of Financial Position and Results of Operations"** of this Prospectus.

The Directors declare that that the company and its Subsidiaries' capital is not under option right.

With regards to the policy for provision for doubtful debt, the Directors declare that the policy adopted for provision for doubtful debts is appropriate and applied in accordance with IFRS 9 (Expected Credit Loss Model), and IFRS 15 (under which revenue and receivables are recognized based on the five-step model), as explained in the accounting policies section of this Prospectus. The Directors declare that the current provision for doubtful debts is sufficient to their knowledge.

### 6.3 Key factors affecting the Group's performance

- **Seasonality and economic cycles**

The Group's revenue and profitability margins are typically impacted in Ramadan, Eid Al Adha and Eid Al Fitr, and during the summer vacation periods as a large number of residents travel, either abroad or to their hometown within the Kingdom, away from the main cities where the Group's hospitals are located. Generally, this results in a decrease in outpatient visits and inpatient admissions across all of the Group's hospitals.

The Groups revenue and profit margins might be impacted by the economic cycles in Saudi Arabia, which might lead to a decrease in government healthcare spending. Despite the growth in non-oil sectors in Saudi, the Saudi economy and government spending are still dependent on the price of oil in the international markets. Accordingly, any changes in oil prices will generally impact the Saudi economy and government spending, including healthcare spending.

- **Healthcare spend**

Total spend on healthcare in Saudi Arabia increased at a cumulative annual growth rate of 2% between 2015G and 2018G. Healthcare spending increased from SAR 141 billion in 2015G to SAR 150 billion in 2018G. Healthcare spending is impacted by demographic factors including population growth, and lifestyle changes and related diseases such as diabetes and obesity.

Government healthcare spend represented 75% of total healthcare spending in Saudi Arabia in 2018G. The Kingdom has prepared a number of plans to develop the healthcare sector on a national level as part of the National Transformation Project 2020G and Vision 2030. The goals of these programs include increase participation of the private sector in providing healthcare services, which will impact healthcare spending on the private healthcare sector. Accordingly, the Group provides a number of services which contribute to the national plans. The Group recently started offering ICU management and operations services after signing six contracts to operate the MOH ICU departments in Jeddah, Buraidah, Medina, Al Qatif, and Al Kharj. Additionally, the Group provides home healthcare services which help in freeing bed capacity in healthcare facilities and increase bed utilization through moving long term stay patients and patients requiring nursing services only to their homes to receive home healthcare services. The Group has also provided technical services, applications and technical support to third parties through Cloud Solutions (as the licensor), entering into an agreement to license its patient health information system (VIDA) with Saudi American General Electric in relation to offering software solutions to the Saudi Ministry of Health. The Ministry of Health, through the National Transformation Program, intends to implement the electronic records system through 10 phases ending in 2020G throughout 220 hospitals. Cloud solutions were selected to implement Ministry of Health projects in cooperation with General Electric and Mobily to start implementing the first phase in eight hospitals in the Kingdom. The Group believes in the importance of these new activities in the coming years, which are aligned with the Group's strategic objectives through the optimal utilization of the Group's resources and knowledge from medical, technical and technological expertise.

Private healthcare spending represented 25% of total healthcare spending in Saudi Arabia in 2018G. Private healthcare spending is comprised of (1) healthcare insurance spending (which will be discussed later), and (2) spending from cash clients. It is worth noting that the Group relies on cash clients, who represent 25.3% of the Group's revenue in the last three years. Cash clients spending, specifically for services not covered by health insurance such as cosmetic procedures, laser procedures, and non-medical bariatrics procedures, is generally impacted by individual income levels and discretionary spending. The Group has attracted talented physicians, surgeons, and specialists in addition to the establishment of centers of excellence for treating obesity, infertility, assisted reproduction, and dermatology and cosmetic clinics in order to ensure the optimal healthcare offering for its customers and maintain a leading position among healthcare providers in the Kingdom.

- **Healthcare insurance sector**

The healthcare insurance sector increased at a CAGR of 0.9% between 2015G and 2018G, as gross written premiums amounted to SAR 19.5 billion in 2018G, driven by the increase in number of insured lives in line with the gradual implementation of mandatory insurance, which included more strict regulation aimed at ensuring the implementation of mandatory health insurance in the Kingdom. As an example, health insurance became a mandatory requirement to renew the residence permit of expatriates. Despite the increase of the ensured population to 12.1 million in 2017G, the recent economic and regulatory reforms resulted in a decrease in number of the ensured population to 10.8 million by the end of 2018G, as a result of the departure of expatriate employees and their dependents. However, as a result of various factors, mainly CCHI's completion of the electronic requirements to implement mandatory insurance for all Saudi employees working in the private sector as previously mentioned, the gross written premiums increased by 25% in the first quarter of 2019G in comparison to the first quarter in 2018G, from SAR 5.6 billion to c. SAR 7.0 billion, according to the initial monthly bulletin circulated by the Saudi Arabian Monetary Agency.

Despite the challenges faced by the health insurance sector as a result of the economic challenges in the recent period which resulted in a decrease in the insured population, the Group was able to increase the number of its insurance patients at a CAGR of 5.2% from 2016G to 2018G. Insurance patients revenue represented 51.2%, 59.2%, and 60.2% of the Group's total revenues in 2016G, 2017G, and 2018G, respectively. The top 5 insurance companies represented 53.8% of the Group's total revenue in 2018G, and 54.4% of the Group's total revenue through the period ending 31 March 2019G.



## • Increase in Capacity

The Group's operations are impacted by demand for healthcare services, and the sufficiency of capacity to meet that demand. The Group has invested SAR 2.5 billion between 2016G and 2018G in expanding the existing hospitals and building new hospitals in order to keep pace with the growth in the healthcare sector. The table below shows the number of patients and the capacity of the hospitals throughout the previous years.

**Table (6-1): Group's operating capacity and key performance indicators**

| SAR in millions          | 2016G     | 2017G     | 2018G     | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|--------------------------|-----------|-----------|-----------|---------------------------|---------------------------|-----------------------|
| Number of outpatients    | 2,593,257 | 2,785,738 | 2,882,757 | 7.4%                      | 3.5%                      | 5.4%                  |
| Number of inpatients     | 107,295   | 117,630   | 126,595   | 9.6%                      | 7.6%                      | 8.6%                  |
| Total number of patients | 2,700,552 | 2,903,368 | 3,009,352 | 7.5%                      | 3.7%                      | 5.6%                  |
| Number of clinics        | 1,011     | 1,011     | 1,064     | -                         | 5.2%                      | 2.6%                  |
| Number of beds           | 1,455     | 1,455     | 1,455     | -                         | -                         | -                     |
| Inpatients per bed       | 73.7      | 80.8      | 87.0      | 9.6%                      | 7.7%                      | 8.6%                  |
| Outpatients per clinics  | 2,565     | 2,755     | 2,709     | 7.4%                      | (1.7%)                    | 2.8%                  |

Source: Management information.

As at the date of this Prospectus, the number of clinics increased to 1,371, while the number of beds amounted to 1,913 as a result of the start of operations at Khobar hospital during Q2 2019G. The Group also plans to add three new hospitals in Saudi Arabia: (1) North Riyadh Hospital, located on King Fahd Road in Al Sahafa district in Riyadh, which will include 300 clinics and 500 beds. The hospital is expected to begin operations in 2023G; (2) South West Jeddah Hospital located on Prince Majed Road in Al Fayha district in Jeddah, which will include 245 clinics and 330 beds. The hospital expected to begin operations in 2023G; and (3) North Jeddah Hospital located on Prince Sultan Road in Al Mohamadiyah district in Jeddah, which will include 270 clinics and 350 beds. The hospital is expected to begin operations in 2024G. (Please refer to section (4.9) "Future projects" of this Prospectus for additional details).

## • Cost factors

A key factor affecting the Group's financial performance is its ability to attract and maintain qualified physicians, nurses, and medical staff. Accordingly, one of the main cost components of the Group are the medical staff costs and other costs related to it such as allowances, incentives, and others. Direct staff costs which include salaries and benefits represented 37.5%, 41.0%, and 39.1% of the Group's revenue for the years 2016G, 2017G, and 2018G, respectively. The Group has undertaken a number of initiatives aimed at reducing costs and increasing the efficiency of its operations, as they were able to serve a larger number of patients without having to increase the number of health practitioners. Despite the increase in number of patients at a CAGR of 5.6% between 2016G and 2018G, the average number of patients per doctor increased by 4.5% over the same period as a result of these increased efficiencies. The number of patients per physician increased from 1,364 in 2016G to 1,489 in 2018G. The table below shows the salaries and benefits for the past three years.

**Table (6-2): Salaries and benefits within cost of sales for the financial years ending 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                           | 2016G     | 2017G     | 2018G     | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|-------------------------------------------------------|-----------|-----------|-----------|---------------------------|---------------------------|-----------------------|
| Employees' salaries, wages and other related benefits | 1,732,048 | 1,793,566 | 1,793,523 | 3.6%                      | 0.0%                      | 1.8%                  |
| <b>Key performance indicators</b>                     |           |           |           |                           |                           |                       |
| Number of physicians                                  | 1,979     | 2,038     | 2,021     | 3.0%                      | (0.8%)                    | 1.1%                  |
| Number of patients                                    | 2,700,552 | 2,903,368 | 3,009,352 | 7.5%                      | 3.7%                      | 5.6%                  |
| Patients per physician                                | 1,364     | 1,424     | 1,489     | 4.4%                      | 4.5%                      | 4.5%                  |

| SAR in 000s                                           | 2016G | 2017G | 2018G                    | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|-------------------------------------------------------|-------|-------|--------------------------|---------------------------|---------------------------|-----------------------|
| <b>As a percentage of revenue</b>                     |       |       | <b>Percentage points</b> |                           |                           |                       |
| Employees' salaries, wages and other related benefits | 37.5% | 41.0% | 39.1%                    | 3.4                       | (1.9)                     | 1.6                   |

Source: Management information.

## 6.4 Summary of key accounting policies

### A- Basis of preparation

The consolidated financial statements for the year ended 31 December 2018G have been prepared in accordance with IFRS and standards issued by the International Accounting Standards Board (IASB) approved in the Kingdom of Saudi Arabia and other standards and publications approved by SOCPA (collectively referred to as **"International Financial Reporting Standards adopted in Saudi Arabia"**). Whereas this is the Group's first consolidated financial statements prepared in accordance with the IFRS and the IFRS Foundation (1) "Application of International Financial Reporting Standards for the First Time" both of which are approved in the Kingdom of Saudi Arabia. The financial statements for the years ended 31 December 2016G and 31 December 2017G have been prepared for comparison purposes, included in the Prospectus and submission to the CMA of Saudi Arabia in relation to the Group's request in issuing its shares to the public market. Accordingly, the audited consolidated financial statements may not be suitable for use in other purposes.

The consolidated financial statements for the year ended 31 December 2018G have been prepared on the historical cost basis except for government grants and long-term loans from the Ministry of Finance, which are stated at fair value. These consolidated financial statements are presented in Saudi Riyals, which is the Group's operational and presentation currency. All amounts are rounded to the nearest Saudi Riyals unless otherwise stated.

### B- Basis of consolidation

The consolidated audited financial statements of the Group include the financial statements of Dr. Sulaiman Al Habib Medical Services Group and its Subsidiaries located in the Kingdom of Saudi Arabia and the United Arab Emirates (collectively referred to as the **"Group"**) as at 31 December 2016G, 31 December 2017G and 31 December 2018G.

**Table (6-3): Subsidiaries of the Group**

| Company                                                | Country of incorporation and business | Activities              | Ownership %       |                   |                   |
|--------------------------------------------------------|---------------------------------------|-------------------------|-------------------|-------------------|-------------------|
|                                                        |                                       |                         | 31 December 2018G | 31 December 2017G | 31 December 2016G |
| Sehat Al Olaya Medical Complex Company                 | KSA                                   | Hospital                | 100%              | 100%              | 100%              |
| Asharq Alawsat Pharmacies Company <sup>(A)</sup>       | KSA                                   | Pharmacy                | 100%              | 100%              | 100%              |
| Dr.Sulaiman Al Habib Hospital FZ - LLC                 | UAE                                   | Hospital                | 100%              | 100%              | 100%              |
| Al Mustaqbal for Hospitals Development Company         | KSA                                   | Hospital                | 100%              | 100%              | 100%              |
| Buraidah Al Takhassusi Hospital for Healthcare Company | KSA                                   | Hospital                | 100%              | 100%              | 100%              |
| Bone, Joint and Spine Hospital Company <sup>(B)</sup>  | KSA                                   | Hospital                | -                 | 100%              | 100%              |
| Al Rayan Hospital for Healthcare Company               | KSA                                   | Hospital                | 100%              | 100%              | 100%              |
| Home Healthcare Company                                | KSA                                   | Home Healthcare Service | 100%              | 100%              | 100%              |





| Company                                                       | Country of incorporation and business | Activities          | Ownership %       |                   |                   |
|---------------------------------------------------------------|---------------------------------------|---------------------|-------------------|-------------------|-------------------|
|                                                               |                                       |                     | 31 December 2018G | 31 December 2017G | 31 December 2016G |
| Antab Al Riyadh for Operation and Maintenance Company         | KSA                                   | Ancillary Services  | 100%              | 100%              | 100%              |
| Al Gharb Al Takhassusi Hospital for Healthcare Company        | KSA                                   | Hospital            | 100%              | 100%              | 100%              |
| Al Mokhtabarar Diagnostic Medical Company                     | KSA                                   | Laboratory Services | 100%              | 100%              | 100%              |
| Sehat Al Suweidi Medical Company                              | KSA                                   | Hospital            | 100%              | 100%              | 100%              |
| Hulool Al Sahabah for IT & Communication Company              | KSA                                   | IT Support Services | 100%              | 100%              | 100%              |
| Al Rayan for Maintenance and Operation Company                | KSA                                   | Ancillary Services  | 100%              | 100%              | 100%              |
| Rawafed Al Seha International Company <sup>(F)</sup>          | KSA                                   | Trading Services    | 100%              | 100%              | 100%              |
| Al Afia Pharmacies for Medicines Company <sup>(A)</sup>       | KSA                                   | Pharmacy            | 100%              | 100%              | 100%              |
| Dar Al Seha Investment Company <sup>(E)</sup>                 | KSA                                   | Hospital            | 100%              | 100%              | -                 |
| Sehat Al Sharq Medical Limited Company                        | KSA                                   | Hospital            | 50%               | 50%               | 50%               |
| Al Wosta Medical Limited Company                              | KSA                                   | Hospital            | 50%               | 50%               | 50%               |
| Gharb Jeddah Hospital Company                                 | KSA                                   | Hospital            | 50%               | 50%               | -                 |
| Shamal Al Riyadh for Healthcare Company <sup>(C)</sup>        | KSA                                   | Hospital            | 100%              | -                 | -                 |
| Al Muhammadiya Hospital for Healthcare Company <sup>(D)</sup> | KSA                                   | Hospital            | 100%              | -                 | -                 |

Source: The Group's audited consolidated financial statements for the years ended 31 December 2018G, 2017G and 2016G.

(A) The other partner has assigned his shares for the benefit of the Company.

(B) The Bone, Joint and Spine Hospital Company was transferred as a subsidiary under the Sehat Al Olaya Medical Complex Company as of January 1, 2018G, and all formalities related to the conversion process have been completed. The transfer was carried at net book value of assets and liabilities;

(C) Shamal Al Riyadh for Healthcare Company was established on 24 Jumada Al-Thani 1439H (corresponding to 12 March 2018G);

(D) Al Muhammadiya Hospital for Healthcare Company was established on 19 Rajab 1439H (corresponding to 5 April 2018G);

(E) The name of the company was changed during the first quarter of 2019G from Dar Al Seha Investment Company to Intensive Care Medical Care Company;

(F) The Company has transferred all of its shares in Rawafed Al Seha International Company (representing 100% of the capital of the Company) to Rasha bint Sulaiman Al Habib (Related Party) under the sales agreement dated 01/01/2019G. This amounted to SAR 13,761,974 representing the net book value of Rawafed Al Seha International Company as of the agreement date, whereas this agreement with the Related Party has been presented to the General Assembly of the Company held on 05/06/2019G and has been approved.

## Investments in Associate Companies

The following table shows the Associate Companies per the Group's consolidated financial statements as at 31 December 2018G:

**Table (6-4): Investments in Associate Companies**

| Company                                                                                                   | Percentage of ownership as at 31 December 2016G | Percentage of ownership as at 31 December 2017G | Percentage of ownership as at 31 December 2018G |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental")                               | 50%                                             | 50%                                             | 50%                                             |
| Serco Saudi Services Company (previously Antab for Operations and Contracting Company) ("Serco Services") | 40%                                             | 40%                                             | 40%                                             |

Source: Consolidated audited financial statements for the year ended 31 December 2018G.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

## C- Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in consolidated statement of income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## D- Investments in Associate Companies

An Associate Company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its Associate Companies are accounted for using the equity method. Under the equity method, the investment in an Associate Company is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the Associate Company since the acquisition date.

The consolidated statement of income reflects the Group's share of earnings of the Associate Companies. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the Associate Companies are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit of an Associate Company is shown on the face of the consolidated statement of income outside operating profit and represents earnings after zakat and tax wherever applicable.

The financial statements of the Associate Company are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the Associate Company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate Company and its carrying value and recognizes the loss as 'Share of profit of Associate Companies' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the Associate Company upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

#### **E- 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 presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### **F- Revenue recognition**

The Group has elected full retrospective application of IFRS 15 with effect from 1 January 2017G. As a result of full retrospective application, the Group has applied the accounting policy below for revenue recognition in the preparation of its consolidated financial statements.

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- b- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

**Patient services:** The patient services revenue is recognized when the services are rendered to the patient net off for any discount or rebates and expected rejections at the time of providing services to the patients.

**Sale of goods:** The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net off any discount or rebates and expected rejections at the time of delivery of goods to the patients.

**Rental income:** Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of income.

**Others:** All other revenues are recognized on an accrual basis.

Upon the adoption of IFRS 15, for advance from customer or accounts receivable, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

## G- Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income, if material.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the statement of financial position date.
- Consolidated statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gains or losses on sale.

## H- Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

For the year ended 31 December 2017G, in the statutory consolidated financial statements prepared under SOCPA Generally Accepted Accounting Standards, the loans received from the Ministry of Finance ("MOF") for the construction of hospitals are classified as long-term loans. Management opted for the exemption provided under IFRS 1 to keep the similar classification of loan obtained till 31 December 2017G and to adopt application of IAS – 20 "Accounting for Government Grants and Disclosure of Government Assistance" for new loans (within the scope of IAS – 20) obtained on and after the date of adoption of IFRS for its statutory consolidated financial statements.

## I- Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

Depreciation is calculated on all property and equipment, other than land and capital work-in-progress, at the following useful lives calculated to write off the cost of each asset on a straight-line basis over its expected useful life:

**Table (6-5): Useful life of property and equipment**

| Asset                         | Years                                                        |
|-------------------------------|--------------------------------------------------------------|
| Buildings                     | 10 – 33                                                      |
| Leasehold improvements        | The estimated useful life or lease period whichever is lower |
| Medical and general equipment | 5 – 10                                                       |

| Asset                                    | Years    |
|------------------------------------------|----------|
| Motor vehicles and ambulances            | 4 – 10   |
| Furniture, fixtures and office equipment | 4 – 6.67 |

Source: Consolidated audited financial statements for the year ended 31 December 2019G.

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.

#### J- Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been





a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as income immediately in the consolidated statement of income.

## **K- Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

### **Group as a lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the lease property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

### **Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis a rental income. Contingent rents are recognized as revenue in the period in which they are earned.

## **L- Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs incurred on or after the date of transition (1 January 2017G) for all qualifying assets are capitalized. The borrowing costs capitalized under the previous SOCPA Generally Accepted Accounting Standards on qualifying assets to the date of transition to IFRS are included in the carrying amount of assets at that date.

## **M- Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group has early adopted as of 1 January 2017G and applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the year ended 31 December 2017G.

### **Recognition**

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.



## Classification

The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification depends on the Group's contractual terms of the financial assets cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial liabilities are not reclassified.

## Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through the consolidated statement of income and other comprehensive income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the profit or loss are expensed in the consolidated statement of income and other comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the profit or loss or other comprehensive income (irrevocable election at the time of recognition).

## De-recognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income and other comprehensive income.

## Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

## Impairment

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses ("ECL") on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

### A- Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

## **B- Stage 2: Lifetime ECL - not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

## **C- Stage 3: Lifetime ECL - credit impaired**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the consolidated statement of income and other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Objective evidence that financial assets are impaired may include indications that a debtor or a company of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward- looking information into its measurement.

## **N- Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short- term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

## **O- Inventories**

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow-moving items, near to expiry items and damages. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.



## P- Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

## Q- Employees' end-of-service benefits

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The plan is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in consolidated statement of income on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Past service costs are recognized in consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

## R- Zakat and Value Added Tax (VAT)

Zakat is provided for in accordance with GAZT regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned Subsidiaries since 31 December 2009G. Accordingly, the Company and its 100% legally owned Subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the Subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The subsidiary registered in free zone - Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

## S- Standards issued but not yet effective

The following is an overview of accounting standard changes that the Group will be required to adopt in future years. The Group continues to assess the impact of these standards on the consolidated financial statements.

### IFRS 16 Leases

IFRS 16 was issued in January 2016G and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019G, requires lessees and lessors to make more extensive disclosures than under IAS 17.

### Transition to IFRS 16

The Group plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Currently the Group is performing detailed impact assessment and the Management is of the view that adoption of IFRS 16 will not have material impact on the consolidated financial statements.

### IFRS 17 Insurance Contracts

In May 2017G, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005G. This standard is not applicable to the Group.

### IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. This is not applicable to the Group since the Group is not operating in complex multinational tax environment.

## Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to re-measure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019G, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

## Amendments to IAS 28: Long-term interests in Associate Companies and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an Associate Company or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the Associate Company or joint venture (long-term interests). Since the Group does not have such long-term interests in its Associate Company and joint venture, the amendments will not have an impact on its consolidated financial statements.

## Annual Improvements 2015G-2017G Cycle (issued in December 2017G)

These improvements include:

### • IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019G, with early application permitted. These amendments will apply on future business combinations of the Group.

### • IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019G, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

### • IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019G, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019G, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

## T- Significant accounting judgments, estimates, assumptions

### Estimates and assumptions

The preparation of the Group's consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### Revenue Recognition

The application of IFRS 15 has required Management to make the following judgements:

- **Satisfaction of performance obligations:** The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.
- **Determination of transaction prices:** The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount, insurance claims rejection or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.
- **Transfer of control in contracts with customers:** In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

### Allowance for doubtful debts

For accounts receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.



### Employees' end-of-service benefits

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

### Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

### Useful lives of property and equipment

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

### Provision for inventories

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

### Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

### U- Critical judgements in applying accounting standards

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

#### Component parts of property and equipment

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, Management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

### Determination of control and significant influence

#### Management's judgement in assessing control over consolidated subsidiaries:

Subsidiaries are all investees over which the Group has control. The Group's Management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

The Management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

## 6.5 Results of operations for the financial years ended 31 December 2016G, 2017G, and 2018G:

### Income statement

The following table shows the consolidated income statements for the financial years ended 31 December 2016G, 2017G, and 2018G:

**Table (6-6): Consolidated Audited Income Statements for the financial years ending 31 December 2016G, 2017G and 2018G**

| SAR in 000s                            | 2016G            | 2017G            | 2018G            | Variance<br>2016G-<br>2017G | Variance<br>2017G-<br>2018G | CAGR<br>2016G-<br>2018G |
|----------------------------------------|------------------|------------------|------------------|-----------------------------|-----------------------------|-------------------------|
| Revenue                                | 4,617,236        | 4,379,026        | 4,587,633        | (5.2%)                      | 4.8%                        | (0.3%)                  |
| Cost of Revenue                        | (2,974,158)      | (3,113,642)      | (3,225,624)      | 4.7%                        | 3.6%                        | 4.1%                    |
| <b>Gross Profit</b>                    | <b>1,643,078</b> | <b>1,265,384</b> | <b>1,362,009</b> | <b>(23.0%)</b>              | <b>7.6%</b>                 | <b>(9.0%)</b>           |
| Selling and marketing expenses         | (343,557)        | (197,591)        | (158,487)        | (42.5%)                     | (19.8%)                     | (32.1%)                 |
| General and administrative expenses    | (369,223)        | (412,534)        | (401,999)        | 11.7%                       | (2.6%)                      | 4.3%                    |
| <b>Operating Income</b>                | <b>930,298</b>   | <b>655,260</b>   | <b>801,524</b>   | <b>(29.6%)</b>              | <b>22.3%</b>                | <b>(7.7%)</b>           |
| Share of income of Associate Companies | 13,654           | 7,297            | 5,810            | (46.6%)                     | (20.4%)                     | (34.8%)                 |



| SAR in 000s                                                       | 2016G            | 2017G            | 2018G                    | Variance<br>2016G-<br>2017G | Variance<br>2017G-<br>2018G | CAGR<br>2016G-<br>2018G |
|-------------------------------------------------------------------|------------------|------------------|--------------------------|-----------------------------|-----------------------------|-------------------------|
| Finance Costs                                                     | (2,192)          | (19,409)         | (19,319)                 | 785.6%                      | (0.5%)                      | 196.9%                  |
| Other Income                                                      | 113,414          | 83,512           | 93,389                   | (26.4%)                     | 11.8%                       | (9.3%)                  |
| <b>Income before zakat</b>                                        | <b>1,055,175</b> | <b>726,660</b>   | <b>881,404</b>           | <b>(31.1%)</b>              | <b>21.3%</b>                | <b>(8.6%)</b>           |
| Zakat                                                             | (39,841)         | (70,755)         | (81,330)                 | 77.6%                       | 14.9%                       | 42.9%                   |
| <b>Income for the year</b>                                        | <b>1,015,334</b> | <b>655,905</b>   | <b>800,074</b>           | <b>(35.4%)</b>              | <b>22.0%</b>                | <b>(11.2%)</b>          |
| <b>Attributable to:</b>                                           |                  |                  |                          |                             |                             |                         |
| Equity holders of the parent                                      | 1,015,576        | 656,167          | 801,307                  | (35.4%)                     | 22.1%                       | (11.2%)                 |
| Non-controlling interest                                          | (242)            | (262)            | (1,233)                  | 8.3%                        | 370.6%                      | 125.8%                  |
| Income for the year                                               | 1,015,334        | 655,905          | 800,074                  | (35.4%)                     | 22.0%                       | (11.2%)                 |
| <b>Other Comprehensive Income</b>                                 |                  |                  |                          |                             |                             |                         |
| Remeasurement gain / (loss) on employees' end-of-service benefits | (6,654)          | (11,576)         | 8,104                    | 74.0%                       | (170.0%)                    | N/A                     |
| Net other comprehensive loss for the year                         | (6,654)          | (11,576)         | 8,104                    | 74.0%                       | (170.0%)                    | N/A                     |
| <b>Total comprehensive income for the year</b>                    | <b>1,008,681</b> | <b>644,329</b>   | <b>808,178</b>           | <b>(36.1%)</b>              | <b>25.4%</b>                | <b>(10.5%)</b>          |
| <b>Attributable to:</b>                                           |                  |                  |                          |                             |                             |                         |
| Equity holders of the parent company                              | 1,008,922        | 644,591          | 809,411                  | (36.1%)                     | 25.6%                       | (10.4%)                 |
| Non-controlling interests                                         | (242)            | (262)            | (1,233)                  | 8.3%                        | 370.8%                      | 125.8%                  |
| Total comprehensive income for the year                           | 1,008,681        | 644,329          | 808,178                  | (36.1%)                     | 25.4%                       | (10.5%)                 |
| <b>Key Performance Indicators</b>                                 |                  |                  |                          |                             |                             |                         |
| Number of inpatients                                              | 107,295          | 117,630          | 126,595                  | 9.6%                        | 7.6%                        | 8.6%                    |
| Number of outpatients                                             | 2,593,257        | 2,785,738        | 2,882,757                | 7.4%                        | 3.5%                        | 5.4%                    |
| <b>Number of total patients</b>                                   | <b>2,700,552</b> | <b>2,903,368</b> | <b>3,009,352</b>         | <b>7.5%</b>                 | <b>3.7%</b>                 | <b>5.6%</b>             |
| Number of physicians                                              | 1,979            | 2,038            | 2,021                    | 3.0%                        | (0.8%)                      | 1.1%                    |
| Number of beds                                                    | 1,455            | 1,455            | 1,455                    | 0.0%                        | 0.0%                        | 0.0%                    |
| Number of clinics                                                 | 1,011            | 1,011            | 1,064                    | 0.0%                        | 5.2%                        | 2.6%                    |
| <b>As a percentage of revenue</b>                                 |                  |                  | <b>Percentage points</b> |                             |                             |                         |
| Gross Profit                                                      | 35.6%            | 28.9%            | 29.7%                    | (6.7)                       | 0.8                         | (5.9)                   |
| Selling and marketing expenses                                    | 7.4%             | 4.5%             | 3.5%                     | (2.9)                       | (1.1)                       | (4.0)                   |
| General and administrative expenses                               | 8.0%             | 9.4%             | 8.8%                     | 1.4                         | (0.7)                       | 0.8                     |
| Income from Operations                                            | 20.1%            | 15.0%            | 17.5%                    | (5.1)                       | 2.5                         | (2.6)                   |
| Net Income                                                        | 22.0%            | 15.0%            | 17.4%                    | (7.0)                       | 2.5                         | (4.6)                   |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special-purpose audited consolidated financial statements for the years ended 31 December 2017G and 2016G.

## Revenue

Revenue is generated through three operating segments: (a) Hospitals, (b) Pharmacies and (c) Others. With regard to hospitals segment, the Group operates and manages six healthcare facilities as of 31 December 2018G. The facilities are (1) Olaya Medical Complex (which consists of Outpatient Clinics Complex, Spinal Hospital, Maternity Hospital, and the IVF Center), (2) Dubai Hospital and its branch Dubai Medical Center, (3) Suweidi Hospital, (4) Qassim Hospital, (5) Rayan Hospital, and (6) Takhassusi Hospital. It is worth mentioning that the soft opening of Khobar hospital commenced in Q2 2019G. As part of the pharmacy segment, the Group owns Habib Pharmacies, which include 12 pharmacies spread across its facilities in the Kingdom and Dubai, through which the Group manages and operates its pharmaceutical facilities. Revenues from the others segment include management and operations services for third parties, as the Group operates and manages the UMC at the King Abdullah Medical City in Bahrain. Others segment also includes revenue from Home Healthcare services, Cloud Solutions, and other revenues.

Hospital revenues accounted for 83.3% of the Group's total revenues in 2016G, but as a result of the growth of other operating segments and the Group's strategy of entering into new healthcare-related segments, this ratio decreased to 80.2% of the Group's total revenues in 2018G. Pharmacy revenues, which accounted for 14.2% of the Group's revenues in 2016G, increased to 16.1% in 2018G. In addition, the Group was able to develop other business segments and increase its revenue contribution to account for 3.7% of the Group's total revenues in 2018G, as compared to 2.5% in 2016G.

The Group's total revenue declined at a CAGR of 0.3% from 2016G to 2018G. Total revenues decreased by 5.2% from SAR 4,617.2 million in 2016G to SAR 4,379.0 million in 2017G, driven by a decline in hospital revenues from government entities (the majority of which are represented by the Ministry of Health) by 69.4% from SAR 516.4 million to SAR 158.0 million during the historical period. The decline in total revenues during the historical period was due to the Group's strategy to increase revenues from insurance patients where hospital revenues from insurance patients increased by 9.2%. The Group was able to continue to grow hospital revenues from insurance patients by 5.3% from 2017G to 2018G, as total revenues increased by 4.8% from SAR 4,379.0 million to SAR 4,587.6 million during the same period. It is worth noting that the Group was able to continue to grow its number of patients at a CAGR of 5.6% from 2016G to 2018G.

## Cost of revenue

Cost of revenue includes employees' salaries, wages and other benefits, materials and supplies, depreciation, and other costs. Cost of revenue increased at a CAGR of 4.1% between 2016G and 2018G. Cost of revenue increased by 4.7% from SAR 2,974.2 million in 2016G (64.4% of total revenue) to SAR 3,113.6 million in 2017G (71.1% of total revenue). The increase is attributable to higher employees' salaries, wages and other benefits in line with the expansion of the Group's operations and higher depreciation costs due to the opening of Suweidi Hospital and the increase in other costs, including cleaning, repair & maintenance, and government fees. In 2018G, although the cost of revenue increased by 3.6% to SAR 3,225.6 million in line with the growth in total revenues, cost of revenues as percentage of total revenues decreased to 70.3% during the same year, due to the growth in revenues and the increase in operational efficiency which resulted in lower costs as a percentage of total revenue.

## Gross profit

Gross profit decreased at a CAGR of 9.0% from 2016G to 2018G. Gross profit decreased by 23.0% from SAR 1,643.1 million in 2016G to SAR 1,265.4 million in 2017G, coupled with a decrease in gross profit margin from 35.6% in 2016G to 28.9% in 2017G. The decrease was mainly because of the decrease in the average revenue per patient from SAR 1,424 to SAR 1,241, due to the decrease in government patients. This has contributed to a 13.0% decrease in inpatient revenues from 2016G to 2017G.

Additionally, other factors that have contributed to the decline include the increase in government-related expenses such as fees imposed on expatriates by the Ministry of Labor, the increase in employees' salaries, wages and other benefits, as well as the increase in depreciation expenses due to the opening of Suweidi Hospital in Q4 2016G.

Gross profit increased by 7.6% from SAR 1,265.4 million in 2017G to SAR 1,362.0 million in 2018G, which resulted in an increase in gross margin from 28.9% in 2017G to 29.7% in 2018G. The increase was driven by: (1) increase in ability to cover fixed costs along with the increase in revenues from Takhassusi and Suweidi hospitals, (2) the increase in gross profit margin of Suweidi Hospital in line with ramp-up of its operations, (3) the increase

in operational efficiency at Olaya Medical Complex, which resulted in higher gross margin, and (4) the increase in efficiency of physicians and medical staff which resulted in an increase in the average number of patients per physician (from 1,425 in 2017G to 1,489 patients per physician in 2018G). The Group was able to increase efficiencies while maintaining the quality of services and enhancing the overall patient experience.

### Selling and marketing expenses

Selling and marketing expenses mainly consist of promotion and advertisement expenses, employees' salaries, wages and other benefits, provision for doubtful debts, depreciation and other expenses. Selling and marketing expenses decreased at a CAGR of 32.1% from 2016G to 2018G. Selling and marketing expenses decreased by 42.5% from SAR 343.6 million in 2016G (7.4% of total revenue) to SAR 197.6 million in 2017G (4.5% of total revenue). Selling and marketing expenses continued to decline by 19.8% to SAR 158.5 million in 2018G (3.5% of total revenue). The decrease in selling and marketing expenses was due to the decrease in provision for doubtful debts, which declined at a CAGR of 45.8% from SAR 278.2 million in 2016G to SAR 81.7 million in 2018G. Specifically, from 2016G to 2017G, provision for doubtful debts decreased by 54.6% to SAR 126.2 million due to a decrease in total receivables from government. It is worth mentioning that in December 2016G, the Group agreed to a final settlement with the Ministry of Health regarding the claims outstanding and accordingly, the Group has written off SAR 391.0 million of total receivables from the Ministry of Health against provision for doubtful debts during 2016G. During 2018G, provision for doubtful debts decreased by 35.3% to SAR 81.7 million, in line with the application of IFRS 9, which became a requirement from 2018G. The Group follows the Simplified Approach which is based on expected credit losses over the life of trade receivables (ECL model). Thus, the Group did not need to increase provisions due to the decrease in total outstanding government receivables.

### General and administrative expenses

General and administrative expenses consist mainly of employees' salaries, wages and other benefits depreciation expenses, rent, utilities, communications, consultancy and professional fees, cleaning and maintenance and repair expenses, government fees, licenses, bank expenses, commissions, travel expenses, subscription fees and other expenses. General and administrative expenses increased at a CAGR of 4.3% from SAR 369.2 million in 2016G to SAR 402.0 million in 2018G. Specifically, it increased by 11.7% from SAR 369.2 million in 2016G to SAR 412.5 million in 2017G, mainly as a result of the start of operations at Suweidi Hospital where employees' salaries, wages and other benefits increased by 7.7% from SAR 256.1 million in 2016G to SAR 275.7 million in 2017G. Depreciation expenses increased by 54.9% from SAR 21.6 million in 2016G to SAR 33.4 million in 2017G. In 2018G, general and administrative expenses decreased by 2.6% to SAR 402.0 million from SAR 412.5 million in 2017G. The decline was a result of the Group's cost reduction initiatives that led to a reduction in salaries and benefits of SAR 16.0 million, as well as a reduction in rental costs by SAR 4.7 million primarily due to vacating a building used for employee housing coupled with the Group renegotiating some of its lease contracts with landlords.

### Share of income of Associate Companies

The company records its share of the net profit of its Associate Companies in the consolidated income statement. As of 2018G, the Company owns 50% of shares in Dr. Abdulaziz Ibrahim Al Ajaji Dental Complex ("Al Ajaji Dental"), which operates dental clinics in all of the Group's hospitals. The Company also owns 40% of Serco Saudi Services Company ("Serco Services"), which provides maintenance and cleaning services across all of the Group's hospitals. The Group's share of net profit of Associate Companies decreased by 46.6% from SAR 13.7 million in 2016G to SAR 7.3 million in 2017G, and decreased by 20.4% to SAR 5.8 million in 2018G as a result of lower profits generated by both companies.

### Finance costs

The Group obtains Shariah-compliant loans and facilities through a number of local banks and the Ministry of Finance to finance capital expenditures. Financing expenses, which represent the profit margin on those loans, increased at a CAGR of 196.9% from SAR 2.2 million in 2016G to SAR 19.3 million in 2018G. Financing expenses increased by 785.6% from SAR 2.2 million in 2016G to SAR 19.4 million in 2017G, mainly due to the capitalization of interest related to Suweidi Hospital during its construction period in 2016G and recognizing it as financing expenses after commencing its operations. Financing expenses stabilized at SAR 19.3 million in 2018G, although total loans increased from SAR 1,208.8 million in 2017G to SAR 1,566.8 million in 2018G, due to the capitalization of financing costs related to Khobar hospital loan.

## Other income

Other income mainly comprises rental income, scientific support from suppliers, the Human Resources Development Fund (“HRDF”) income, income from Shariah compliant Murabaha deposits and loss/gain on the disposal of property and equipment. Other income decreased at a CAGR of 9.3% from SAR 113.4 million in 2016G to SAR 93.4 million in 2018G. Other income decreased by 26.4% from SAR 113.4 million in 2016G to SAR 83.5 million in 2017G due to: (1) decrease in income received from the HRDF by SAR 8.9 million, (2) decrease in free assets from suppliers for new projects (Suweidi Hospital) by SAR 11.9 million, and (3) decrease in scientific support from suppliers by SAR 3.0 million. Other income also increased by 11.8% from SAR 83.5 million in 2017G to SAR 93.4 million in 2018G due to: (1) income generated from the Shariah compliant Murabaha deposits by SAR 5.2 million, (2) increase in rental income by SAR 2.6 million, and (3) increase in other income pertaining mainly to a reversal of long outstanding accruals and contractors’ retentions that were no longer relevant amounting to SAR 5.9 million. The increase was offset by: (1) decrease in income from HRDF by SAR 5.0 million, and (2) decrease in cash discounts from suppliers by SAR 2.1 million.

## Zakat

Zakat expenses increased at a CAGR of 42.9% from 2016G to 2018G. Zakat expenses increased by 77.6%, from SAR 39.8 million in 2016G to SAR 70.8 million in 2017G in line with the growth in Zakat base due to the increase in shareholders’ equity and non-current liabilities, which was offset by an increase in non-current assets and a decrease in adjusted net income. Zakat expenses increased by 14.9% from SAR 70.8 million in 2017G to SAR 81.3 million in 2018G, mainly due to the increase in shareholders’ equity.

The Group has submitted its consolidated zakat returns as well as zakat returns of its wholly owned Subsidiaries to the GAZT and received Zakat certificates until 2018G. The Group also received the final Zakat assessments for all years up to 2016G and assessed and recorded all the differences between the Zakat provision and the approved final assessments and paid all Zakat obligations resulting from those assessments accordingly. GAZT assessment for the years 2007G to 2014G, which included an additional Zakat difference of SAR 45.0 million. The Group objected to this assessment and GAZT partially accepted this objection and issued an adjusted Zakat amount of SAR 36.0 million. The Group has paid that amount without objection. For the years 2015G and 2016G, the General Authority of Zakat and Tax issued a Zakat assessment and included an additional Zakat difference of SAR 26.0 million. The Group has paid that amount without objection as well. Accordingly, the Group has received the final Zakat assessments for those years but has not received the final Zakat assessments for the years 2017G and 2018G as at the date of issuance of this Prospectus.

As for Asharq Alawsat Pharmacies Company, it received the Zakat certificates until 2018G, and the final Zakat assessments for all the years until 2016G and assessed and recorded all the differences between the provision of Zakat and the final assessments approved and the payment of all Zakat obligations resulting from those assessments. The General Authority of Zakat and Tax issued a Zakat assessment for the years 2008G to 2016G, which included an additional Zakat difference of SAR 20.0 million. Consequently, the General Authority of Zakat and Tax partially accepted the objection from the Group and issued an adjusted Zakat assessment of SAR 4.0 million which was paid by the Group without objection. Thus, Asharq Alawsat Pharmacies Company received the final Zakat assessments for those years but did not receive the final Zakat assessments for the years 2017G and 2018G as at the date of issuance of this Prospectus. As for Afia Pharmacies, which was established in 2016G, it received zakat certificates until 2018G, but did not receive any final Zakat assessments until the date of issuance of this Prospectus.

With regard to Khobar hospital, it received zakat certificates until 2018G, and the final zakat assessments for all years until 2016G. There were no differences from the zakat returns provided and the Group did not receive the final zakat assessments for the years 2017G and 2018G until the date of issuance of this Prospectus. As for both Qurtoba Hospital and South West Jeddah Hospital, they received their zakat certificates until 2018G, but did not obtain final zakat assessments since their establishment until the date of the issuance of this Prospectus.

## Non-controlling interest

The non-controlling interests represent the interests of other partners in the Group’s Subsidiaries which are 50% owned, namely: (1) Khobar Hospital, (2) South West Jeddah Hospital, and (3) Qurtoba Hospital. Income attributable to non-controlling interests increased from a loss of SAR 0.2 million in 2016G to a loss of SAR 0.3 million in 2017G and to a loss of SAR 1.2 million in 2018G.





## Net income

Net income declined at a CAGR of 11.2% from 2016G to 2018G. Net income decreased by 35.4% from SAR 1,015.3 million in 2016G to SAR 655.9 million in 2017G, due to lower revenues and higher general and administrative expenses compared to 2016G as discussed earlier, in addition to the impact of losses associated with the first year of operations at Suweidi Hospital. Net income increased by 22.0% from SAR 655.9 million in 2017G to SAR 800.1 million in 2018G, due to the increase in revenues at a faster rate compared to cost of revenues, as well as the decrease in selling and marketing, and general and administrative expenses as a result of the increase in operational efficiency.

## Revenue by business segment

The following table provides an overview of the Group's revenues by business segment as shown in the Group's audited consolidated financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements prepared for the year ended 31 December 2016G and 31 December 2017G.

**Table (6-7): Revenue by segment for the financial years ending 31 December 2016G, 2017G, and 2018G as presented in the financial statements**

| SAR in millions         | 2016G        | 2017G        | 2018G        | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|-------------------------|--------------|--------------|--------------|---------------------------|---------------------------|-----------------------|
| Hospitals revenues      | 3,457        | 3,671        | 3,796        | 6.2%                      | 3.4%                      | 4.8%                  |
| Pharmacies revenues     | 751          | 680          | 737          | (9.5%)                    | 8.4%                      | (0.9%)                |
| Other segments revenues | 409          | 28           | 55           | (93.2%)                   | 96.4%                     | (63.3%)               |
| <b>Total revenues</b>   | <b>4,617</b> | <b>4,379</b> | <b>4,588</b> | <b>(5.2%)</b>             | <b>4.8%</b>               | <b>(0.3%)</b>         |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

For better understanding the results of operations in this section of the Prospectus, revenue has been reclassified by segment to conform to the major business segments that the Group operates in (Please refer to section 4.2 "Group Activities" of this Prospectus for additional details) and to enable analyzing the period under analysis in a consistent and accurate manner. The following are details of the reclassification:

- 1- For the year 2016G, an amount of SAR 387.9 million related to healthcare services and internal inpatient pharmacy has been reclassified to be included as part of hospitals revenues, as follows:
  - SAR 95.3 million from pharmacy revenue
  - SAR 292.6 million from other segments revenues (SAR 246.6 million from intercompany transactions between the company and its Subsidiaries, and SAR 45.9 million from MD labs)
- 2- For the year 2017G, SAR 68.8 million has been reclassified from hospital revenue to be as part of other segment revenues as follows:
  - Rawafed revenue of SAR 35.0 million
  - Cloud Solutions revenue of SAR 5.5 million
  - MD lab revenue of SAR 0.3 million
  - Home Healthcare revenue of SAR 27.9 million
- 3- For the year 2018G, SAR 114.5 million has been reclassified from hospital revenue to be as part of other segment revenues as follows:
  - Rawafed revenue of SAR 61.2 million
  - Cloud Solutions revenue of SAR 25.4 million
  - Home Healthcare revenue of SAR 27.9 million



The table below presents revenue by segment after the reclassifications mentioned above.

**Table (6-8): Revenue by segment for the financial years ending 31 December 2016G, 2017G, and 2018G for management discussion and analysis purpose**

| SAR in millions                         | 2016G        | 2017G        | 2018G        | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|-----------------------------------------|--------------|--------------|--------------|---------------------------|---------------------------|-----------------------|
| Hospitals revenues                      | 3,845        | 3,603        | 3,681        | (6.3%)                    | 2.2%                      | (2.2%)                |
| Pharmacies revenues                     | 656          | 680          | 737          | 3.6%                      | 8.4%                      | 6.0%                  |
| Other segments revenues                 | 116          | 96           | 170          | (17.1%)                   | 76.2%                     | 20.9%                 |
| <b>Total revenues</b>                   | <b>4,617</b> | <b>4,379</b> | <b>4,588</b> | <b>(5.2%)</b>             | <b>4.8%</b>               | <b>(0.3%)</b>         |
| <b>Key Performance Indicators</b>       |              |              |              |                           |                           |                       |
| Number of inpatients                    | 107,295      | 177,630      | 126,595      | 9.6%                      | 7.6%                      | 8.6%                  |
| Number of outpatients                   | 2,593,257    | 2,785,738    | 2,882,757    | 7.4%                      | 3.5%                      | 5.4%                  |
| Number of total patients                | 2,700,552    | 2,903,368    | 3,009,352    | 7.5%                      | 3.7%                      | 5.6%                  |
| Total average revenue per patient (SAR) | 1,424        | 1,241        | 1,223        | (12.8%)                   | (1.4%)                    | (7.3%)                |

Source: Management information.

### Hospitals revenues

Hospitals revenues declined at a CAGR of 2.2% from 2016G to 2018G. Hospitals revenues declined by 6.3% from SAR 3,844.9 million in 2016G to SAR 3,602.9 million in 2017G, despite the increase in the number of patients. The decrease is mainly due to the decline in average revenue per patient from SAR 1,424 to SAR 1,241, respectively. The decline in average revenue per patient resulted from the increase in number of insurance patients, coupled with a decrease in number of patient referrals from government entities. These government patients mainly comprised of inpatients, and are linked to higher revenue per patient. The decrease in hospitals revenues was offset by an increase in the total number of patients by 7.5% between 2016G and 2017G, the majority of which are insurance patients.

Hospitals revenues increased from 2017G to 2018G by 2.2% to SAR 3,681.0 million, due to the growth of Suweidi Hospital operations where the number of its patients increased by 8.5%. In addition, the number of insurance patients increased across most of the Group's hospitals. The increase in the Group revenues was offset by a further decline in average revenue per patient to SAR 1,223. It is worth mentioning that the Group has a strategy to increase the number of patients while reducing or maintaining the average revenue per patient. Such strategy has a positive and sustainable impact in expanding the overall customer base.

### Pharmacies

Pharmacies revenues include sales of medicines, cosmetics and other products to outpatients, who make up the bulk of the Group pharmacies customers, in addition to supplying the hospitals with medicines to inpatients, as well as other direct customers. As of 2018G, the Group operated 12 pharmacies in the Kingdom and Dubai, three of which are located in Olaya Medical Complex and Rayan Hospital, two in Suweidi Hospital and Takhassusi Hospital and one in each of Qassim Hospital and Dubai Hospital. Pharmacies revenues increased at a CAGR of 6.0% from 2016G to 2018G. Pharmacies revenues increased by 3.6% from SAR 656.1 million in 2016G to SAR 679.7 million in 2017G, as a result of growth in both Suweidi pharmacies. Pharmacies revenues increased by 8.4% to SAR 736.7 million in 2018G as a result of the growth in all pharmacies.



## Other segments

**Table (6-9): Other segments revenues breakdown for the financial years ending 31 December 2016G, 2017G, and 2018G**

| SAR in millions                      | 2016G          | 2017G         | 2018G          | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|--------------------------------------|----------------|---------------|----------------|---------------------------|---------------------------|-----------------------|
| Rawafed                              | 55,420         | 34,992        | 61,192         | (36.9%)                   | 74.9%                     | 5.1%                  |
| Management and operation services    | 21,103         | 27,660        | 55,392         | 31.1%                     | 100.3%                    | 62.0%                 |
| Home healthcare services             | 33,621         | 27,939        | 27,912         | (16.9%)                   | (0.1%)                    | (8.9%)                |
| Cloud Solutions                      | 5,506          | 5,513         | 25,419         | 0.1%                      | 361.1%                    | 114.9%                |
| MD Lab                               | 624            | 320           | 15             | (48.7%)                   | (95.3%)                   | (84.5%)               |
| <b>Total other segments revenues</b> | <b>116,273</b> | <b>96,424</b> | <b>169,929</b> | <b>(17.1%)</b>            | <b>76.2%</b>              | <b>20.9%</b>          |

Source: Management information.

Revenues from other segments include management and operation services including design and supervision for the establishment of healthcare facilities, home healthcare services, cloud solutions, services provided by Rawafed and other revenues. Revenues generated from other segments increased at a CAGR of 20.9% from 2016G to 2018G. Revenues from other segments declined by 17.1% from SAR 116.3 million in 2016G to SAR 96.4 million in 2017G, mainly due to the decrease in Rawafed revenue by 36.9% (SAR 20.4 million), and the decrease in Home Healthcare services by 16.9% (SAR 5.7 million). It is worth noting that HMG transferred Rawafed to a Related Party at net book value in 1 January 2019G (Please refer to Table 12.24 “**Summary of Material Contracts with Related Parties**” of this Prospectus for additional details). The decline in Home Healthcare services was due to the decrease in number of home healthcare contracts which is attributed to the decline in number of nurses (they left the Group as their work contracts expired). The decrease in other segments revenues was offset by an increase in revenue from operations and management services, and design and supervision services in relation to new healthcare facilities by 31.1% (SAR 6.6 million). Other segments revenues increased by 76.2% to SAR 169.9 million in 2018G as a result of an increase in Rawafed revenue by 74.9% (SAR 26.2 million), an increase in management and operations services, and design and supervision services in relation to new healthcare facilities revenue by 100.3% (SAR 27.7 million), and an increase in Cloud Solutions revenue by 361.1% (SAR 19.9 million). Cloud Solutions revenue increased on the back of securing new projects.

## Hospital revenues by client type

The table below shows the breakdown of hospital revenues by client type:

**Table (6-10): Hospital revenues by client type for the financial years ending 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                     | 2016G            | 2017G            | 2018G            | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|---------------------------------|------------------|------------------|------------------|---------------------------|---------------------------|-----------------------|
| Insurance clients revenues      | 1,995,537        | 2,179,668        | 2,296,068        | 9.2%                      | 5.3%                      | 7.3%                  |
| Cash clients revenues           | 1,191,839        | 1,122,763        | 1,128,284        | (5.8%)                    | 0.5%                      | (2.7%)                |
| Government entities revenues    | 516,403          | 157,960          | 180,513          | (69.4%)                   | 14.3%                     | (40.9%)               |
| Other entities revenues         | 141,091          | 142,542          | 76,158           | 1.0%                      | (46.6%)                   | (26.5%)               |
| <b>Total hospitals revenues</b> | <b>3,844,870</b> | <b>3,602,933</b> | <b>3,681,024</b> | <b>(6.3%)</b>             | <b>2.2%</b>               | <b>(2.2%)</b>         |

Source: Management information.

## Insurance clients Revenues

Insurance clients revenues increased at a CAGR of 7.3% from 2016G to 2018G. Insurance clients revenues increased by 9.2% from SAR 1,995.5 million in 2016G to SAR 2,179.7 million in 2017G, mainly due to the 538.7% increase in Suweidi Hospital revenue as a result of completing its first full year of operations, in addition to the growth in

Qassim hospital revenue by 7.8%. The Group was also able to increase revenue by strengthening its relationships with insurance companies and thus increased the number of insured clients revenues. In 2018G, revenue from insurance clients revenues increased by 5.3% to SAR 2,296.1 million, due to the expansion of insurance clients base which contributed to the increase in revenues from hospitals such as Suweidi Hospital (16.5%), Dubai Hospital (11.0%) and Takhassusi Hospital (6.9%).

### Cash clients revenues

Revenue from cash clients declined at a CAGR of 2.7% from 2016G to 2018G. Revenue from cash patients decreased by 5.8% from SAR 1,191.8 million in 2016G to SAR 1,122.8 million in 2017G, despite the increase in the number of cash clients by 8.3% during the same period. The decrease was due to changes in medical services demanded by cash clients as a result of the changes in economic conditions that impacted patients spending behavior. In 2018G, the Group maintained the cash revenue level, as it increased slightly by 0.5% to SAR 1,128.3 million as the Group increased its patients' base by offering promotions on services that are not covered by insurance.

### Government entities revenues

Revenues from government entities patients declined at a CAGR of 40.9% from 2016G to 2018G. Revenue from government entities patients declined by 69.4% from SAR 516.4 million in 2016G to SAR 158.0 million in 2017G. The decrease was due to the Group's strategy to diversify its customer base and to increase revenue from insurance and cash clients. As a result, government entities revenues as a percentage of hospital revenues decreased from 13.4% in 2016G to 4.4% in 2017G. In 2018G, revenue from government entities patients increased by 14.3% to SAR 180.5 million due to the increase in number of patients after the Ministry of Health appointed a third party to manage medical claims, which facilitated the overall referral process. It is worth noting that patients who are referred by the Ministry of Health represented the majority of government entities patients.

### Other entities revenues

This item includes revenue from third parties who have medical service agreements with the Group. Revenues from other entities decreased at a CAGR of 26.5% from 2016G to 2018G. Revenues from other entities remained relatively stable and increased slightly from SAR 141.1 million in 2016G to SAR 142.5 million in 2017G. Revenue from other entities declined by 46.6% to SAR 76.2 million in 2018G due to decrease in average revenue per patient by 55.5% as a result of the change in services mix, which resulted in an increase in the number of services that have lower prices, along with an increase in number of patients.

### Hospital revenues by patient type

The table below shows hospital revenue by patient type:

**Table (6-11): Hospital revenues by patient type for the financial years ending 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                    | 2016G            | 2017G            | 2018G            | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|--------------------------------|------------------|------------------|------------------|---------------------------|---------------------------|-----------------------|
| Outpatient revenues            | 1,880,392        | 1,894,024        | 1,947,640        | 0.7%                      | 2.8%                      | 1.8%                  |
| Inpatient revenues             | 1,964,477        | 1,708,910        | 1,733,383        | (13.0%)                   | 1.4%                      | (6.1%)                |
| <b>Total hospital revenues</b> | <b>3,844,870</b> | <b>3,602,933</b> | <b>3,681,024</b> | <b>(6.3%)</b>             | <b>2.2%</b>               | <b>(2.2%)</b>         |

#### Key Performance Indicators

|                       |           |           |           |      |      |      |
|-----------------------|-----------|-----------|-----------|------|------|------|
| Number of Outpatients | 2,593,257 | 2,785,738 | 2,882,757 | 7.4% | 3.5% | 5.4% |
| Number of Inpatients  | 107,295   | 117,630   | 126,595   | 9.6% | 7.6% | 8.6% |

Source: Management information.

### Outpatient revenues

Outpatient revenues increased at a CAGR of 1.8% from 2016G to 2018G. Outpatient revenue increased by 0.7% from SAR 1,880.4 million in 2016G to SAR 1,894.0 million in 2017G due to the start of operation at Suweidi Hospital, in addition to the increase in the number of outpatients by 7.4%, specifically in the Bariatrics and ENT clinics. This increase in revenue was offset by a 6.2% decline in average revenue per outpatient from SAR 725 in



2016G to SAR 680 in 2017G, as a result of changing the type of services provided. In 2018G, outpatient revenue increased by 2.8% to SAR 1,947.6 million, due to an increase in the number of outpatients by 3.5%, particularly in Internal Medicine, ER (Emergency Room) and ENT clinics, while maintaining the average revenue per outpatient which declined slightly by 0.6% to SAR 676.

### Inpatient revenues

Inpatient revenues declined at a CAGR of 6.1% from 2016G to 2018G. Inpatient revenue decreased by 13.0% from SAR 1,964.5 million in 2016G to SAR 1,708.9 million in 2017G, mainly due to a decrease in the average revenue per inpatient from SAR 18,309 to SAR 14,528 because of a decrease in the number of patients referred from government entities and the change in procedure-mix. The number of Bariatrics procedures increased, which subsequently led to a decrease in the average revenue per inpatients, combined with a decrease in the number of Pediatric, Cardiology and Spinal procedures in Rayan Hospital, and the decrease in number of Spinal and Neurology procedures in Olaya Complex. This was offset by an increase in average revenue per patient in Qassim hospital by 22.6% as a result of the increase in number of government entities patients, specifically in the Pediatrics and Neurology clinics.

Revenue from inpatients increased by 1.4% from SAR 1,708.9 million in 2017G to SAR 1,733.4 million in 2018G due to the growth of revenue generated by Suweidi Hospital. This increase was offset by a decrease in the average revenue per inpatient by 5.8% in 2018G driven by (i) a change in procedure-mix as fewer complex surgeries conducted and (ii) an increase in insurance inpatients with a decline in government inpatients.

### Hospital revenue by clinic

**Table (6-12): Hospital revenue by clinic for the financial years ending 31 December 2016G, 2017G, and 2018G**

|                                           | 2016G            | 2017G            | 2018G            | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|-------------------------------------------|------------------|------------------|------------------|---------------------------|---------------------------|-----------------------|
| OB&Gyne & its subspecialties              | 536,824          | 545,519          | 537,641          | 1.6%                      | (1.4%)                    | 0.1%                  |
| Surgery and its sub specialties           | 297,447          | 239,242          | 250,259          | (19.6%)                   | 4.6%                      | (8.3%)                |
| Internal Medicine and its sub specialties | 418,433          | 377,161          | 382,635          | (9.9%)                    | 1.5%                      | (4.4%)                |
| Pediatrics                                | 527,278          | 451,079          | 454,367          | (14.5%)                   | 0.7%                      | (7.2%)                |
| E.R. (Emergency Room)                     | 215,812          | 242,428          | 250,232          | 12.3%                     | 3.2%                      | 7.7%                  |
| Orthopedics                               | 246,308          | 235,700          | 230,529          | (4.3%)                    | (2.2%)                    | (3.3%)                |
| Dental                                    | 156,067          | 160,222          | 153,133          | 2.7%                      | (4.4%)                    | (0.9%)                |
| Cardiology                                | 213,852          | 187,503          | 184,549          | (12.3%)                   | (1.6%)                    | (7.1%)                |
| Ophthalmology                             | 102,055          | 105,886          | 106,318          | 3.8%                      | 0.4%                      | 2.1%                  |
| Gastroenterology                          | 167,302          | 122,586          | 120,350          | (26.7%)                   | (1.8%)                    | (15.2%)               |
| Endocrine                                 | 140,323          | 113,435          | 120,210          | (19.2%)                   | 6.0%                      | (7.4%)                |
| Bariatrics                                | 64,490           | 103,211          | 128,864          | 60.0%                     | 24.9%                     | 41.4%                 |
| Neurology                                 | 133,990          | 113,062          | 111,695          | (15.6%)                   | (1.2%)                    | (8.7%)                |
| E.N.T (Otolaryngology)                    | 188,060          | 217,883          | 257,129          | 15.9%                     | 18.0%                     | 16.9%                 |
| Spinal Clinic                             | 155,008          | 95,697           | 84,174           | (38.3%)                   | (12.0%)                   | (26.3%)               |
| Dermatology                               | 123,617          | 117,406          | 119,282          | (5.0%)                    | 1.6%                      | (1.8%)                |
| Urology                                   | 79,748           | 86,505           | 87,297           | 8.5%                      | 0.9%                      | 4.6%                  |
| Physiotherapy                             | 30,202           | 34,873           | 35,367           | 15.5%                     | 1.4%                      | 8.2%                  |
| Pulmonology                               | 48,051           | 53,535           | 66,992           | 11.4%                     | 25.1%                     | 18.1%                 |
| <b>Total hospital revenues</b>            | <b>3,844,870</b> | <b>3,602,933</b> | <b>3,681,024</b> | <b>(6.3%)</b>             | <b>2.2%</b>               | <b>(2.2%)</b>         |

|                                            | 2016G                    | 2017G | 2018G | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|--------------------------------------------|--------------------------|-------|-------|---------------------------|---------------------------|-----------------------|
| <b>As a percentage of hospital revenue</b> | <b>Percentage points</b> |       |       |                           |                           |                       |
| OB&Gyne & its subspecialties               | 14.0%                    | 15.1% | 14.6% | 1.2                       | (0.5)                     | 0.6                   |
| Surgery and its sub specialties            | 7.7%                     | 6.6%  | 6.8%  | (1.1)                     | 0.2                       | (0.9)                 |
| Internal Medicine and its subspecialties   | 10.9%                    | 10.5% | 10.4% | (0.4)                     | (0.1)                     | (0.5)                 |
| Pediatrics                                 | 13.7%                    | 12.5% | 12.3% | (1.2)                     | (0.2)                     | (1.4)                 |
| E.R. (Emergency Room)                      | 5.6%                     | 6.7%  | 6.8%  | 1.1                       | 0.1                       | 1.2                   |
| Orthopedics                                | 6.4%                     | 6.5%  | 6.3%  | 0.1                       | (0.3)                     | (0.1)                 |
| Dental                                     | 4.1%                     | 4.4%  | 4.2%  | 0.4                       | (0.3)                     | 0.1                   |
| Cardiology                                 | 5.6%                     | 5.2%  | 5.0%  | (0.4)                     | (0.2)                     | (0.5)                 |
| Ophthalmology                              | 2.7%                     | 2.9%  | 2.9%  | 0.3                       | (0.1)                     | 0.2                   |
| Gastroenterology                           | 4.4%                     | 3.4%  | 3.3%  | (0.9)                     | (0.1)                     | (1.1)                 |
| Endocrine                                  | 3.6%                     | 3.1%  | 3.3%  | (0.5)                     | 0.1                       | (0.4)                 |
| Bariatrics                                 | 1.7%                     | 2.9%  | 3.5%  | 1.2                       | 0.6                       | 1.8                   |
| Neurology                                  | 3.5%                     | 3.1%  | 3.0%  | (0.3)                     | (0.1)                     | (0.5)                 |
| E.N.T (Otolaryngology)                     | 4.9%                     | 6.0%  | 7.0%  | 1.2                       | 0.9                       | 2.1                   |
| Spinal Clinic                              | 4.0%                     | 2.7%  | 2.3%  | (1.4)                     | (0.4)                     | (1.7)                 |
| Dermatology                                | 3.2%                     | 3.3%  | 3.2%  | 0.0                       | 0.0                       | 0.0                   |
| Urology                                    | 2.1%                     | 2.4%  | 2.4%  | 0.3                       | 0.0                       | 0.3                   |
| Physiotherapy                              | 0.8%                     | 1.0%  | 1.0%  | 0.2                       | 0.0                       | 0.2                   |
| Pulmonology                                | 1.2%                     | 1.5%  | 1.8%  | 0.2                       | 0.3                       | 0.6                   |

Source: Management information.

### OB&Gyne & its sub-specialties

Revenue from the OB&Gyne & its sub-specialties increased at a CAGR of 0.1% from 2016G to 2018G. Revenue from the OB&Gyne & its sub-specialties increased by 1.6% from SAR 536.8 million in 2016G to SAR 545.5 million in 2017G, as a result of an increase in the number of patients by 5.5%, as the number of OB&Gyne & its sub-specialties patients increased due to the opening of Suweidi Hospital and Dubai Hospital. In 2018G, revenue from OB&Gyne & its sub-specialties declined slightly by 1.4% to SAR 537.6 million, due to a decrease in revenue for the Neonatal Intensive Care Unit (NICU) at Rayan Hospital as a result of the decrease in the number of patients by 9.1%.

### General Surgery and its sub-specialties

Revenue generated from the General Surgery and its sub-specialties decreased at a CAGR of 8.3% from 2016G to 2018G. Revenue from the General Surgery and its sub-specialties declined by 19.6% from SAR 297.4 million in 2016G to SAR 239.2 million in 2017G due to a 2.1% decrease in the number of patients and a decline in the average revenue per patient during the same year. In 2018G, the department's revenues increased by 4.6% to SAR 250.3 million as a result of an increase in the number of patients by 12.7% due to the increase in number of general surgery patients in Takhassusi Hospital and Suweidi Hospital.

### Internal Medicine and its sub-specialties

Internal Medicine and its sub-specialties revenue decreased at a CAGR of 4.4% from 2016G to 2018G. Revenues from Internal Medicine and its sub-specialties declined by 9.9%, from SAR 418.4 million in 2016G to SAR 377.2 million in 2017G due to the decrease in average revenue per patient, despite the increase in the number of patients in the department by 12.6%. This is mainly due to the increase in number of insurance clients along with the

decrease in number of government entities patients. In 2018G, the department's revenues increased by 1.5% to SAR 382.6 million, as a result of the increase in number of patients in the department by 12.6%.

### Pediatrics

Revenue from the Pediatrics clinic declined at a CAGR of 7.2% from 2016G to 2018G. Revenue from the Pediatrics clinic declined by 14.5% from SAR 527.3 million in 2016G to SAR 451.1 million in 2017G, due to the decrease in average revenue per patient in the department because of the decrease in Pediatric Intensive Care Unit (PICU) revenue. This is mainly due to the decrease in number of referrals from government entities. Revenue for the department increased by 0.7% to SAR 454.4 million in 2018G, due to the increase in number of patients by 3.8% during the same period.

### Emergency Room (ER)

Emergency Room revenue grew at a CAGR of 7.7% from 2016G to 2018G. ER revenue increased by 12.3% from SAR 215.8 million in 2016G to SAR 242.4 million in 2017G, mainly due to the increase in number of patients by 4.6%, mainly in Suweidi Hospital and Dubai Hospital, in addition to the increase in the average revenue per patient by 7.4%. Revenue continued to increase by 3.2% to SAR 250.2 million in 2018G, due to the increase in the number of patients by 5.3% in line with the addition of physicians during the same period.

### Orthopedics

Orthopedics clinic revenue declined at a CAGR of 3.3% from 2016G to 2018G. Department revenue declined by 4.3% from SAR 246.3 million in 2016G to SAR 235.7 million in 2017G, mainly due to lower revenues generated from the Olaya Medical Complex, where the number of physicians in the department decreased by 4 physicians, which was offset by increases in both Suweidi Hospital and Dubai Hospital revenues during the same period. Although the number of patients in the department increased by 6.5%, the average revenue per patient decreased by 10.1% in 2017G. In 2018G, the department's revenues declined by 2.2% from SAR 235.7 million to SAR 230.5 million, due to a decrease in the number of patients by 0.1%, coupled with a relatively stable decline in average revenue per patient of 2.1%.

### Dental

Dental clinic revenue declined at a CAGR of 0.9% from 2016G to 2018G. Dental revenues increased by 2.7% from SAR 156.1 million in 2016G to SAR 160.2 million in 2017G, due to the increase in number of patients in the department by 12.3% in line with the opening of Suweidi Hospital, and the increase in number of dentists (6 dentists) across several hospitals. In 2018G, the department's revenues decreased by 4.4% to SAR 153.1 million, as a result of the decrease in number of patients by 7.8%, coupled with a decrease in revenue in the dental department at Qassim Hospital due to discounts given to some customers.

### Cardiology

Revenue from the Cardiology department declined at a CAGR of 7.1% from 2016G to 2018G. Revenue from the department decreased by 12.3% from SAR 213.9 million in 2016G to SAR 187.5 million in 2017G due to the decrease in number of heart surgeries performed. In 2018G, revenue declined by 1.6% to SAR 184.5 million, mainly due to a 2.6% decline in the number of patients. It is worth mentioning that the Group increased the number of physicians in late 2018G, mainly in Takhassusi Hospital.

### Ophthalmology

Ophthalmology department revenue increased at a CAGR of 2.1% from 2016G to 2018G. Revenue from the department increased by 3.8% from SAR 102.1 million in 2016G to SAR 105.9 million in 2017G, due to the increase in number of patients by 10.9%, mainly in Suweidi Hospital and Takhassusi Hospital. In 2018G, revenue increased slightly by 0.4% to SAR 106.3 million, accompanied by a 5.1% increase in the number of patients due to an increase in number of physicians in the department (2 physicians).

### Gastroenterology

Revenue from the Gastroenterology department decreased at a CAGR of 15.2% from 2016G to 2018G. Revenue from the department declined by 26.7%, down from SAR 167.3 million in 2016G to SAR 122.6 million in 2017G, due



to a 10.1% decrease in the number of patients, mainly due to lower revenues from Dubai Hospital because of the departure of some physicians. In 2018G, despite a 3.7% decline in average revenue per patient, the department revenue declined at a slower rate by 1.8% to SAR 120.4 million due to an increase of 2.0% in the number of patients at Takhassusi Hospital and Dubai Hospital. It is worth mentioning that the Group increased the number of physicians in late 2018G (by 3 physicians).

### Endocrine

Revenue from the Endocrine department decreased at a CAGR of 7.4% from 2016G to 2018G. Revenue from the department declined by 19.2% from SAR 140.3 million in 2016G to SAR 113.4 million in 2017G, due to a 3.1% decrease in the number of patients and a 16.6% decrease in average revenue per patient. In 2018G, the department revenues increased by 6.0% to SAR 120.2 million, due to an increase in the number of patients by 4.6%, and an increase in average revenue per patient by 1.3%.

### Bariatrics

Revenue from the Bariatrics department increased at a CAGR of 41.4% from 2016G to 2018G. Revenue increased by 60.0% from SAR 64.5 million in 2016G to SAR 103.2 million in 2017G, due to an increase in the number of patients by 39.2%, as a result of launching awareness programs about risks related to obesity and offering promotions for procedures. These efforts led to an increase in the number of bariatrics procedures performed during that period across obesity Centers of Excellence in the Group's hospitals. During 2018G, the department revenues continued to increase by 24.9% to SAR 128.9 million, due to the increase in number of patients by 31.8% due to the reasons aforementioned.

### Neurology

Neurology department revenues declined at a CAGR of 8.7% from 2016G to 2018G. Revenue from the Neurology department decreased by 15.6% from SAR 134.0 million in 2016G to SAR 113.1 million in 2017G, due to the decrease in number of surgeries performed as a result of decrease in government entities patients during the same period. In 2018G, despite the decrease in average revenue per patient by 8.3%, the department revenues declined at a slower rate by 1.2% to SAR 111.7 million, due to an increase in the number of patients by 7.8%, particularly at Takhassusi Hospital.

### ENT

ENT department revenue grew at a CAGR of 16.9% from 2016G to 2018G. Revenue from the department increased by 15.9% from SAR 188.1 million in 2016G to SAR 217.9 million in 2017G, due to the 7.1% increase in number of patients as a result of the increase in number of surgeries performed at Takhassusi Hospital in addition to the ramp up of operations in Suweidi Hospital. In 2018G, the department revenue increased by 18.0% to SAR 257.1 million, due to the increase in number of patients by 7.0% because of the increase in number of operations performed at Takhassusi and Rayan hospitals.

### Spinal clinic

Spinal clinic revenue declined at a CAGR of 26.3% from 2016G to 2018G. Revenues from the department declined by 38.3%, from SAR 155.0 million in 2016G to SAR 95.7 million in 2017G, due to the decrease in number of surgeries performed coupled with the decrease in number of government entities patients and the departure of some physicians during the same period. In 2018G, revenue declined by 12.0% to SAR 84.2 million, due to a 3.4% decrease in the number of patients and a 8.9% decrease in average revenue per patient. It is worth mentioning that the Group increased the number of physician in the fourth quarter of 2018G (by 2 physicians).

### Dermatology

Dermatology department revenues declined at a CAGR of 1.8% from 2016G to 2018G. Revenue from the department declined by 5.0%, from SAR 123.6 million in 2016G to SAR 117.4 million in 2017G, due to a decrease in the number of plastic surgeries conducted at Rayan Hospital and Takhassusi Hospital. In 2018G, the department's revenues increased by 1.6% to SAR 119.3 million, as a result of the 3.4% increase in number of patients due to the growth in cosmetic and laser procedures as the Group increased the number of physicians (by 13 physicians) in this department.





## Urology

Revenue from the Urology clinic increased at a CAGR of 4.6% from 2016G to 2018G. Revenue increased by 8.5% from SAR 79.7 million in 2016G to SAR 86.5 million in 2017G, due to the increase in number of patients by 6.8%, as a result of the ramp-up of operations in Suweidi Hospital. In 2018G, the department revenue increased by 0.9% to SAR 87.3 million, due to the increase in number of patients by 0.4%, particularly in the Olaya Medical Complex.

## Physiotherapy

Revenue from the Physiotherapy clinic increased at a CAGR of 8.2% from 2016G to 2018G. Revenue from the department increased by 15.5% from SAR 30.2 million in 2016G to SAR 34.9 million in 2017G, due to the increase in number of patients by 15.9%, because of the ramp-up of operations in Suweidi Hospital. In 2018G, the department revenue increased by 1.4% to SAR 35.4 million, due to an increase in average revenue per patient by 4.3%.

## Pulmonology

Revenues from the Pulmonology department increased at a CAGR of 18.1% between 2016G and 2018G. Revenues from the department increased by 11.4% from SAR 48.1 million in 2016G to SAR 53.5 million in 2017G, due to the increase in number of patients by 17.4% in line with the increase in number of physicians in the department. During 2018G, the department revenues increased by 25.1% to SAR 67.0 million, as a result of the 13.0% increase in number of patients, in conjunction with the increase in number of physicians during the same period (by 4 physicians).

## Pharmacies revenues

**Table (6-13): Pharmacies revenues for the financial years ending 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                       | 2016G          | 2017G          | 2018G          | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|-----------------------------------|----------------|----------------|----------------|---------------------------|---------------------------|-----------------------|
| Medicine                          | 500,779        | 519,662        | 573,653        | 3.8%                      | 10.4%                     | 7.0%                  |
| Cosmetics                         | 140,377        | 145,628        | 148,558        | 3.7%                      | 2.0%                      | 2.9%                  |
| Others                            | 14,938         | 14,379         | 14,471         | (3.7%)                    | 0.6%                      | (1.6%)                |
| <b>Total Pharmacies Revenue</b>   | <b>656,094</b> | <b>679,669</b> | <b>736,681</b> | <b>3.6%</b>               | <b>8.4%</b>               | <b>6.0%</b>           |
| <b>As a percentage of revenue</b> |                |                |                | <b>Percentage points</b>  |                           |                       |
| Medicine                          | 76.3%          | 76.5%          | 77.9%          | (0.1)                     | 1.4                       | 1.5                   |
| Cosmetics                         | 21.4%          | 21.4%          | 20.2%          | 0.0                       | (1.3)                     | (1.2)                 |
| Others                            | 2.3%           | 2.1%           | 2.0%           | (0.2)                     | (0.2)                     | (0.3)                 |

Source: Management information.

## Medicine

Medicine revenue represent revenue from the sale of medicinal and pharmaceutical products. Medicine revenue increased at a CAGR of 7.0% from 2016G to 2018G. Medicine revenue increased by 3.8% from SAR 500.8 million in 2016G to SAR 519.7 million in 2017G, as a result of the increase in number of outpatients by 7.4% during the period and the opening of two pharmacies at Suweidi Hospital. In 2018G, medicine revenue increased by 10.4% to SAR 573.7 million, as a result of the 3.5% growth in number of outpatients and the addition of new high-priced medicines.

## Cosmetics

Cosmetics include body care, hair care and other similar products. Cosmetics revenues increased at a CAGR of 2.9% from 2016G to 2018G. Cosmetics revenues increased by 3.7% from SAR 140.4 million in 2016G to SAR 145.6 million in 2017G, as a result of the increase in number of pharmacy customers by 2.1%, the increase in number of patients, and opening of the two pharmacies at Suweidi Hospital. In 2018G, cosmetics revenues increased by 2.0% to SAR 148.6 million, due to the continued growth in number of pharmacy invoices on the back of an increase in number of patients in addition to the opening of a pharmacy in the Dermatology and Cosmetic clinics building in Takhassusi Hospital, which opened in late 2018G.

## Others

Others include sales of beauty equipment, baby care products, and other healthcare products. Others revenue declined at a CAGR of 1.6% from 2016G to 2018G. Others revenue declined by 3.7% from SAR 14.9 million in 2016G to SAR 14.4 million in 2017G, due to the Group's focus on selling pharmaceutical and cosmetic products. During 2018G, others revenue increased by 0.6% to SAR 14.5 million in line with the increase in pharmacy customers by 2.9%.

## Cost of revenues

**Table (6-14): Cost of Revenues for the financial years ending 31 December 2016G, 2017G and 2018G**

| SAR in 000s                                           | 2016G            | 2017G            | 2018G            | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|-------------------------------------------------------|------------------|------------------|------------------|---------------------------|---------------------------|-----------------------|
| Employees' salaries, wages and other related benefits | 1,732,048        | 1,793,566        | 1,793,523        | 3.6%                      | 0.0%                      | 1.8%                  |
| Materials and supplies                                | 909,496          | 884,888          | 980,428          | (2.7%)                    | 10.8%                     | 3.8%                  |
| Depreciation                                          | 140,883          | 167,019          | 165,577          | 18.6%                     | (0.9%)                    | 8.4%                  |
| Other                                                 | 191,730          | 268,170          | 286,095          | 39.9%                     | 6.7%                      | 22.2%                 |
| <b>Total Cost of Revenues</b>                         | <b>2,974,158</b> | <b>3,113,642</b> | <b>3,225,624</b> | <b>4.7%</b>               | <b>3.6%</b>               | <b>4.1%</b>           |
| <b>Key Performance Indicators</b>                     |                  |                  |                  |                           |                           |                       |
| Number of Employees                                   | 7,756            | 7,478            | 6,756            | (3.6%)                    | (9.7%)                    | (6.7%)                |
| <b>As a percentage of revenue</b>                     |                  |                  |                  | <b>Percentage points</b>  |                           |                       |
| Employees' Salaries, Wages and Other Related Benefits | 37.5%            | 41.0%            | 39.1%            | 3.5                       | (1.9)                     | 1.6                   |
| Materials and Supplies                                | 19.7%            | 20.2%            | 21.4%            | 0.5                       | 1.2                       | 1.7                   |
| Depreciation                                          | 3.1%             | 3.8%             | 3.6%             | 0.8                       | (0.2)                     | 0.6                   |
| Other                                                 | 4.2%             | 6.1%             | 6.2%             | 2.0                       | 0.1                       | 2.1                   |
| <b>Total Cost of Revenue</b>                          | <b>64.4%</b>     | <b>71.1%</b>     | <b>70.3%</b>     | <b>6.7</b>                | <b>(0.8)</b>              | <b>5.9</b>            |

Source: Management information.

## Employees' salaries, wages and other benefits

Employees' salaries, wages and other benefits relate to salaries and benefits of physicians, nurses and other health practitioners. Salaries, wages and benefits increased at a CAGR of 1.8% from 2016G to 2018G, with costs rising by 3.6% from SAR 1,732.0 million in 2016G to SAR 1,793.6 million in 2017G, due to an increase in the number of physicians by 59 (3.0%) from 1,979 to 2,038 in line with the expansion of the Group's operations. As a result, salaries, wages and benefits as a percentage of revenue increased from 37.5% to 41.0% during the same period. Costs stabilized at SAR 1,793.5 million level in 2018G as a result of the policies adopted by the Group to increase efficiency in overall operations. The number of physicians and nurses declined in 2018G, in line with the Group's efforts to increase operational efficiency, despite the increase in number of patients during the same period. Such efforts resulted in a decrease in salaries, wages and benefits as a percentage of revenues to 39.1% in 2018G, despite the increase in fees imposed to expatriates by the Ministry of Labor during the year.

## Materials and supplies

Materials and supplies represent materials, consumables and medical supplies used in the Group's hospitals. The cost of materials and supplies increased at a CAGR of 3.8% from 2016G to 2018G. Although the cost of materials and supplies decreased by 2.7% from SAR 909.5 million in 2016G to SAR 884.9 million in 2017G, it increased slightly as a percentage of revenue from 19.7% to 20.2% in the same period, despite the decrease in hospitals revenues by 6.3%. Hospital revenues decreased as average revenue per patient declined by 12.8% over the same period. In 2018G, the cost of medical materials and supplies increased by 10.8% to SAR 980.4 million, in line with growth in the Group's operations and the decline in average revenue per patient by 1.4%. It is worth mentioning that the decrease in the average revenue per patient is attributable to the decrease in number of patients referred by government entities as mentioned earlier.



## Depreciation

Depreciation expenses related to buildings, medical equipment, clinical equipment and improvements to leased properties. Depreciation expenses increased at a CAGR of 8.4% from 2016G to 2018G. Depreciation expenses increased by 18.6% from SAR 140.9 million in 2016G to SAR 167.0 million in 2017G, in line with the increase in depreciation expenses related to property and equipment additions upon the opening of Suweidi Hospital during the fourth quarter of 2016G. Depreciation expenses decreased by 0.9% from SAR 167.0 million in 2017G to SAR 165.6 million in 2018G, due to the absence of significant additions to property and equipment.

## Other costs

Other costs represent costs for cleaning services, repairs and maintenance, patient meals, government fees, stationery items and utilities. Other costs increased at a CAGR of 22.2% from 2016G to 2018G. Other costs increased from SAR 191.7 million in 2016G to SAR 268.2 million in 2017G by 39.9%, due to the reversal of a provision of SAR 100.0 million related to a lawsuit, as the final verdict was in favor of the Group, which resulted in reductions in other costs during 2016G. Other costs increased by 6.7% to SAR 286.1 million in 2018G as the Group's operations increased, which resulted in an increase in other costs as a percentage of revenues to 6.2%.

## Selling and marketing expenses

**Table (6-15): Selling and Marketing Expenses for the financial years ending 31 December 2016G, 2017G and 2018G**

| SAR in 000s                                              | 2016G             | 2017G          | 2018G          | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|----------------------------------------------------------|-------------------|----------------|----------------|---------------------------|---------------------------|-----------------------|
| Allowance for doubtful debts                             | 278,163           | 126,191        | 81,696         | (54.6%)                   | (35.3%)                   | (45.8%)               |
| Promotion and Advertisement                              | 31,074            | 30,968         | 31,945         | (0.3%)                    | 3.2%                      | 1.4%                  |
| Employees' Salaries, Wages<br>and Other Related Benefits | 27,254            | 30,439         | 36,126         | 11.7%                     | 18.7%                     | 15.1%                 |
| Depreciation                                             | 1,065             | 1,352          | 1,561          | 27.0%                     | 15.5%                     | 21.1%                 |
| Other                                                    | 6,001             | 8,641          | 7,158          | 44.0%                     | (17.2%)                   | 9.2%                  |
| <b>Total</b>                                             | <b>343,557</b>    | <b>197,591</b> | <b>158,487</b> | <b>(42.5%)</b>            | <b>(19.8%)</b>            | <b>(32.1%)</b>        |
| As a Percentage of revenue                               | Percentage points |                |                |                           |                           |                       |
| Allowance for doubtful debts                             | 6.0%              | 2.9%           | 1.8%           | (3.1)                     | (1.1)                     | (4.2)                 |
| Promotion and Advertisement                              | 0.7%              | 0.7%           | 0.7%           | 0.0                       | 0.0                       | 0.0                   |
| Employees' Salaries, Wages<br>and Other Related Benefits | 0.6%              | 0.7%           | 0.8%           | 0.1                       | 0.1                       | 0.2                   |
| Depreciation                                             | 0.0%              | 0.0%           | 0.0%           | 0.0                       | 0.0                       | 0.0                   |
| Other                                                    | 0.1%              | 0.2%           | 0.2%           | 0.1                       | 0.0                       | 0.0                   |
| <b>Total</b>                                             | <b>7.4%</b>       | <b>4.5%</b>    | <b>3.5%</b>    | <b>(2.9)</b>              | <b>(1.1)</b>              | <b>(4.0)</b>          |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## Allowance for doubtful debts

Allowance for doubtful debts decreased at a CAGR of 45.8% from SAR 278.2 million in 2016G to SAR 81.7 million in 2018G. Allowance for doubtful debts decreased by 54.6% from 2016G to 2017G to SAR 126.2 million due to a decrease in total receivables from government entities. It is worth mentioning that during December 2016G, the Group accepted a final settlement agreement with the Ministry of Health regarding the claims due from the Ministry, and based on that agreement the Group wrote-off bad debts related to that settlement. Accordingly, the Group wrote-off SAR 391.0 million of total receivables due from the Ministry of Health against provision for doubtful debts during 2016G.

During 2018G, provision for doubtful debts decreased by 35.3% to SAR 81.7 million, in line with the application of IFRS 9, which became a requirement from 2018G. The Group follows the Simplified Approach which is based on expected credit losses over the life of trade receivables at each consolidated financial statement date. Also, the Group did not need to increase provisions due to the decrease in total receivables from government entities.

## Promotions and advertisements

Promotions and advertisements expenses represent promotions and incentives offered to attract new customers in addition to the costs of advertising campaigns carried out by the Group for advertising in print, audio and video media. These expenses are allocated at the discretion of each hospital's needs and based on the approved annual budget. Promotional and advertising expenses increased at a CAGR of 1.4% from 2016G to 2018G. During 2017G, expenses remained stable at around 2016G levels. Expenses increased by 3.2% to SAR 31.9 million in 2018G, due to increased promotional and advertising activities and awareness campaigns related to medical services provided in the Group's hospitals.

## Salaries, wages and other benefits

Salaries, wages and other benefits related to sales and marketing personnel expenses increased at a CAGR of 15.1% from 2016G to 2018G. Salaries, wages and other benefits increased by 11.7% from SAR 27.3 million in 2016G to SAR 30.4 million in 2017G due to the opening of Suweidi Hospital. Expenses increased by 18.7% to SAR 36.1 million in 2018G due to the Group's overall growth.

## Depreciation

Depreciation expenses related to sales and marketing operations increased at a CAGR of 21.1% from 2016G to 2018G, where depreciation expenses increased by 27.0%, up from SAR 1.1 million in 2016G to SAR 1.4 million in 2017G. This was due to the increase in property and equipment related to the opening of Suweidi Hospital. Depreciation related to selling and marketing expenses increased by 15.5% to SAR 1.6 million in 2018G as a result of the increase in the Group's assets.

## Others

Other expenses consist of rental expenses, stationery, transportation and communication. Other expenses increased at a CAGR of 9.2% from 2016G to 2018G. As other expenses increased by 44.0% from SAR 6.0 million in 2016G to SAR 8.6 million in 2017G, in line with the opening of Suweidi Hospital. In 2018G, other expenses decreased by 17.2% to SAR 7.2 million in 2018G due to cost saving initiatives across the Group.

## General and administrative expenses

**Table (6-16): General and Administrative Expenses for the financial years ending 31 December 2016G, 2017G and 2018G**

| SAR in 000s                                                 | 2016G          | 2017G          | 2018G          | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|-------------------------------------------------------------|----------------|----------------|----------------|---------------------------|---------------------------|-----------------------|
| Employees' Salaries,<br>Wages and Other Related<br>Benefits | 256,063        | 275,700        | 259,736        | 7.7%                      | (5.8%)                    | 0.7%                  |
| Depreciation                                                | 21,566         | 33,410         | 32,904         | 54.9%                     | (1.5%)                    | 23.5%                 |
| Rent                                                        | 16,531         | 20,861         | 16,178         | 26.2%                     | (22.4%)                   | (1.1%)                |
| Utilities and<br>Communication                              | 12,260         | 13,601         | 15,967         | 10.9%                     | 17.4%                     | 14.1%                 |
| Consultation and<br>Professional Fees                       | 7,323          | 13,067         | 13,183         | 78.4%                     | 0.9%                      | 34.2%                 |
| Housekeeping                                                | 7,932          | 8,284          | 11,447         | 4.4%                      | 38.2%                     | 20.1%                 |
| Repair and Maintenance                                      | 5,528          | 9,123          | 9,060          | 65.0%                     | (0.7%)                    | 28.0%                 |
| Licenses and Government<br>Fees                             | 4,240          | 4,362          | 8,895          | 2.9%                      | 103.9%                    | 44.8%                 |
| Bank Charges and<br>Commissions                             | 8,264          | 7,554          | 8,472          | (8.6%)                    | 12.2%                     | 1.3%                  |
| Travel Expenses                                             | 2,600          | 2,575          | 3,359          | (1.0%)                    | 30.5%                     | 13.7%                 |
| Fees and Subscriptions                                      | 586            | 3,074          | 2,103          | 424.3%                    | (31.6%)                   | 89.4%                 |
| Others                                                      | 26,331         | 20,923         | 20,693         | (20.6%)                   | (1.1%)                    | (11.4%)               |
| <b>Total General and<br/>Administrative<br/>Expenses</b>    | <b>369,223</b> | <b>412,534</b> | <b>401,999</b> | <b>11.7%</b>              | <b>(2.6%)</b>             | <b>4.3%</b>           |



|                                                       | 2016G                    | 2017G       | 2018G       | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|-------------------------------------------------------|--------------------------|-------------|-------------|---------------------------|---------------------------|-----------------------|
| <b>As a Percentage of Revenue</b>                     |                          |             |             |                           |                           |                       |
|                                                       | <b>Percentage points</b> |             |             |                           |                           |                       |
| Employees' Salaries, Wages and Other Related Benefits | 5.5%                     | 6.3%        | 5.7%        | 0.8                       | (0.6)                     | 0.1                   |
| Depreciation                                          | 0.5%                     | 0.8%        | 0.7%        | 0.3                       | 0.0                       | 0.3                   |
| Rent                                                  | 0.4%                     | 0.5%        | 0.4%        | 0.1                       | (0.1)                     | 0.0                   |
| Utilities and Communication                           | 0.3%                     | 0.3%        | 0.3%        | 0.0                       | 0.0                       | 0.1                   |
| Consultation and Professional Fees                    | 0.2%                     | 0.3%        | 0.3%        | 0.1                       | 0.0                       | 0.1                   |
| Housekeeping                                          | 0.2%                     | 0.2%        | 0.2%        | 0.0                       | 0.1                       | 0.0                   |
| Repair and Maintenance                                | 0.1%                     | 0.2%        | 0.2%        | 0.1                       | 0.0                       | 0.1                   |
| Licenses and Government Fees                          | 0.1%                     | 0.1%        | 0.2%        | 0.0                       | 0.1                       | 0.1                   |
| Bank Charges and Commissions                          | 0.2%                     | 0.2%        | 0.2%        | 0.0                       | 0.0                       | 0.0                   |
| Travel Expenses                                       | 0.1%                     | 0.1%        | 0.1%        | 0.0                       | 0.0                       | 0.0                   |
| Fees and Subscriptions                                | 0.0%                     | 0.1%        | 0.0%        | 0.1                       | (0.1)                     | 0.0                   |
| Others                                                | 0.6%                     | 0.5%        | 0.5%        | (0.1)                     | 0.0                       | (0.1)                 |
| <b>Total General and Administrative Expenses</b>      | <b>8.0%</b>              | <b>9.4%</b> | <b>8.8%</b> | <b>1.4</b>                | <b>(0.7)</b>              | <b>0.8</b>            |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

### Employees' salaries, wages and other benefits

Salaries, wages and other benefits increased at a CAGR of 0.7% from 2016G to 2018G. It increased by 7.7% from SAR 256.1 million in 2016G to SAR 275.7 million in 2017G, due to the opening of Suweidi Hospital. Salaries, wages and other benefits as a percentage of total revenue also increased from 5.5% in 2016G to 6.3% in 2017G. These expenses decreased by 5.8% to SAR 259.7 million in 2018G as a result of rationing the distribution of annual performance incentives.

### Depreciation

Depreciation relates to expenses for buildings, equipment and vehicles operated under general and administrative operations. Depreciation grew at a CAGR of 23.5% from 2016G to 2018G. Depreciation expenses increased by 54.9% from SAR 21.6 million in 2016G to SAR 33.4 million in 2017G, in line with the increase in property and administrative equipment and the opening of Suweidi Hospital during the fourth quarter of 2016G, which resulted in an increase in depreciation expenses as a percentage of total revenues from 0.5% in 2016G to 0.8% in 2017G. In 2018G, depreciation expenses decreased by 1.5% to SAR 32.9 million as the book value of assets declined. Depreciation remained stable as a percentage of revenue.

### Rent

Rent expenses decreased at a CAGR of 1.1% from 2016G to 2018G. Rental expenses increased by 26.2% from SAR 16.5 million in 2016G to SAR 20.9 million in 2017G, due to the signing of new leases as a result of the additional space related to Suweidi Hospital, however rent expenses remained relatively stable as a percentage of revenue at 0.5%. Rent expense decreased by 22.4% to SAR 16.2 million in 2018G due to vacating one of the buildings used for staff housing, and renegotiate some of its existing leases, with rental expenses stabilizing as a percentage of revenue at 0.4%.

### Utilities and communication

Utility and communications expenses increased at a CAGR of 14.1% from 2016G to 2018G. As utilities and communications expenses increased by 10.9% from SAR 12.3 million in 2016G to SAR 13.6 million in 2017G, as a result of the impact of the full year of operation of Suweidi Hospital, with expenses remaining stable as a percentage of revenue at 0.3% during the same period. Expenses increased by 17.4% to SAR 16.0 million in 2018G, in line with the growth in the Group's operations; however, utilities and communications expenses remained stable as a percentage of total revenues during the same period.

### Consultation and professional fees

Consulting and professional services fees increased at a CAGR of 34.2% from 2016G to 2018G. Consulting and professional services fees increased by 78.4% from SAR 7.3 million in 2016G to SAR 13.1 million in 2017G, mainly due to advisory services related to the application of VAT, the transition to International Accounting Standards (IAS), and enhancement of operational efficiency levels in the Group's hospitals. The fees for consulting and professional services as a percentage of total revenues remained stable during the same period at 0.3%. In 2018G, fees for consulting and professional services fees stood at SAR 13.2 million, with costs stabilizing as a percentage of total revenues during the same period at 0.3%.

### Housekeeping

Housekeeping expenses represent expenses associated with care and supervision services, which include cleaning services and facility operations. Housekeeping expenses increased at a CAGR of 20.1% from 2016G to 2018G. Housekeeping expenses increased by 4.4% from SAR 7.9 million to SAR 8.3 million in line with the additional operations related to Suweidi Hospital. Despite this increase, housekeeping expense as a percentage of total revenues remained stable at 0.2%. Expenses increased by 38.2% from SAR 8.3 million in 2017G to about SAR 11.4 million in 2018G, mainly due to an increase in the value of cleaning contracts as a result of service providers incurring additional charges associated to the increase in government fees.

### Repair and maintenance

Maintenance and repairs increased at a CAGR of 28.1% from 2016G to 2018G. Maintenance and repairs increased by 65.2% from SAR 5.5 million in 2016G to SAR 9.1 million in 2017G, as the Group carried out regular and preventive maintenance work at Olaya Medical Complex and Rayan Hospital. Maintenance and repairs remained stable at SAR 9.1 million in 2018G.

### Licenses and government fees

Expenses for licenses and government fees increased at a CAGR of 44.8% from 2016G to 2018G. Expenses for licenses and government fees increased by 2.9% from SAR 4.2 million in 2016G to SAR 4.4 million in 2017G. Expenses also continued to increase by 103.9% to reach SAR 8.9 million in 2018G due to an increase in expatriate related expenses.

### Bank charges and commissions

Bank charges and commissions increased at a CAGR of 1.3% from 2016G to 2018G. Bank charges and commissions decreased by 8.6% from SAR 8.3 million in 2016G to SAR 7.6 million in 2017G in line with the decrease in overall revenue. Bank charges and commissions increased by 12.2% to SAR 8.5 million in 2018G in line with the increase in revenues during the same period.

### Travel expenses

Travel expenses increased at a CAGR of 13.7% from 2016G to 2018G. Travel expenses decreased by 1.0% to SAR 2.6 million in 2017G, then increased by 30.5% to SAR 3.4 million in 2018G in line with the growth in the Group's operations.

### Fees and subscriptions

Fees and subscription expenses relate to fees associated with government and regulating bodies, such as Ministry of Commerce and Investment, Chamber of Commerce, and Ministry of Municipal and Rural Affairs. Fees and subscriptions increased at a CAGR of 89.4% from 2016G to 2018G. It increased by 424.3% from SAR 0.6 million in 2016G to SAR 3.1 million in 2017G, then decreased by 31.6% to SAR 2.1 million in 2018G.





## Others

Other expenses consist of several items including supplies, donations, stationery, printing and others. Other expenses decreased at a CAGR of 11.4% from 2016G to 2018G. Other expenses decreased by 20.6% from SAR 26.3 million in 2016G to SAR 20.9 million in 2017G, due to the decrease in stationery and printing expenses. In 2018G, other expenses remained stable at SAR 20.7 million.

## Net Income

**Table (6-17): Net Income for the financial years ending 31 December 2016G, 2017G and 2018G**

| SAR in 000s                                                        | 2016G            | 2017G          | 2018G          | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|--------------------------------------------------------------------|------------------|----------------|----------------|---------------------------|---------------------------|-----------------------|
| Operating Income                                                   | 930,298          | 655,260        | 801,524        | (29.6%)                   | 22.3%                     | (7.2%)                |
| Share of income of Associate Companies                             | 13,654           | 7,297          | 5,810          | (46.6%)                   | (20.4%)                   | (34.8%)               |
| Finance costs                                                      | (2,192)          | (19,409)       | (19,319)       | 785.4%                    | (0.5%)                    | 196.9%                |
| Other income                                                       | 113,414          | 83,512         | 93,389         | (26.4%)                   | 11.8%                     | (9.3%)                |
| <b>Income before zakat</b>                                         | <b>1,055,175</b> | <b>726,660</b> | <b>881,404</b> | <b>(31.1%)</b>            | <b>21.3%</b>              | <b>(8.6%)</b>         |
| Zakat                                                              | (39,841)         | (70,755)       | (81,330)       | 77.6%                     | 14.9%                     | 42.9%                 |
| <b>Income for the year</b>                                         | <b>1,015,334</b> | <b>655,905</b> | <b>800,074</b> | <b>(35.4%)</b>            | <b>22.0%</b>              | <b>(11.2%)</b>        |
| <b>Attributable to:</b>                                            |                  |                |                |                           |                           |                       |
| Equity holders of the parent                                       | 1,015,576        | 656,167        | 801,307        | (35.4%)                   | 22.1%                     | (11.2%)               |
| Non-controlling interests                                          | (242)            | (262)          | (1,233)        | 8.3%                      | 370.6%                    | 125.7%                |
| Income for the year                                                | 1,015,334        | 655,905        | 800,074        | (35.4%)                   | 22.0%                     | (11.2%)               |
| <b>Other Comprehensive Income</b>                                  |                  |                |                |                           |                           |                       |
| Re-measurement gain / (loss) on employees' end-of-service benefits | (6,654)          | (11,576)       | 8,104          | 74.0%                     | (170.0%)                  | N/A                   |
| Net other comprehensive loss for the year                          | (6,654)          | (11,576)       | 8,104          | 74.0%                     | (170.0%)                  | N/A                   |
| <b>Total comprehensive income for the year</b>                     | <b>1,008,681</b> | <b>644,329</b> | <b>808,178</b> | <b>(36.1%)</b>            | <b>25.4%</b>              | <b>(10.5%)</b>        |
| <b>Attributable to:</b>                                            |                  |                |                |                           |                           |                       |
| Equity holders of the parent company                               | 1,008,922        | 644,591        | 809,411        | (36.1%)                   | 25.6%                     | (10.4%)               |
| Non-controlling interests                                          | (242)            | (262)          | (1,233)        | 8.3%                      | 370.8%                    | 125.8%                |
| <b>Total comprehensive income for the year</b>                     | <b>1,008,681</b> | <b>644,329</b> | <b>808,178</b> | <b>(36.1%)</b>            | <b>25.4%</b>              | <b>(10.5%)</b>        |
| <b>As a percentage of Revenue</b>                                  |                  |                |                |                           |                           |                       |
| <b>Percentage points</b>                                           |                  |                |                |                           |                           |                       |
| Net income margin                                                  | 22.0%            | 15.0%          | 17.4%          | (7.0)                     | 2.5                       | (4.5)                 |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## Share of income of Associate Companies

The company records its share of the net profit of its Associate Companies in the consolidated income statement. As of 2018G, the Company owns 50% of the share capital of Dr. Abdulaziz Ibrahim Al Ajaji Dental Complex ("Al Ajaji Dental"), which operates dental clinics in all of the Group's hospitals. The Company also owns 40% of Serco Saudi Services Company ("Serco Services"), which provides maintenance and cleaning services across all of the Group's hospitals. The Group's share of net profit from Associate Companies decreased by 46.6% from SAR 13.7 million in 2016G to SAR 7.3 million in 2017G, and decreased by 20.4% to SAR 5.8 million in 2018G as a result of lower profits generated by both companies.



## Finance costs

The Group obtains Shariah-compliant loans and facilities through a number of local banks and the Ministry of Finance to finance capital expenditures. Financing expenses, which represent the profit rate on those loans, increased at a CAGR of 196.9% from SAR 2.2 million in 2016G to SAR 19.3 million in 2018G. Financing expenses increased by 785.6% from SAR 2.2 million in 2016G to SAR 19.4 million in 2017G, mainly due to the company capitalizing related expenses pertaining to Suweidi Hospital during the construction period in 2016G and later recognizing it as a financing expenses as it commenced operations. Financing expenses stabilized at SAR 19.3 million in 2018G, although total loans increased from SAR 1,208.8 million in 2017G to SAR 1,566.8 million in 2018G, due to the capitalization of costs related to Khobar hospital loan.

## Other income

**Table (6-18): Other Income for the financial years ending 31 December 2016G, 2017G and 2018G**

| SAR in 000s                                       | 2016G          | 2017G         | 2018G         | Variance<br>(2016G-2017G) | Variance<br>(2017G-2018G) | CAGR<br>(2016G-2018G) |
|---------------------------------------------------|----------------|---------------|---------------|---------------------------|---------------------------|-----------------------|
| Scientific Support from Suppliers                 | 29,437         | 26,477        | 21,323        | (10.1%)                   | (19.5%)                   | (14.9%)               |
| Rental Income                                     | 15,507         | 13,189        | 15,747        | (14.9%)                   | 19.4%                     | 0.8%                  |
| Finance Income                                    | 8,889          | 7,892         | 13,122        | (11.2%)                   | 66.3%                     | 21.5%                 |
| HRDF Receipts                                     | 24,039         | 15,099        | 10,059        | (37.2%)                   | (33.4%)                   | (35.3%)               |
| (Loss)/gain on disposal of property and equipment | 1,658          | (299)         | (597)         | (118.0%)                  | 99.8%                     | N/A                   |
| Others                                            | 33,884         | 21,155        | 33,735        | (37.6%)                   | 59.5%                     | (0.2%)                |
| <b>Total Other Income</b>                         | <b>113,414</b> | <b>83,512</b> | <b>93,389</b> | <b>(26.4%)</b>            | <b>11.8%</b>              | <b>(9.3%)</b>         |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## Scientific support from suppliers

Scientific support from suppliers consists of additional free goods provided to the Group as a result of bulk purchases (in lieu of discounts). Scientific support from suppliers decreased at a CAGR of 15.0% from 2016G to 2018G. Scientific support from suppliers decreased by 10.1% from SAR 29.4 million in 2016G to SAR 26.5 million in 2017G, due to a decline in support provided for Suweidi Hospital, as the support by suppliers was provided in the first year to incentivize sales. In 2018G, scientific support from suppliers decreased by 19.4% to SAR 21.3 million due to the impact of the new VAT regulations and suppliers changing their policies in relation to offering free goods.

## Rental income

Rental income represents the rental of space for shops ATMs and vending machines. Rental income increased at a CAGR of 0.8% between 2016G and 2018G. Rental income decreased by 14.9% from SAR 15.5 million in 2016G to SAR 13.2 million in 2017G, due to a decrease in revenue of shops. In 2018G, rental income increased by 19.4% to SAR 15.7 million due to the growth in revenue generated from shops as the number of patients increased during the same period.

## Finance income

Finance income represents income on Islamic Murabaha deposits. Murabaha income increased at a CAGR of 21.5% from 2016G to 2018G. During 2017G, Murabaha income declined by 11.2% from SAR 8.9 million in 2016G to SAR 7.9 million in 2017G due to lower average deposits in 2017G. In 2018G, this income increased by 66.3% to SAR 13.1 million due to higher SAIBOR on deposits coupled with an increase in average deposits.

## Human Resources Development Fund (HRDF) receipts

HRDF receipts is a support program aimed at incentivizing companies to nationalize jobs. HRDF receipts declined at a CAGR of 35.3% from 2016G to 2018G. During 2017G, HRDF receipts decreased by 37.2% from SAR 24.0 million in 2016G to SAR 15.1 million, due to a decrease in the support from HRDF. HRDF receipts continued to decline by 33.4% to SAR 10.1 million in 2018G as a result of lower support.



## Gain/(loss) on disposal of property, plant and equipment

Consists mainly of losses or gains on the disposal of medical and general equipment and others. Gain/(loss) on disposal of property, plant and equipment decreased from a gain of SAR 1.7 million in 2016G to a loss of SAR 0.6 million in 2018G, due to the disposal of certain property and equipment that are no longer fit for use.

## Other

Others include free products from pharmaceutical distributors for new projects, and contributions related to medical seminars and advertising. Others declined at a CAGR of 0.2% from 2016G to 2018G. Others decreased by 37.6% from SAR 33.9 million in 2016G to SAR 21.2 million in 2017G, due to a decrease in gifted assets by SAR 11.9 million which was linked to the opening of Suweidi Hospital. Others increased by 59.5% to SAR 33.7 million in 2018G, as a result of the reversal of long outstanding accruals and contractors' retentions that were no longer relevant amounting to SAR 9.2 million, and due to a reversal of long outstanding advances from patients for services not rendered.

## Non-controlling interests

The non-controlling interests represent the interests of other partners in the Group's Subsidiaries which are 50% owned, namely: (1) Khobar Hospital, (2) South West Jeddah Hospital, and (3) Qurtoba Hospital. Income attributable to non-controlling interests increased from a loss of SAR 0.2 million in 2016G to a loss of SAR 0.3 million in 2017G and to a loss of SAR 1.2 million in 2018G.

## Zakat

Zakat expenses increased at a CAGR of 42.9% from 2016G to 2018G. Zakat expenses increased by 77.6%, from SAR 39.8 million in 2016G to SAR 70.8 million in 2017G in line with the growth in Zakat base due to the increase in shareholders' equity and non-current liabilities, which was offset by an increase in non-current assets and a decrease in adjusted net income. Zakat expenses increased by 14.9% from SAR 70.8 million in 2017G to SAR 81.3 million in 2018G, mainly due to the increase in shareholders' equity.

The Group has submitted its consolidated zakat returns as well as zakat returns of its wholly owned Subsidiaries to GAZT and received Zakat certificates until 2018G. The Group also received the final Zakat assessments for all years up to 2016G and assessed and recorded all the differences between the Zakat provision and the approved final assessments and paid all Zakat obligations resulting from those assessments accordingly. GAZT assessment for the years 2007G to 2014G, which included an additional Zakat difference of SAR 45.0 million. The Group objected to this assessment and GAZT partially accepted this objection and issued an adjusted Zakat amount of SAR 36.0 million. The Group has paid that amount without objection. For the years 2015G and 2016G, the General Authority of Zakat and Tax issued a Zakat assessment and included an additional Zakat difference of SAR 26.0 million. The Group has paid that amount without objection as well. Accordingly, the Group has received the final Zakat assessments for those years but has not received the final Zakat assessments for the years 2017G and 2018G as at the date of issuance of this Prospectus.

As for Asharq Alawsat Pharmacies Company, it received the Zakat certificates until 2018G, and the final Zakat assessments for all the years until 2016G and assessed and recorded all the differences between the provision of Zakat and the final assessments approved and the payment of all Zakat obligations resulting from those assessments. The General Authority of Zakat and Tax issued a Zakat assessment for the years 2008G to 2016G, which included an additional Zakat difference of SAR 20.0 million. Consequently, the General Authority of Zakat and Tax partially accepted the objection from the Group and issued an adjusted Zakat assessment of SAR 4.0 million which was paid by the Group without objection. Thus, Asharq Alawsat Pharmacies Company received the final Zakat assessments for those years but did not receive the final Zakat assessments for the years 2017G and 2018G as at the date of issuance of this Prospectus. As for Afia Pharmacies, which was established in 2016G, it received zakat certificates until 2018G, but did not receive any final Zakat assessments until the date of issuance of this Prospectus.

With regard to Khobar hospital, it received zakat certificates until 2018G, and the final zakat assessments for all years until 2016G. There were no differences from the zakat returns provided and the Group did not receive the final zakat assessments for the years 2017G and 2018G until the date of issuance of this Prospectus. As for both Qurtoba Hospital and South West Jeddah Hospital, they received their zakat certificates until 2018G, but did not obtain final zakat assessments since their establishment until the date of the issuance of this Prospectus.

## Net income

Net income declined at a CAGR of 11.2% from 2016G to 2018G. Net income decreased by 35.4% from SAR 1,015.3 million in 2016G to SAR 655.9 million in 2017G due to decrease in revenues and increase in general and administrative expenses compared to 2016G. This is due to the reasons mentioned above which include the impact of losses arising from the first year of operations of Suweidi Hospital and the decrease in revenue due to the decline in number of government entities patients. From 2017G to 2018G, net income increased by 22.0% from SAR 655.9 million to SAR 800.1 million, as revenue increased at higher rate compared to cost of revenue coupled with decreases in selling and marketing, and general and administrative expenses as a result of improved overall operational efficiency.

## Total comprehensive income

The Group achieved a comprehensive income of SAR 1,008.7 million in 2016G, a SAR 6.7 million lower compared to net income for the year, as a result of recording the actuarial losses arising from re-measurement of employees' end of service benefits. In 2017G, the Group achieved total comprehensive income of SAR 644.3 million, SAR 11.6 million lower compared to net income for the year, due to the actuarial losses related to employees' end of service benefits. In 2018G, the Group achieved total comprehensive income of SAR 808.2 million, a SAR 8.1 million higher compared to net income for the year, as a result of recognizing actuarial profit related to employees' end of service benefits.

## Consolidated Balance sheet

The following table shows the Group's consolidated balance sheet as at 31 December 2016G, 2017G and 2018G.

**Table (6-19): Consolidated statement of financial position as at 31 December 2016G, 2017G and 2018G**

| SAR in 000s                            | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|----------------------------------------|-------------------|-------------------|-------------------|
| <b>Assets</b>                          |                   |                   |                   |
| Cash and cash equivalents              | 871,343           | 1,140,537         | 1,369,118         |
| Accounts receivable                    | 1,938,534         | 1,664,215         | 1,311,100         |
| Advances to suppliers and contractors  | 12,907            | 7,655             | 17,671            |
| Inventories                            | 261,322           | 308,558           | 302,537           |
| Prepaid expenses and other assets      | 143,376           | 172,755           | 210,226           |
| Total current assets                   | 3,227,481         | 3,293,721         | 3,210,652         |
| Investments in Associate Companies     | 43,881            | 43,678            | 43,488            |
| Property and equipment                 | 3,448,375         | 3,662,133         | 4,287,023         |
| <b>Total non-current assets</b>        | <b>3,492,256</b>  | <b>3,705,811</b>  | <b>4,330,511</b>  |
| <b>Total assets</b>                    | <b>6,719,737</b>  | <b>6,999,532</b>  | <b>7,541,164</b>  |
| <b>Liabilities</b>                     |                   |                   |                   |
| Current portion of long-term loans     | 276,435           | 281,509           | 228,513           |
| Accounts payable                       | 468,239           | 482,734           | 531,611           |
| Advances from customers                | 40,800            | 15,952            | 18,958            |
| Amounts due to related parties         | 20,979            | 12,479            | -                 |
| Accrued expenses and other liabilities | 366,466           | 428,018           | 503,237           |
| Zakat payable                          | 48,530            | 82,389            | 79,136            |
| Current portion of government grant    | -                 | -                 | 2,707             |
| <b>Total current liabilities</b>       | <b>1,221,450</b>  | <b>1,303,080</b>  | <b>1,364,162</b>  |
| Long-term loans                        | 904,159           | 927,267           | 1,338,257         |
| Government grants                      | -                 | -                 | 47,433            |
| Employees' end-of-service benefits     | 180,129           | 220,104           | 234,053           |
| <b>Total non-current liabilities</b>   | <b>1,084,288</b>  | <b>1,147,370</b>  | <b>1,619,743</b>  |
| <b>Equity</b>                          |                   |                   |                   |



| SAR in 000s                                         | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|-----------------------------------------------------|-------------------|-------------------|-------------------|
| Issued share capital                                | 3,500,000         | 3,500,000         | 3,500,000         |
| Statutory reserve                                   | 234,881           | 300,719           | 380,849           |
| Retained earnings                                   | 539,139           | 517,892           | 447,173           |
| Equity attributable to equity holders of the parent | 4,274,020         | 4,318,611         | 4,328,022         |
| Non-controlling interests                           | 139,979           | 230,470           | 229,237           |
| <b>Total equity</b>                                 | <b>4,413,999</b>  | <b>4,549,081</b>  | <b>4,557,259</b>  |
| <b>Total liabilities and equity</b>                 | <b>6,719,737</b>  | <b>6,999,532</b>  | <b>7,541,164</b>  |
| <b>Key Performance Indicators</b>                   |                   |                   |                   |
| Return on asset                                     | 15.1%             | 9.4%              | 10.6%             |
| Return on equity                                    | 23.0%             | 14.4%             | 17.6%             |
| Debt Ratio                                          | 26.7%             | 26.6%             | 35.5%             |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## Current Assets

**Table (6-20): Consolidated statement of financial position as at 31 December 2016G, 2017G and 2018G**

| SAR in 000s                           | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|---------------------------------------|-------------------|-------------------|-------------------|
| <b>Assets</b>                         |                   |                   |                   |
| Cash and cash equivalents             | 871,343           | 1,140,537         | 1,369,118         |
| Accounts receivable                   | 1,938,534         | 1,664,215         | 1,311,100         |
| Advances to suppliers and contractors | 12,907            | 7,655             | 17,671            |
| Inventories                           | 261,322           | 308,558           | 302,537           |
| Prepaid expenses and other assets     | 143,376           | 172,756           | 210,226           |
| <b>Total current assets</b>           | <b>3,227,481</b>  | <b>3,293,721</b>  | <b>3,210,652</b>  |
| <b>Key Performance Indicators</b>     |                   |                   |                   |
| Days sales outstanding                | 224               | 201               | 149               |
| Days inventory outstanding            | 105               | 127               | 112               |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## Cash and cash equivalents

**Table (6-21): Cash and cash equivalents as at 31 December 2016G, 2017G and 2018G**

| SAR in 000s                    | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|--------------------------------|-------------------|-------------------|-------------------|
| Short-term deposits with banks | 205,000           | 702,500           | 778,113           |
| Cash at banks                  | 659,867           | 431,720           | 581,764           |
| Cash on hand                   | 6,476             | 6,317             | 9,241             |
| <b>Total</b>                   | <b>871,343</b>    | <b>1,140,537</b>  | <b>1,369,118</b>  |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Cash and cash equivalents increased by 30.9% from SAR 871.3 million as at 31 December 2016G to SAR 1,140.5 million as at 31 December 2017G due to an increase in cash flows from operating activities, which amounted to SAR 1,094.2 million. The increase in cash flows from operating activities was driven by improvement in cash collection from clients due to the Group's increased efficiency in managing working capital during that period. As a result, short-term deposits with banks increased from SAR 205.0 million as at 31 December 2016G to SAR 702.5 million as at 31 December 2017G to benefit from Murabaha income proceeds. It is worth mentioning that all Murabaha deposits are Shariah-compliant.



Cash balance increased by 20.0% to reach SAR 1,369.1 million as at 31 December 2018G due to the positive increase in cash flows from operating activities. The increase in cash flows from operating activities was due effective management of working capital and better receivables collection, which resulted in a sufficient cash flow surplus to fund the Group's investments and financing activities. Therefore, the Group increased its short-term Murabaha deposits with banks by SAR 75.6 million as at 31 December 2018G.

It is worth mentioning that the Group and its Subsidiaries did not purchase or own any securities or other assets whose value is volatile or difficult to ascertain, which significantly affects the assessment of the financial position as at 31 December 2018G.

### Accounts receivable

**Table (6-22): Accounts receivable as at 31 December 2016G, 2017G and 2018G**

| SAR in 000s                        | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|------------------------------------|-------------------|-------------------|-------------------|
| Gross accounts receivable          | 1,981,857         | 1,746,346         | 1,433,550         |
| Less: Allowance for doubtful debts | (43,323)          | (82,131)          | (122,450)         |
| <b>Net accounts receivable</b>     | <b>1,938,534</b>  | <b>1,664,215</b>  | <b>1,311,100</b>  |
| Days sales outstanding             | 224               | 201               | 149               |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

### Aging of accounts receivable

**Table (6-23): Aging of accounts receivable as at 31 December 2018G**

| SAR in 000s                                  | 0-90 days | 91-180 days | 181-270 days | 271-360 days | More than 361 days | Total     |
|----------------------------------------------|-----------|-------------|--------------|--------------|--------------------|-----------|
| Gross accounts receivable                    | 929,037   | 172,858     | 143,507      | 100,092      | 88,056             | 1,433,550 |
| As a percentage of total accounts receivable | 64.8%     | 12.1%       | 9.9%         | 7.1%         | 6.1%               | 100.0%    |

Source: Management information.

### Movement in allowance for doubtful debts

**Table (6-24): Movement in the allowance for doubtful debts as at 31 December 2016G, 2017G and 2018G**

| SAR in 000s                   | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|-------------------------------|-------------------|-------------------|-------------------|
| At the beginning of the year  | 229,610           | 43,323            | 82,131            |
| Acquisition of a subsidiary   | 98                | -                 | -                 |
| Charged for the year          | 278,163           | 126,191           | 81,696            |
| Write-off                     | (464,547)         | (87,383)          | (41,377)          |
| <b>At the end of the year</b> | <b>43,323</b>     | <b>82,131</b>     | <b>122,450</b>    |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Net receivables decreased by 14.2% from SAR 1,938.5 million as at 31 December 2016G to SAR 1,664.2 million as at 31 December 2017G due to the Group's collection efforts. These efforts resulted in a decline in gross receivables from SAR 1,981.9 million as at 31 December 2016G to SAR 1,746.3 million as at 31 December 2017G, coupled with an increase in allowance for doubtful debts from SAR 43.3 million to SAR 82.1 million during the same period. Net receivables continued to decrease and reached SAR 1,311.1 million (a decline by 21.2%) as at 31 December 2018G, in line with the improvement in receivables collection from major clients. The allowance for doubtful debts increased to SAR 122.5 million in the same period in line with the expected credit loss (ECL) model. Following the decline in net receivables, the average receivable days decreased from 224 days in 2016G to 201 days in 2017G and 149 days in 2018G, due to the improved efficiency in cash collection process.

The Group has adopted IFRS 9 starting from 2018G in compliance with the regulatory requirements, using the Simplified Approach, which is based on the expected credit losses over the trade receivables lifetime at each



reporting date. The provision is calculated through estimating the credit loss by taking into consideration customer type, receivables aging, collection date, along with other factors. As a result, the balance of allowance for doubtful debts increased by 89.6% from SAR 43.3 million in 2016G to SAR 82.1 million in 2017G and further by 49.1% to SAR 122.5 million in 2018G.

The Group has a clear policy regarding outstanding receivables. The Group provide its major clients a payment period between 60 and 120 days, as it is customary in the healthcare industry. Due to the short credit period provided to customers, a significant amount of receivables are not past due and have not been impaired. The Group does not have a policy for requesting bank guarantees from its clients, therefore, most of the accounts receivable are not guaranteed. However, the Group might request bank guarantees from some insurance companies depending on their creditworthiness.

As previously mentioned, the Group accepted a final settlement agreement with the Ministry of Health regarding outstanding claims due, and the Group has written off bad debts related to that settlement in December 2016G. Accordingly, the Group has written off SAR 391.0 million of total receivables from the Ministry of Health against allowance for doubtful debts during 2016G. It is also worth noting that the Group bad debts policy states that it writes off debt when the Group believes that such bad debts are unlikely to be collected.

### Advances to suppliers and contractors

Advances to suppliers and contractors decreased by 40.7% from SAR 12.9 million as at 31 December 2016G to SAR 7.7 million as at 31 December 2017G, following the completion of the construction of Suweidi Hospital and settlement of advances to contractors and their claims. The balance then increased by 130.8% from SAR 7.7 million as at 31 December 2017G to SAR 17.7 million as at 31 December 2018G, due to payments mainly relating to new hospital construction projects in Khobar, South West Jeddah, North Riyadh, and North Jeddah hospitals.

### Inventories

**Table (6-25): Inventories as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                     | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|---------------------------------|-------------------|-------------------|-------------------|
| Pharmaceutical inventories      | 142,172           | 161,900           | 165,333           |
| Medical supplies                | 93,162            | 121,797           | 111,614           |
| Others                          | 30,544            | 27,910            | 27,966            |
| Less: provision for inventories | (4,556)           | (3,049)           | (2,376)           |
| <b>Net Inventories</b>          | <b>261,322</b>    | <b>308,558</b>    | <b>302,537</b>    |

#### Key Performance Indicators

|                            |     |     |     |
|----------------------------|-----|-----|-----|
| Days inventory outstanding | 105 | 127 | 112 |
|----------------------------|-----|-----|-----|

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

(1) As shown in the special purpose consolidated audited financial statements of the Group for the financial years ended 31 December 2016G and 2017G, the balances of pharmaceutical inventories, medical supplies and others for the year 2016G amounted to SAR 93.2 million, SAR 78.0 million, and 94.7 SAR million, respectively. Since the Company has reclassified the pharmaceutical inventories, medical supplies and others during 2017G and 2018G, accordingly, the Management retrospectively reclassified 2016G figures for consistency.

Net inventory increased by 18.1% from SAR 261.3 million as at 31 December 2016G to SAR 308.6 million as at 31 December 2017G due to the increase in pharmaceutical inventory and medical supplies in line with the increase in revenue because of the opening of Suweidi Hospital (contains two pharmacies). Because of revenue growth in 2018G and the Group's initiatives to increase efficiency in warehouses and inventory management, the net inventory balance decreased by 2.0% to SAR 302.5 million as at 31 December 2018G. Others include laboratory inventory, IT equipment, and other non-medical items. Others decreased by 8.6% from SAR 30.5 million as of 31 December 2016G to SAR 27.9 million as of 31 December 2017G and SAR 28.0 million as of 31 December 2018G. Days inventory outstanding (DIO) increased from 105 days in 2016G to 127 days as of 31 December 2017G in line with the increase in inventories. DIO decreased to 112 days as of 31 December 2018G, due to an increase in inventory management efficiency.



It is worth mentioning that the majority of contracts and agreements with suppliers allow for replacing products that are close to expiration. Therefore, the provision for inventories is not related to pharmaceuticals and medical supplies, but to inventories such as laboratory stocks and IT equipment.

### Prepaid expenses and other assets

**Table (6-26): Prepaid expenses and other assets as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                   | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|-------------------------------|-------------------|-------------------|-------------------|
| Prepaid expenses              | 70,420            | 77,214            | 101,285           |
| Advances to employees         | 36,795            | 44,120            | 46,273            |
| Others                        | 36,161            | 51,421            | 62,668            |
| <b>Total</b>                  | <b>143,376</b>    | <b>172,756</b>    | <b>210,226</b>    |
| <b>As percentage of total</b> |                   |                   |                   |
| Prepaid expenses              | 49.1%             | 44.7%             | 48.2%             |
| Advances to employees         | 25.7%             | 25.5%             | 22.0%             |
| Others                        | 25.2%             | 29.8%             | 29.8%             |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Prepaid expenses and other assets consist mainly from rent related to buildings and apartments used by the Group' employees, prepaid medical insurance for employees and their families, Iqama expenses, and other items. Prepaid expenses increased by 9.7% from SAR 70.4 million as at 31 December 2016G to SAR 77.2 million as at 31 December 2017G due to higher prepayments related to employees' medical insurance. Prepaid expenses balance increased by 31.2% to SAR 101.3 million as at 31 December 2018G, due to the higher prepayments for iqama and labor fees, as a result of the increase in expatriate fees.

Advances to employees relate to salary advances and employee loans. Advances to employees increased by 19.8% from SAR 36.8 million as at 31 December 2016G to SAR 44.1 million as at 31 December 2017G. It continued to increase and reached SAR 46.3 million as at 31 December 2018G, an increase of 5.0%, due to the increase in salary advances and employee loans.

Other items, mainly consisting of accrued revenue and VAT, increased by 42.0% from SAR 36.2 million as at 31 December 2016G to SAR 51.4 million as at 31 December 2017G due to an increase in accrued revenue. The balance then increased by 22% as at 31 December 2018G to reach SAR 62.7 million due to the increase in accrued revenue from suppliers and the application of VAT.

### Non-current assets

**Table (6-27): Non-current assets as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                        | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|------------------------------------|-------------------|-------------------|-------------------|
| Investments in Associate Companies | 43,881            | 43,678            | 43,488            |
| Property plant and equipment       | 3,448,375         | 3,662,133         | 4,287,023         |
| <b>Total non-current assets</b>    | <b>3,492,256</b>  | <b>3,705,811</b>  | <b>4,330,511</b>  |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

### Investments in Associate Companies

**Table (6-28): Investments in Associate Companies as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s          | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|----------------------|-------------------|-------------------|-------------------|
| Ajaji Dental         | 36,398            | 34,451            | 33,851            |
| Serco Saudi Services | 7,483             | 9,227             | 9,637             |
| <b>Total</b>         | <b>43,881</b>     | <b>43,678</b>     | <b>43,488</b>     |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.





## Movement of investments in Associate Companies

**Table (6-29): Movement of investments in Associate Companies as at 31 December 2016G, 2017G, and 2018G**

| SAR 000s             | Opening Balance | Share in net income | Dividends      | Ending balance |
|----------------------|-----------------|---------------------|----------------|----------------|
| <b>2018G</b>         |                 |                     |                |                |
| Ajaji Dental         | 34,451          | 5,400               | (6,000)        | 33,851         |
| Serco Saudi Services | 9,227           | 410                 | -              | 9,637          |
| <b>Total</b>         | <b>43,678</b>   | <b>5,810</b>        | <b>(6,000)</b> | <b>43,488</b>  |
| <b>2017G</b>         |                 |                     |                |                |
| Ajaji Dental         | 36,398          | 5,553               | (7,500)        | 34,451         |
| Serco Saudi Services | 7,483           | 1,744               | -              | 9,227          |
| <b>Total</b>         | <b>43,881</b>   | <b>7,297</b>        | <b>(7,500)</b> | <b>43,678</b>  |
| <b>2016G</b>         |                 |                     |                |                |
| Ajaji Dental         | 24,890          | 11,508              | -              | 36,398         |
| Serco Saudi Services | 5,337           | 2,146               | -              | 7,483          |
| <b>Total</b>         | <b>30,227</b>   | <b>13,654</b>       | <b>-</b>       | <b>43,881</b>  |

Source :Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

The Group's investments in Associate Companies consist of:

- 1- 50% ownership interest in Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinics Complex Company ("Ajaji Dental"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration no. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013G). Al-Ajaji dental activities include the establishment and management of medical hospitals, dental centers, radiology laboratories, dental institutes and universities, and the import and distribution of medical equipment. As of the date of this Prospectus, Ajaji Dental operates dental clinics in the Group's healthcare facilities since its establishment in 1995G. The Group provides Ajaji Dental with a dedicated and equipped office space for dental clinics and receives a certain percentage from Ajaji Dental revenues. The Group also provides support services and other services typically provided by its main center. Ajaji Dental covers all costs related to medical equipment and consumables and provide medical and non-medical staff for its clinics.
- 2- 40% ownership interest in Serco Saudi Services Company ("**Serco Services**"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration no. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013G). Serco's activities include operation and maintenance of buildings under construction, electrical works, mechanical works, cooling systems and building cleaning. Serco Saudi Services Company provides facility maintenance services to all medical facilities of the Group.

The balance of investment in Associate Companies decreased from SAR 43.9 million as at 31 December 2016G to SAR 43.7 million as at 31 December 2017G as the Group recognized its share of net income from Associate Companies by SAR 7.3 million in 2017G (an increase in the investment in Associate Companies balance by that amount). However, the increase was offset by SAR 7.5 million in dividends from Associate Companies, therefore, reducing the balance of investment in Associate Companies by the same amount. The balance of investment in Associate Companies decreased to SAR 43.5 million as at 31 December 2018G as the Group recognized its share of net income from Associate Companies amounting to SAR 5.8 million in 2018G (an increase in the investment in Associate Companies balance by that amount). However, the increase was offset by SAR 6.0 million in dividends from Associate Companies, therefore, reducing the balance of investment in Associate Companies by the same amount.

## Property and equipment

**Table (6-30): Property and equipment as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                         | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|-------------------------------------|-------------------|-------------------|-------------------|
| Property and equipment (cost)       | 4,063,345         | 4,363,149         | 4,593,422         |
| Accumulated depreciation            | (822,861)         | (1,016,479)       | (1,208,947)       |
| <b>Total property and equipment</b> | <b>3,240,484</b>  | <b>3,346,670</b>  | <b>3,384,475</b>  |
| Capital work-in-progress            | 207,891           | 315,463           | 902,548           |
| <b>Net property and equipment</b>   | <b>3,448,375</b>  | <b>3,662,133</b>  | <b>4,287,023</b>  |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Property and equipment consist mainly of buildings, land, medical equipment, furniture, fixtures and others. Maintenance and repair expenses are considered as operating expenses and recognized in the income statement. However, expenditures for improvements that substantially prolong useful life of the asset are capitalized in the statement of financial position under net property and equipment. The cost of property and equipment, other than land and capital work-in-progress, are depreciated on a straight-line basis over their estimated useful lives. Improvements in leased property, however, are depreciated over the lease term or the useful life, whichever is shorter.

## Useful lives of property and equipment

**Table (6-31): Useful life of property and equipment as at 31 December 2016G, 2017G, and 2018G**

| Type of property and equipment           | Years                                                        |
|------------------------------------------|--------------------------------------------------------------|
| Buildings                                | 10-33                                                        |
| Leasehold improvements                   | The estimated useful life or lease period whichever is lower |
| Medical and general equipment            | 5-10                                                         |
| Motor vehicles and ambulances            | 4-10                                                         |
| Furniture, fixtures and office equipment | 4-6.67                                                       |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## Details of property and equipment <sup>(1)</sup>

**Table (6-32): Details of total property and equipment as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                              | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|------------------------------------------|-------------------|-------------------|-------------------|
| Land                                     | 1,309,023         | 1,399,777         | 1,571,832         |
| Buildings and leasehold improvements     | 1,265,017         | 1,251,005         | 1,201,865         |
| Medical and general equipment            | 544,934           | 521,584           | 452,431           |
| Motor vehicles and ambulances            | 2,058             | 2,468             | 1,700             |
| Furniture, fixtures and office equipment | 119,451           | 171,836           | 156,647           |
| <b>Total</b>                             | <b>3,240,484</b>  | <b>3,346,670</b>  | <b>3,384,875</b>  |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

(1) Total property and equipment excludes capital work-in-progress, which amounted to SAR 207.9 million, SAR 315.5 million and SAR 902.6 million as at 31 December 2016G, 2017G and 2018G, respectively, and will be discussed under a separate section below.

The Group operations rely on the property and equipment which are comprised of its facilities. These assets including buildings, medical equipment and others are presented in the Table 6.32 above. Also, presented by facility in section 12.14 “**properties owned by the company**”. The Group also rented Al Qassim Hospital land, in addition to two buildings that are part of Olaya Medical Complex (for more details on rental contracts and their values, please refer to section 12.15 “**Properties rented by the Group**” of this Prospectus for additional details).



Total property and equipment amounted to SAR 3,384.5 million as at 31 December 2018G, comprising mainly of: land of SAR 1,571.8 million, buildings and leasehold improvements of SAR 1,201.9 million, medical and general equipment of SAR 452.4 million, furniture, fixtures and office equipment of SAR 156.6 million, motor vehicles and ambulances amounting to SAR 1.7 million.

Land increased by 6.9% from SAR 1,309.0 million as at 31 December 2016G to SAR 1,399.8 million as at 31 December 2017G, due to the purchase of South West Jeddah Hospital land for SAR 90.8 million. The land balance continued to increase by 12.3% to reach SAR 1,571.8 million as at 31 December 2018G, due to the purchase of North Jeddah Hospital land for SAR 172.1 million.

Buildings and leasehold improvements decreased by 1.1% (SAR 14.0 million) from SAR 1,265.0 million as at 31 December 2016G to SAR 1,251.0 million as at 31 December 2017G due to depreciation of SAR 52.8 million that was offset by net additions and transfers of SAR 38.8 million in 2017G. Net buildings and leasehold improvements decreased by 3.9% (SAR 49.1 million) to SAR 1,201.9 million as at 31 December 2018G due to depreciation of SAR 52.3 million, which was offset by net additions and transfers of SAR 3.9 million in 2018G.

Medical and general equipment decreased by 4.3% from SAR 544.9 million as at 31 December 2016G to SAR 521.6 million as at 31 December 2017G due to depreciation of SAR 99.4 million that was offset by net additions and transfers of medical and general equipment of SAR 71.2 million in 2017G. Medical and general equipment continued to decline by 13.3% to reach SAR 452.4 million as at 31 December 2018G, due to depreciation of SAR 99.1 million, which was offset by net additions and transfers of medical and general equipment amounting to SAR 27.0 million in 2018G.

Furniture, fixtures and office equipment increased by 43.8% from SAR 119.5 million as at 31 December 2016G to SAR 171.8 million as of 31 December 2017G, mainly due to the start of operation of Suweidi Hospital. Net Furniture, fixtures and office equipment declined by 8.8% to SAR 156.7 million as at 31 December 2018G, mainly due to depreciation.

### Additions to property, equipment and capital work-in-progress

**Table (6-33): Additions to property and equipment and capital work-in-progress as at December 31 2016G, 2017G, and 2018G**

| SAR in 000s                              | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|------------------------------------------|-------------------|-------------------|-------------------|
| Land                                     | 663,511           | 90,753            | 172,055           |
| Buildings and leasehold improvements     | 4,141             | 32,488            | 3,161             |
| Medical and general equipment            | 61,178            | 58,314            | 33,326            |
| Motor vehicles and ambulances            | 1,290             | 947               | -                 |
| Furniture, fixtures and office equipment | 17,256            | 20,918            | 30,331            |
| Capital work-in-progress                 | 494,757           | 217,979           | 591,254           |
| <b>Total</b>                             | <b>1,242,133</b>  | <b>421,399</b>    | <b>830,128</b>    |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

In 2016G, North Riyadh Hospital additions accounted for 48.0% of the total additions to property and equipment with a total of SAR 596.2 million, mainly related to the purchase of hospital land, which the hospital will be built on. Additions related to Suweidi Hospital constituted 28.7% of the total additions amounting to SAR 356.8 million, which were entirely related to the capital work-in-progress. Additions related to Khobar hospital accounted for 11.1% of the total additions to property and equipment with a total of SAR 138.4 million, mainly related to capital work-in-progress amounting to SAR 116.2 million and land amounting to SAR 22.1 million. In 2017G, the additions to property and equipment were mainly related to Khobar hospital, which accounted for 43.3% of the total additions. The amount was entirely related to the capital work-in-progress of SAR 183.0 million. Additionally, the purchase of South West Jeddah Hospital land for SAR 90.8 million to build the hospital represented 21.5% of the total additions to property and equipment in 2017G. The additions to the property and equipment associated with Suweidi Hospital represented 16.5% with a total value of SAR 69.5 million. These additions mainly included buildings amounting to SAR 26.7 million and medical equipment worth SAR 19.3 million and capital work-in-progress amounting to SAR 16.2 million. The additions to the property and equipment associated with Rayan Hospital accounted for 8.3% of the total additions, amounting to SAR 35.2 million. This amount is mainly related to the parking building as part of capital work-in-progress.

In 2018G, 63.0% of the total additions were related to Khobar hospital with an amount of SAR 523.1 million, all of which was related to capital work-in-progress. The additions associated with North Jeddah Hospital accounted for 20.7% of the value of additions, amounting to SAR 172.1 million, which is related to land purchase for building the hospital. The rest of the additions were related to the expansion of the new Dermatology and Cosmetic clinics at Takhassusi Hospital in Riyadh in addition to the capital work-in-progress related to the expansion of Dubai Hospital.

The Group purchased lands worth SAR 663.5 million in 2016G mainly related to North Riyadh Hospital land. Also, the Group purchased equipment for Suweidi Hospital. In 2017G, the Group purchased property and equipment amounting to SAR 421.4 million as part of the construction work of Khobar hospital. The Group also purchased a land in south west Jeddah for SAR 90.8 million to build a new hospital, in addition to the purchase of medical equipment for Suweidi Hospital, and work related to the parking building in Rayan Hospital, as part of capital work-in-progress.

Additions increased to SAR 830.1 million in 2018G due to the acquisition of land in north Jeddah with a value of SAR 172.1 million. Also, due to the continuation of work related to the construction of Khobar hospital and the expansion related to the new Dermatology and Cosmetic clinics in Takhassusi Hospital in Riyadh. Therefore, capital work-in-progress increased to SAR 902.5 million as at 31 December 2018G.

### Details of capital work in progress

**Table (6-34): Details of capital work in progress as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                              | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|------------------------------------------|-------------------|-------------------|-------------------|
| Buildings and leasehold improvements     | 117,118           | 312,154           | 872,190           |
| Medical and general equipment            | -                 | 1,881             | 7,635             |
| Furniture, fixtures and office equipment | 54,699            | 135               | 11,934            |
| Other                                    | 36,074            | 1,293             | 10,789            |
| <b>Total</b>                             | <b>207,891</b>    | <b>315,463</b>    | <b>902,548</b>    |

Source: Management information.

The balance of buildings in capital work-in-progress increased by 166.5% from SAR 117.1 million as at 31 December 2016G to SAR 312.2 million as at 31 December 2017G due to construction related to Khobar hospital building and a parking building in Rayan Hospital. As at 31 December 2018G, the balance of buildings in capital work-in-progress increased by 186.1% to reach SAR 872.2 million due to the continued construction in Khobar hospital, the commencement of construction of South West Jeddah Hospital building, and work related to the expansion of the new Dermatology and Cosmetic clinics in Takhassusi Hospital in Riyadh.

Medical equipment in capital work-in-progress increased to SAR 7.6 million as at 31 December 2018G, mainly due to the additions in Khobar hospital.

Furniture, fixtures and office equipment in capital work-in-progress decreased from SAR 54.7 million as at 31 December 2016G to SAR 135 thousand as at 31 December 2017G due to the completion of Suweidi Hospital in 2016G. Then, it increased to SAR 11.9 million as at 31 December 2018G, mainly due to start of preparation of Khobar hospital.

Other capital work in progress, which is comprised mainly of IT infrastructure and office equipment, decreased from SAR 36.1 million as at 31 December 2016G to SAR 1.3 million as at 31 December 2017G, due to the completion of the construction of Suweidi Hospital. Then, it increased to SAR 10.8 million as at 31 December 2018G, mainly due to the continued construction work in Khobar hospital and other hospitals under construction.

It is worth noting that capital commitments associated with the construction of new hospitals, which mainly relate to Khobar Hospital, North Riyadh Hospital, South West Jeddah Hospital, and North Jeddah Hospital, amounted to SAR 415.6 million as at 31 December 2018G.

It is worth noting that the Group does not intend to buy or rent any material fixed assets other than those mentioned in sections (4.9) “**Future projects**”, and (12.14) “**Properties owned by the Group**”. These sections state that the Group is in the process of acquiring several properties related to its business as at the date of issuing this Prospectus.



## The Group's assets inside the Kingdom and outside the Kingdom (Dubai Hospital)

The table below shows the Group's assets inside and outside of the Kingdom (Dubai Hospital). As shown below, Dubai Hospital assets increase from SAR 531 million in 2016G to SAR 566 million in 2018G, mainly due to an increase in cash.

**Table (6-35): Group assets in the Kingdom and outside of the Kingdom (Dubai Hospital) as at 31 December 2016G, 2017G, and 2018G**

| SAR in millions                                   | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|---------------------------------------------------|-------------------|-------------------|-------------------|
| Total assets inside the Kingdom                   | 6,536             | 6,448             | 6,966             |
| Total assets outside the Kingdom (Dubai Hospital) | 531               | 541               | 566               |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## Current liabilities

**Table (6-36): Current liabilities as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                       | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|---------------------------------------------------|-------------------|-------------------|-------------------|
| Current portion of long-term loans <sup>(1)</sup> | 276,435           | 281,509           | 228,513           |
| Accounts payable                                  | 468,239           | 482,734           | 531,611           |
| Advances from customers                           | 40,800            | 15,952            | 18,958            |
| Amounts due to related parties                    | 20,979            | 12,479            | -                 |
| Accrued expenses and other liabilities            | 366,466           | 428,018           | 503,237           |
| Zakat payable                                     | 48,530            | 82,389            | 79,136            |
| Current portion of government grant               | -                 | -                 | 2,707             |
| <b>Total current liabilities</b>                  | <b>1,221,450</b>  | <b>1,303,080</b>  | <b>1,364,162</b>  |

### Key Performance Indicators

|                          |    |    |    |
|--------------------------|----|----|----|
| Days payable outstanding | 57 | 56 | 59 |
|--------------------------|----|----|----|

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

(1) Details about the current portion of long-term loans and the current portion of government grant are presented in the section that discusses bank loans and long-term loans

## Accounts payable

**Table (6-37): Accounts payable as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                          | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|--------------------------------------|-------------------|-------------------|-------------------|
| Accounts payable                     | 443,105           | 457,575           | 459,366           |
| Contractors' payables and retentions | 24,357            | 24,010            | 68,631            |
| Others                               | 777               | 1,149             | 3,614             |
| <b>Total accounts payable</b>        | <b>468,239</b>    | <b>482,734</b>    | <b>531,611</b>    |

### Key Performance Indicators

|                          |    |    |    |
|--------------------------|----|----|----|
| Days payable outstanding | 57 | 56 | 59 |
|--------------------------|----|----|----|

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Accounts payable comprises mainly of trade payables that relate to contractors, suppliers of medical equipment, medicines, laboratories and other services. Accounts payable increased by 3.3% from SAR 468.2 million as at 31 December 2016G to SAR 482.7 million as at 31 December 2017G as a result of new hospital openings and the continued growth in pharmacy operations. Accounts payable increased by 10.1% to SAR 531.6 million as at 31 December 2018G, due to the increase in accounts payables related to Khobar hospital. It is worth mentioning that the Group maintains a strategy of expediting payments to its suppliers in order to benefit from early payment

discounts. Therefore, the days payable outstanding (DPO) was 57 and 56 days between 31 December 2016G and 2017G. DPO increased slightly to 59 days as at 31 December 2018G, due to the increase in payables related to Khobar hospital and to the works related to contractors.

### Advances from customers

Advances received from customers represents the amount of cash deposited by patients prior to their surgery which is amortized upon completion of surgery. Advances from customers decreased by 60.8% from SAR 40.8 million as at 31 December 2016G to SAR 16.0 million as at 31 December 2017G as a result of providing medical services to patients who have made prepayments. The balance increased by 18.8% to SAR 19.0 million as at 31 December 2018G, in line with the Group's revenue growth from new hospitals.

### Amounts due to related parties

Due to related parties witnessed a decrease of 40.5% from SAR 21.0 million as at 31 December 2016G to SAR 12.5 million as at 31 December 2017G due to the settlement of certain amounts pertaining to related parties. The balance decreased to nil as at 31 December 2018G as the Group settled outstanding amounts to related parties. Related parties represent the shareholders and Senior Management of the Group, the Directors and entities controlled or jointly controlled, or have significant influence by these entities. The Group's Management approved pricing policies and terms of these transactions.

The following is a summary of significant transactions and balances with related parties during the ordinary course of business and included in the audited consolidated financial statements:

**Table (6-38): Transactions with related parties as at 31 December 2016G, 2017G, and 2018G**

| Nature of transaction<br>(SAR in 000s)               | Related parties                                      | Relationship        | Name of related party                                                                                                      | 31<br>December<br>2016G<br>SAR | 31<br>December<br>2017G<br>SAR | 31<br>December<br>2018G<br>SAR |
|------------------------------------------------------|------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Capital work-in-progress                             | Masah Contracting Company                            | Other related party | Sulaiman Abdulaziz Sulaiman Al Habib (Chairman of the board), and Hesham Sulaiman Abdulaziz Al Habib (member of the board) | 84,856                         | 125,812                        | 50,954                         |
| Capital work-in-progress                             | Namara Specialist Establishment for Trading          | Other related party | Sulaiman Abdulaziz Sulaiman Al Habib (Chairman of the board), and Hesham Sulaiman Abdulaziz Al Habib (member of the board) | 11,472                         | 672                            | 735                            |
| Purchases and services                               | Antab Serco.                                         | Associate           | Group owns 40% of the company                                                                                              | 70,433                         | 68,672                         | 59,180                         |
| Revenue                                              | Ajaji Dental                                         | Associate           | Group owns 50% of the company                                                                                              | 37,478                         | 38,541                         | 38,106                         |
| Board of Directors and its committee of remuneration | Members of the Board of Directors and its committees | Affiliates          | Members of the board                                                                                                       | 2,850                          | 1,626                          | 1,814                          |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.





The significant year-end balances concerning related parties transactions are as follows:

**Table (6-39): Related parties balances as at 31 December 2016G, 2017G, and 2018G**

| Due to related parties                | Related Party       | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|---------------------------------------|---------------------|-------------------|-------------------|-------------------|
| Hesham Sulaiman Abdulaziz Al Habib    | Shareholder         | 9,476             | 9,476             | -                 |
| Abdulaziz Ibrahim Abdullah Al Ajaji   | Other Related Party | 7,095             | 1,570             | -                 |
| Abdulaziz Sulaiman Abdulaziz Al Habib | Other Related Party | 4,408             | 1,433             | -                 |
| <b>Total</b>                          |                     | <b>20,979</b>     | <b>12,479</b>     | <b>-</b>          |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Senior Management of the Group represent the Board of Directors and key management members who are responsible for planning, directing and supervising the Group activities.

**Table (6-40): Compensation of Senior Management personnel of the group as at 31 December 2016G, 2017G, and 2018G**

| Due to related parties<br>SAR in 000s                         | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|---------------------------------------------------------------|-------------------|-------------------|-------------------|
| Short-term employee benefits                                  | 4,755             | 4,652             | 4,767             |
| Post-employment and medical benefits                          | 97                | 122               | 122               |
| Board of Directors and its committees remuneration            | 2,850             | 1,626             | 1,814             |
| <b>Total compensation paid to senior management personnel</b> | <b>7,702</b>      | <b>6,340</b>      | <b>6,703</b>      |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## Accrued expenses and other liabilities

**Table (6-41): Accrued expenses and other liabilities as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                              | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|------------------------------------------|-------------------|-------------------|-------------------|
| Accrued employees' salaries and benefits | 296,700           | 279,731           | 301,418           |
| Dividends payable                        | 8,850             | 91,836            | 103,360           |
| Accrued expenses                         | 40,222            | 44,642            | 75,973            |
| Others                                   | 20,694            | 11,809            | 22,486            |
| <b>Total</b>                             | <b>366,466</b>    | <b>428,018</b>    | <b>503,237</b>    |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Accrued expenses and other liabilities comprise of accrued employees' salaries and benefits, dividends payable and accrued expenses. The balance increased from SAR 366.5 million as at 31 December 2016G to SAR 503.2 million as at 31 December 2018G.

Accrued employees' salaries and benefits include salaries, benefits, airline tickets, leave allowances and employee benefits. Accrued employees' salaries and benefits decreased by 5.7% from SAR 296.7 million as at 31 December 2016G to SAR 279.7 million as at 31 December 2017G, in line with the decrease in the number of employees from 11,668 employees to 11,215 employees. It increased by 7.7% to SAR 301.4 million as at 31 December 2018G, despite the decrease in the number of employees to 10,492 employees, due to the timing of employees' use of their leave and entitlement to benefits.

The Board of Directors of the Group has decided to distribute interim dividends of SAR 369.9 million in 2016G, SAR 600.0 million in 2017G and SAR 800.0 million in 2018G. These dividends have been approved by the General Assembly. The outstanding balance represents outstanding and unpaid payments from dividends as at the end of each financial year. The Group has paid the remaining balance in the first quarter of 2019G.



Accrued expenses increased from SAR 40.2 million as at 31 December 2016G to SAR 44.6 million as at 31 December 2017G due to the growth of the Group's operations and the full year of operation of Suweidi Hospital. It continued to increase to reach 76.0 million as at 31 December 2018G by 70.2% as a result of the increase in expenses related to facility maintenance and services. Utility expenses (such as telephone and electricity) increased due to (1) increase in tariffs, (2) in line with the expansion of operations, (3) increase in government fees, especially in relation to the expat fees, and (4) increased maintenance work to ensure compliance with the required standards in accordance with regulatory and accreditation bodies.

"Others" comprise mainly of VAT payables. Others decreased by 43.0% from SAR 20.7 million as at 31 December 2016G to SAR 11.8 million as at 31 December 2017G mainly due to settlement of some of these balances. As at 31 December 2018G, Others increased by 90.0% to SAR 22.5 million because of the increase in VAT balances payable to SAR 9 million as at 31 December 2018G.

## Zakat provision

**Table (6-42): Movement in Zakat provision as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                         | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|-------------------------------------|-------------------|-------------------|-------------------|
| Balance at beginning of the year    | 68,082            | 48,530            | 82,389            |
| Charge for the year                 | 48,169            | 70,755            | 81,330            |
| Paid during the year                | (60,007)          | (36,897)          | (84,583)          |
| Adjustment in prior year assessment | (8,328)           | -                 | -                 |
| Acquisition of a subsidiary         | 614               | -                 | -                 |
| <b>Ending balance</b>               | <b>48,530</b>     | <b>82,389</b>     | <b>79,136</b>     |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Zakat provision increased by 69.9% from SAR 48.5 million as at 31 December 2016G to SAR 82.4 million as at 31 December 2017G, in line with the growth of Zakat base due to the increase in shareholders' equity and non-current liabilities. This was offset by an increase in non-current assets and a decrease in adjusted net income. Zakat provision decreased by 4.0% to SAR 79.1 million as at 31 December 2018G mainly due to the increase in Zakat paid for the year.

The Group has submitted its consolidated zakat returns as well as zakat returns of its wholly owned Subsidiaries to GAZT and received Zakat certificates until 2018G. The Group also received the final Zakat assessments for all years up to 2016G and assessed and recorded all the differences between the Zakat provision and the approved final assessments and paid all Zakat obligations resulting from those assessments accordingly. GAZT assessment for the years 2007G to 2014G, which included an additional Zakat difference of SAR 45.0 million. The Group objected to this assessment and GAZT partially accepted this objection and issued an adjusted Zakat amount of SAR 36.0 million. The Group has paid that amount without objection. For the years 2015G and 2016G, the General Authority of Zakat and Tax issued a Zakat assessment and included an additional Zakat difference of SAR 26.0 million. The Group has paid that amount without objection as well. Accordingly, the Group has received the final Zakat assessments for those years but has not received the final Zakat assessments for the years 2017G and 2018G as at the date of issuance of this Prospectus.

As for Asharq Alawsat Pharmacies Company, it received the Zakat certificates until 2018G, and the final Zakat assessments for all the years until 2016G and assessed and recorded all the differences between the provision of Zakat and the final assessments approved and the payment of all Zakat obligations resulting from those assessments. The General Authority of Zakat and Tax issued a Zakat assessment for the years 2008G to 2016G, which included an additional Zakat difference of SAR 20.0 million. Consequently, the General Authority of Zakat and Tax partially accepted the objection from the Group and issued an adjusted Zakat assessment of SAR 4.0 million which was paid by the Group without objection. Thus, Asharq Alawsat Pharmacies Company received the final Zakat assessments for those years but did not receive the final Zakat assessments for the years 2017G and 2018G as at the date of issuance of this Prospectus. As for Afia Pharmacies, which was established in 2016G, it received zakat certificates until 2018G, but did not receive any final Zakat assessments until the date of issuance of this Prospectus.



With regard to Khobar hospital, it received zakat certificates until 2018G, and the final zakat assessments for all years until 2016G. There were no differences from the zakat returns provided and the Group did not receive the final zakat assessments for the years 2017G and 2018G until the date of issuance of this Prospectus. As for both Qurtoba Hospital and South West Jeddah Hospital, they received their zakat certificates until 2018G, but did not obtain final zakat assessments since their establishment until the date of the issuance of this Prospectus.

## Non-current liabilities

**Table (6-43): Non-current liabilities as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                          | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|--------------------------------------|-------------------|-------------------|-------------------|
| Long-term loans                      | 904,159           | 927,267           | 1,338,257         |
| Government grant                     | -                 | -                 | 47,433            |
| Employees' end-of-service benefits   | 180,129           | 220,103           | 234,053           |
| <b>Total non-current liabilities</b> | <b>1,084,288</b>  | <b>1,147,370</b>  | <b>1,619,743</b>  |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## A- Bank loans and term loans

**Table (6-44): Bank loans and term loans as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                        | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|----------------------------------------------------|-------------------|-------------------|-------------------|
| SAMBA Financial Group                              | 78,885            | 103,438           | 115,000           |
| Saudi British Bank                                 | -                 | 187,493           | 104,163           |
| National Commercial Bank                           | 488,984           | 557,344           | 946,883           |
| Al Awwal Bank                                      | 233,266           | -                 | -                 |
| Al Rajhi Bank                                      | 3,936             | -                 | -                 |
| <b>Local banks</b>                                 | <b>805,071</b>    | <b>848,274</b>    | <b>1,166,045</b>  |
| Ministry of Finance                                | 375,523           | 360,502           | 400,725           |
| <b>Total loans</b>                                 | <b>1,180,594</b>  | <b>1,208,775</b>  | <b>1,566,770</b>  |
| Current portion of long-term loans                 | (276,435)         | (281,509)         | (228,513)         |
| <b>Total long-term loans</b>                       | <b>904,159</b>    | <b>927,267</b>    | <b>1,338,257</b>  |
| Percent of long-term loans to shareholder's equity | 20.5%             | 20.4%             | 29.4%             |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## Details of available and utilized facilities

**Table (6-45): Details of available and utilized facilities as at 31 December 2018G**

| SAR in 000s                                | Type of available facilities           | Credit limit of facilities | Utilized facilities | Percentage utilized as at 31 December 2018G |
|--------------------------------------------|----------------------------------------|----------------------------|---------------------|---------------------------------------------|
| SAMBA Financial Group                      | General use                            | 215,000                    | 115,000             | 53.5%                                       |
| Saudi British Bank                         | Settlement of a loan from another bank | 195,879                    | 104,163             | 53.18%                                      |
| Saudi British Bank                         | General use                            | 400,000                    | -                   | -                                           |
| National Commercial Bank                   | Suweidi Hospital                       | 561,246                    | 225,483             | 40.18%                                      |
| National Commercial Bank                   | Khobar hospital                        | 1,053,000                  | 721,400             | 68.51%                                      |
| <b>Local banks – total cash facilities</b> | <b>-</b>                               | <b>2,425,125</b>           | <b>1,166,045</b>    | <b>48.1%</b>                                |



| SAR in 000s                                                | Type of available facilities | Credit limit of facilities | Utilized facilities | Percentage utilized as at 31 December 2018G |
|------------------------------------------------------------|------------------------------|----------------------------|---------------------|---------------------------------------------|
| Ministry of Finance                                        | -                            | -                          | 400,725             | -                                           |
| <b>Total cash facilities and Ministry of Finance loans</b> | -                            | -                          | <b>1,566,770</b>    | -                                           |

Source: Management information.

All banking facilities obtained by the Company are Shariah compliant and approved by Shariah committees within banks. The Group has utilized various banking facilities in addition to utilizing cash flows from operating activities to meet capital expenditure requirements. The Group intends to continue its strategy of leveraging cash flows from operating activities and long-term loans from banks while maintaining an optimal financing structure. Long-term loans are divided into:

- **Loans from local banks**

The Group has obtained Islamic financing facilities in the form of long- and short-term loans (Tawarruq) from local banks. These facilities are subject to commissions in accordance with Saudi Arabian Interbank Offered Rates (SAIBOR) as well as an agreed margin. These facilities are secured by guarantees. These facilities bind the Group to certain financial covenants as set out below. The total facilities utilized amounted to SAR 1,166.0 million as at 31 December 2018G.

- **Loans from the Ministry of Finance**

The Group has obtained loans from the Ministry of Finance that are free of commissions to finance the capital expenditure of the Group's facilities. These loans are repayable in equal installments. With the exception of the agreement relating to Qassim Hospital, the land and the buildings were secured against the loans from Ministry of Finance. The total outstanding loans from the Ministry of Finance amounted to SAR 400.7 million as at 31 December 2018G.

### Term loan agreements

**Table (6-46): Term loan agreements as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s              | Facilities available | Facilities utilized | Purpose                           | Covenants and guarantees                                                                                                                                                                                                                                                            |
|--------------------------|----------------------|---------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Samba Financial Group    | 215,000              | 115,000             | General use                       | <ul style="list-style-type: none"> <li>• Total Liability / Equity 2.0 : 1.0 respectively</li> <li>• Current Ratio not to fall below 1x</li> <li>• Interest Coverage Ratio not to fall below 3.5x</li> <li>• Minimum equity of SAR 500 million</li> <li>• DSCR above 1.25</li> </ul> |
| Saudi British Bank       | 195,879              | 104,163             | Paid off a loan from another bank | <ul style="list-style-type: none"> <li>• No covenants required</li> </ul>                                                                                                                                                                                                           |
| Saudi British Bank       | 400,000              | -                   | General use                       | <ul style="list-style-type: none"> <li>• No covenants required</li> </ul>                                                                                                                                                                                                           |
| National Commercial Bank | 561,246              | 225,483             | Suweidi Hospital                  | <ul style="list-style-type: none"> <li>• DSCR above 1.25</li> <li>• Minimum equity of SAR 3 billion</li> </ul>                                                                                                                                                                      |
| National Commercial Bank | 1,053,000            | 721,400             | Khobar hospital                   | <ul style="list-style-type: none"> <li>• Total Liability / Equity 2.5 : 1.0 respectively</li> <li>• DSCR above 1.3</li> <li>• Minimum equity of SAR 530 million</li> </ul>                                                                                                          |



| SAR in 000s         | Facilities available | Facilities utilized | Purpose             | Covenants and guarantees                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------|----------------------|---------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ministry of Finance | 20,831               | 10,461              | Maternity Hospital  | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Land deed number 710118001937, at a book value of SAR 13,520,000 including commissions and capitalized costs. Land cost as per deed is SAR 13, 025, 000</li> </ul>                                                                                                                                  |
| Ministry of Finance | 44,091               | 24,801              | Qassim Hospital     | <ul style="list-style-type: none"> <li>No covenants required</li> <li>Bank guarantee number C123645 provided to the MOF</li> </ul>                                                                                                                                                                                                                                                                                                                         |
| Ministry of Finance | 50,000               | 28,125              | Rayyan hospital     | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Land deed number 610118027485</li> <li>Plot number 157 from plan A/674 of deed 610116005331 issued in 28/10/1429H</li> <li>Book value of SAR 31,000,000 including commissions and capitalized costs. Land cost as per deed is SAR 31,000,000</li> </ul>                                             |
| Ministry of Finance | 37,083               | 25,495              | Spinal Hospital     | <ul style="list-style-type: none"> <li>Deed number 310112019009 (old deed number is 310106006592), plot 110</li> <li>Deed number 210112019010 (old deed number is 410114007287), plot 111</li> <li>Book value of SAR 12,000,000 including commissions and capitalized costs. Land cost as per deed is SAR 12,000,000</li> <li>Book value of SAR 12,000,000 including commissions and capitalized costs. Land cost as per deed is SAR 12,000,000</li> </ul> |
| Ministry of Finance | 75,250               | 51,734              | Takhassusi Hospital | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Land deed number 310107016186 (old deed number 910101004343) plot 6/a, plan 1324 Rahmanyah Al Riyadh</li> <li>Book value of SAR 74,584,125 including commissions and capitalized costs. Land cost as per deed is SAR 74,584,125</li> </ul>                                                          |



| SAR in 000s         | Facilities available | Facilities utilized | Purpose          | Covenants and guarantees                                                                                                                                                                                                                                                                                            |
|---------------------|----------------------|---------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ministry of Finance | 200,000              | 200,000             | Suweidi Hospital | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Land deed 210114030846</li> <li>Book value of SAR 45,250.060 including commissions and capitalized costs. Land cost as per deed is SAR 38,748,800</li> </ul> |
| Ministry of Finance | 200,000              | 110,294             | Khobar hospital  | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Deed number 230203007387</li> <li>Book value of SAR 51,300,532 including commissions and capitalized costs(as per contract between the partners)</li> </ul>  |

Source: Management information.

#### Loan repayment schedule as at 31 December 2018G

**Table (6-47): Loan repayment schedule as at 31 December 2018G**

| SAR in 000s              | 2019G          | 2020G          | 2021G          | 2022G          | 2023G          | 2024G          | 2025G          | 2026G         | 2027G         | Beyond 2027G   | Balance as at December 31 2018G |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|----------------|---------------------------------|
| Samba Financial Group    | 48,125         | 36,406         | 24,375         | 6,094          | -              | -              | -              | -             | -             | -              | 115,000                         |
| Saudi British Bank       | 83,330         | 20,833         | -              | -              | -              | -              | -              | -             | -             | -              | 104,163                         |
| National Commercial Bank | 82,854         | 82,854         | 83,973         | 159,836        | 154,428        | 150,428        | 150,428        | 82,081        | -             | -              | 946,883                         |
| Local banks              | 214,309        | 140,093        | 145,955        | 165,930        | 154,429        | 150,429        | 150,429        | 44,472        | -             | -              | 1,166,045                       |
| Ministry of Finance      | 14,203         | 24,203         | 24,203         | 24,203         | 38,405         | 28,438         | 28,256         | 28,081        | 23,857        | 166,874        | 400,725                         |
| <b>Total</b>             | <b>228,513</b> | <b>164,297</b> | <b>170,159</b> | <b>190,134</b> | <b>192,834</b> | <b>178,867</b> | <b>178,684</b> | <b>72,553</b> | <b>23,857</b> | <b>166,874</b> | <b>1,566,770</b>                |

Source: Management information.

As shown in the table above, it is expected that the outstanding bank loans as at 31 December 2018G will be fully repaid by 2026G. Full repayment of Ministry of Finance loan is expected by 2034G.

#### B- Government Grant

**Table (6-48): Government grant repayment schedule as at 31 December 2018G**

| SAR in 000s      | 2019G | 2020G | 2021G | 2022G | 2023G | 2024G | 2025G | 2026G | 2027G | Beyond 2027G | Balance as at December 31 2018G |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|---------------------------------|
| Government grant | 2,707 | 2,829 | 2,956 | 3,089 | 3,228 | 3,125 | 3,018 | 2,905 | 2,788 | 23,495       | 50,140                          |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.



**Table (6-49): Movement in government grant**

| SAR in 000s              | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|--------------------------|-------------------|-------------------|-------------------|
| Beginning balance        | -                 | -                 | -                 |
| Received during the year | -                 | -                 | 50,140            |
| Ending balance           | -                 | -                 | 50,140            |
| Current                  | -                 | -                 | 2,707             |
| Non-current              | -                 | -                 | 47,433            |
| <b>Total</b>             | <b>-</b>          | <b>-</b>          | <b>50,140</b>     |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Loans received from the Ministry of Finance for building hospitals are classified as term loans in the consolidated audited financial statements for the period ending in 31 December 2017G. These financials were prepared in accordance with the generally accepted accounting standards issued by SOCPA. Management has applied the exemption offered in IFRS (1) and continued with the same classification of loans received until 31 December 2017G. Management started to apply IAS (20) "Accounting for Government Grants and Disclosure of Government Assistance" for new loans (under IAS (20) scope) after the date of adopting IFRS for its consolidated financial statements.

Thus, the government grant represents the Ministry of Finance loan to finance the construction of Khobar hospital, which was obtained after the application of the above-mentioned standard. The loan will be used to purchase medical and non-medical equipment. The Group obtained this loan during October 2018G and is not subject to any commissions or interest and will be amortized over 24 years from the date of obtaining it.

Government grants are recognized when there is reasonable assurance that the grant will be received, and all conditions will be met accordingly. When a grant relates to an expense item, it is recognized as income on a regular basis over the periods when costs are charged and intended to be reimbursed. When a grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

**Table (6-50): Changes in the present value of the defined benefit obligation as at 31 December 2016G, 2017G, and 2018G**

|                                                                           | SAR in 000s    |
|---------------------------------------------------------------------------|----------------|
| Employees' end-of-service benefits as at January 1st 2016G                | 139,920        |
| Interest cost on defined benefit obligation                               | 6,331          |
| Current service cost                                                      | 40,785         |
| Actuarial loss on the defined benefit obligation recognized in OCI        | 6,654          |
| Acquisition of a subsidiary                                               | 744            |
| Benefits paid                                                             | (14,304)       |
| <b>Employees' end-of-service benefits as at December 31 2016G</b>         | <b>180,129</b> |
| Interest cost on defined benefit obligation                               | 7,766          |
| Current service cost                                                      | 42,684         |
| <b>Actuarial loss on the defined benefit obligation recognized in OCI</b> | <b>11,576</b>  |
| Benefits paid                                                             | (22,051)       |
| <b>Employees' end of service benefits as at December 31 2017G</b>         | <b>220,104</b> |
| Interest cost on defined benefit obligation                               | 8,794          |
| Current service cost                                                      | 41,398         |
| Actuarial loss on the defined benefit obligation recognized in OCI        | (8,104)        |
| Benefits paid                                                             | (28,140)       |
| <b>Employees' end of service benefits as at December 31 2018G</b>         | <b>234,053</b> |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Employees' end of service benefits are calculated using actuarial valuations, representing the provision for employees' end of service benefits. The balance of employees' end of service benefits increased by 22.2% from SAR 180.1 million as at 31 December 2016G to SAR 220.1 million as at 31 December 2017G, and increased by 6.4% to SAR 234.1 million as at 31 December 2018G. The increases are in line with the normal increase in the number of years of service of the current employees, as well as the adoption of IFRS (19), which requires the use of actuarial valuations for provisions for benefits payable to employees.

## Commitments and contingencies

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. In 2018G, contractual obligations under operating leases maturing in less than one year amounted to SAR 51.4 million. The contractual obligations maturing over one year to five years amounted to SAR 137.5 million, while contractual obligations maturing in more than five years amounted of SAR 34.0 million.

IFRS (16) was issued in January 2016G and replaces IAS (17), IFRIC (4) "Determining whether an arrangement contains a lease", and Interpretation (15) issued by the SCI, "Operational Leases - Incentives", and SCI Interpretation (27) "Assessing the substance of transactions involving the legal form of the lease". IFRS (16) sets out the principles of recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases as items in the statement of financial position and similar to accounting for finance leases under IAS (17).

The table below shows future financial liabilities under operating lease:

### A- Operating lease commitments - as a lessee

**Table (6-51): Operating lease commitments as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                 | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|---------------------------------------------|-------------------|-------------------|-------------------|
| Within one year                             | 64,099            | 59,950            | 51,374            |
| After one year but not more than five years | 180,058           | 154,871           | 137,518           |
| More than five years                        | 56,063            | 37,866            | 34,019            |
| <b>Total</b>                                | <b>300,219</b>    | <b>252,687</b>    | <b>222,911</b>    |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

The Group has entered into various operating leases with varying periods of time, mainly for its buildings and warehouses. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Operating lease payments represent leases payable by the Group. Operating lease payments recorded as an expense amounted to SAR 64.5 million in 2017G and SAR 53.0 million in 2018G.

As at 31 December 2018G, contractual obligations under operating leases maturing in less than a year amounted to SAR 51.4 million. Contractual liabilities with a maturity of more than one year to five years amounted to SAR 137.5 million. Contractual liabilities with a maturity of more than five years amounted to SAR 34.0 million.

### B- Contingent liabilities

**Table (6-52): Letter of credits and guarantees as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s          | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|----------------------|-------------------|-------------------|-------------------|
| Letters of credit    | 24,717            | 41,567            | 56,209            |
| Letters of guarantee | 40,508            | 46,440            | 72,914            |
| <b>Total</b>         | <b>65,225</b>     | <b>88,008</b>     | <b>129,123</b>    |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose audited consolidated financial statements for the years ended 31 December 2017G and 2016G.

Contingent liabilities relate to the Group's outstanding letters of guarantee and letters of credit as at the date of consolidated statement of financial position. Letters of credit commitments increased from SAR 24.7 million as at 31 December 2016G to SAR 41.6 million as at 31 December 2017G and continued to increase to SAR 56.2 million, mainly due to the increase in new hospital projects, in addition to the increase in purchases from suppliers outside the Kingdom.





Letters of guarantee obligations increased from SAR 40.5 million as at 31 December 2016G to SAR 46.4 million as at 31 December 2017G and continued to increase to reach SAR 72.9 million as at 31 December 2018G. The increases were due to the Group tendering for projects related to the Security Forces Hospital, Royal Commission for Jubail and Yanbu, Supreme Commission for Riyadh Development, Ministry of Interior and Ministry of Health.

## Capital commitments

**Table (6-53): Capital commitments as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s         | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|---------------------|-------------------|-------------------|-------------------|
| Capital commitments | 205,363           | 400,414           | 415,647           |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

The capital commitments relate to construction work of new projects, which belong to Khobar, South West Jeddah, North Riyadh, and North Jeddah hospitals.

## Equity

**Table (6-54): Equity as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                                | 31 December 2016G | 31 December 2017G | 31 December 2018G |
|------------------------------------------------------------|-------------------|-------------------|-------------------|
| Issued share capital                                       | 3,500,000         | 3,500,000         | 3,500,000         |
| Statutory reserve                                          | 234,881           | 300,719           | 380,849           |
| Retained earnings                                          | 539,139           | 517,892           | 447,173           |
| <b>Equity attributable to equity holders of the parent</b> | <b>4,274,020</b>  | <b>4,318,611</b>  | <b>4,328,022</b>  |
| Non-controlling interest                                   | 139,979           | 230,470           | 229,237           |
| <b>Total equity</b>                                        | <b>4,413,999</b>  | <b>4,549,081</b>  | <b>4,557,259</b>  |
| Return on equity                                           | 23.0%             | 14.4%             | 17.6%             |

Source: Management information, consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

**Table (6-55): Changes in equity as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                            | Issued share capital | Statutory reserve | Retained earnings | Total     | Non-controlling interest | Total equity |
|----------------------------------------|----------------------|-------------------|-------------------|-----------|--------------------------|--------------|
| As at 31 December 2016G                | 3,500,000            | 234,881           | 539,139           | 4,274,020 | 139,979                  | 4,413,999    |
| Income (loss) for the year             | -                    | -                 | 656,167           | 656,167   | (262)                    | 655,905      |
| Other comprehensive (loss)             | -                    | -                 | (11,576)          | (11,576)  | -                        | (11,576)     |
| Total comprehensive income             | -                    | -                 | 644,591           | 644,591   | (262)                    | 644,329      |
| Transfer to statutory reserve          | -                    | 65,838            | (65,838)          | -         | -                        | -            |
| Additions to non-controlling interests | -                    | -                 | -                 | -         | 90,753                   | 90,753       |
| Dividends                              | -                    | -                 | (600,000)         | (600,000) | -                        | (600,000)    |
| As at 31 December 2017G                | 3,500,000            | 300,719           | 517,892           | 4,318,611 | 230,470                  | 4,549,081    |
| Income (loss) for the year             | -                    | -                 | 801,307           | 801,307   | (1,322)                  | 800,074      |



| SAR in 000s                       | Issued share capital | Statutory reserve | Retained earnings | Total          | Non-controlling interest | Total equity   |
|-----------------------------------|----------------------|-------------------|-------------------|----------------|--------------------------|----------------|
| Other comprehensive (loss)        | -                    | -                 | 8,104             | 8,104          | -                        | 8,104          |
| <b>Total comprehensive income</b> | -                    | -                 | <b>809,411</b>    | <b>809,411</b> | <b>(1,322)</b>           | <b>808,178</b> |
| Transfer to statutory reserve     | -                    | 80,131            | (80,131)          | -              | -                        | -              |
| Dividends                         | -                    | -                 | (800,000)         | (800,000)      | -                        | (800,000)      |
| As at 31 December 2018G           | 3,500,000            | 380,849           | 447,173           | 4,328,022      | 229,237                  | 4,557,259      |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

The issued share capital consists of the authorized, issued and fully paid-up capital of SAR 3,500 million. The capital is divided into 350 million shares and the value of each share is SAR 10. In accordance with the Saudi Companies Law and the Group's Bylaw, the Group has established a statutory reserve by transferring 10% per annum from net income of the year until this statutory reserve equals 30% of the capital. This statutory reserve is not available for distribution to shareholders.

Retained earnings decreased by 3.9% from SAR 539.1 million as at 31 December 2016G to SAR 517.9 million as at 31 December 2017G due to decrease in net income for the year from SAR 1,015.3 million in 2016G to 655.9 in 2017G, coupled with a dividend of SAR 600.0 million as at 31 December 2017G. The balance of retained earnings decreased by 13.7% to SAR 447.2 million as at 31 December 2018G due to an increase in dividends (SAR 800.0) million which was offset by the net income of SAR 800.1 million in 2018G.

Non-controlling interests increased by 64.6% from SAR 140.0 million as at 31 December 2016G to SAR 230.5 million as at 31 December 2017G, coupled with increase in net assets related to companies not wholly owned by the Group, which includes Khobar and South West Jeddah hospitals. Non-controlling interests decreased by 0.5% to SAR 229.2 million as at 31 December 2018G, in line with the movement of net assets related to companies not wholly owned by the Group.

## Consolidated cash flows

**Table (6-56): Consolidated statement of cash flows for the years ending 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                                 | 2016G            | 2017G          | 2018G          |
|-------------------------------------------------------------|------------------|----------------|----------------|
| Net cash from operations                                    | 901,910          | 1,094,220      | 1,447,374      |
| Net cash used in investing activities                       | (1,250,849)      | (408,337)      | (819,674)      |
| Net cash used in financing activities                       | 120,353          | (416,689)      | (399,118)      |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>(228,587)</b> | <b>269,194</b> | <b>228,581</b> |
| Cash and cash equivalents at the beginning of the year      | 1,099,930        | 871,343        | 1,140,537      |
| Cash and cash equivalents at the end of the year            | 871,343          | 1,140,537      | 1,369,118      |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.



## Cash flows from operating activities

**Table (6-57): Cash flows from operating activities for the years ending 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                                                   | 2016G          | 2017G            | 2018G            |
|-------------------------------------------------------------------------------|----------------|------------------|------------------|
| <b>Operating activities</b>                                                   |                |                  |                  |
| Income before zakat                                                           | 1,055,175      | 726,660          | 881,404          |
| <b>Non-cash adjustments to reconcile income before zakat to net cash flow</b> |                |                  |                  |
| Depreciation                                                                  | 163,513        | 201,780          | 200,187          |
| Share of income of Associate Companies                                        | (13,654)       | (7,297)          | (5,810)          |
| Loss/(gain) on disposal of property and equipment                             | (1,658)        | 299              | 597              |
| Allowance for doubtful debts                                                  | 278,163        | 126,191          | 81,696           |
| Provision for slow moving inventories                                         | 3,829          | 2,455            | 2,306            |
| Finance costs                                                                 | 2,192          | 19,409           | 19,319           |
| Employees' end-of-service benefits                                            | 47,116         | 50,450           | 50,192           |
| <b>Total non-cash adjustments</b>                                             | <b>479,500</b> | <b>393,288</b>   | <b>348,488</b>   |
| <b>Working capital adjustments</b>                                            |                |                  |                  |
| Accounts receivable                                                           | (528,472)      | 148,128          | 271,418          |
| Advances to suppliers and contractors                                         | 19,453         | 5,252            | (10,016)         |
| Due to related parties, net                                                   | 8,189          | (8,500)          | (12,479)         |
| Inventories                                                                   | (14,143)       | (49,691)         | 3,715            |
| Prepaid expenses and other assets                                             | (25,743)       | (29,380)         | (37,470)         |
| Accounts payable                                                              | 90,277         | 14,495           | 48,877           |
| Advances from customers                                                       | 5,908          | (24,849)         | 3,006            |
| Accrued expenses and other liabilities                                        | (113,925)      | (22,234)         | 63,154           |
| <b>Cash generated from operations</b>                                         | <b>976,221</b> | <b>1,153,168</b> | <b>1,560,096</b> |
| Zakat paid                                                                    | (60,007)       | (36,897)         | (84,583)         |
| Employees' end-of-service benefits paid                                       | (14,304)       | (22,051)         | (28,140)         |
| <b>Net cash from operating activities</b>                                     | <b>901,910</b> | <b>1,094,220</b> | <b>1,447,374</b> |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Cash flows from operating activities increased by 21.3% from SAR 901.9 million in 2016G to SAR 1,094.2 million in 2017G mainly due to an increase in collections of receivables in 2017G. This improvement in collection was offset by a decrease in income before Zakat during the same period, coupled with Related Party payments and an increase in inventories. Cash flows from operating activities increased by 32.3% to SAR 1,447.4 million in 2018G, mainly due to an increase in income before Zakat, an increase in collection of receivables, a decrease in inventory balance and an increase in payable balances and accrued expenses.

## Cash used in investing activities

**Table (6-58): Cash flows from investing activities as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                                   | 2016G              | 2017G            | 2018G            |
|---------------------------------------------------------------|--------------------|------------------|------------------|
| <b>Investing activities</b>                                   |                    |                  |                  |
| Purchase of property and equipment                            | (1,242,133)        | (421,399)        | (830,128)        |
| Proceeds from sale of property and equipment                  | 5,854              | 5,562            | 4,454            |
| Dividends from Associate Companies                            | -                  | 7,500            | 6,000            |
| Acquisition of a subsidiary, net of cash and cash equivalents | (14,570)           | -                | -                |
| <b>Net cash used in investing activities</b>                  | <b>(1,250,849)</b> | <b>(408,337)</b> | <b>(819,674)</b> |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Investment activities include the purchase and sale of property and equipment, dividends from Associate Companies and the acquisition of a subsidiary. Cash flows used in investment activities decreased by 67.4% from SAR 1,250.8 million in 2016G to SAR 408.3 million in 2017G as a result of the completion of construction work in Suweidi Hospital. The Group purchased property and equipment worth SAR 421.4 million in 2017G related to the construction of Khobar Hospital. In addition, the Group purchased land in South West Jeddah Hospital for SAR 90.8 million for the construction of a new hospital, purchased medical equipment for Suweidi Hospital and work-in-progress expenditure related to the parking building at Rayan Hospital.

Cash flows used in investment activities increased by 100.7% to SAR 819.7 million in 2018G due to the purchase of property and equipment worth SAR 830.1 million. These additions included purchase of land for North Jeddah Hospital, continued construction work related to Khobar Hospital, and construction works related to the Dermatology and Cosmetic clinics at Takhassusi Hospital in Riyadh.

Proceeds from sale of property and equipment include disposal of property and equipment that are no longer fit for use according to the Group plan to improve asset efficiency during 2016G, 2017G and 2018G.

Dividends from Associate Companies include dividends received from Ajaji Dental and Serco Services for 2017G and 2018G. The acquisition of a subsidiary, net of cash and equivalents, relates to the acquisition of Rawafed Al Seha International in 2016G.

## Cash generated from / (used in) financing activities

**Table (6-59): Cash flows from / (used in) financing activities as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                           | 2016G          | 2017G            | 2018G            |
|-------------------------------------------------------|----------------|------------------|------------------|
| <b>Financing activities</b>                           |                |                  |                  |
| Proceeds from long-term loans, net                    | 269,160        | 28,181           | 408,135          |
| Finance costs paid                                    | (2,037)        | (18,609)         | (18,777)         |
| Dividends paid                                        | (199,854)      | (517,014)        | (788,476)        |
| Changes in non-controlling interests                  | 53,084         | 90,753           | -                |
| <b>Net cash from / (used in) financing activities</b> | <b>120,353</b> | <b>(416,689)</b> | <b>(399,118)</b> |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

Net cash generated from financing activities decreased from SAR 120.4 million inflow in 2016G to outflow of SAR 416.7 million in 2017G, mainly due to an increase by 158.7% in dividends paid to shareholders (from SAR 199.9 million in 2016G to SAR 517.0 million in 2017G), and the decline in net proceeds from long-term loans to SAR 28 million.

Cash used in financing activities decreased by 4.2% to SAR 399.1 million in 2018G as a result of an increase in loans received by the Group by SAR 408.1 million in 2018G, which was offset by an increase in dividends paid to the shareholders by 52.5% to SAR 788.5 million in 2018G.



The change in non-controlling interests increased from SAR 53.1 million in 2016G to SAR 90.8 million in 2017G, in line with the rise in non-controlling interests. The change declined to zero in 2018G since there was no movement in the balance of non-controlling interests.

## Capitalization and indebtedness

The table below shows the Group's capitalization and indebtedness as at the financial years ended in 31 December 2016G, 2017G and 2018G. This table should be read in conjunction with all consolidated audited financial statements and financial data of the Group. The Group's capitalization increased as a result of the growth in operations and capital investments from SAR 6,719.7 million as at 31 December 2016G to SAR 7,541.2 million as at 31 December 2018G. It is worth mentioning that the Group has complied with all the terms of local bank agreements as well as loans of the Ministry of Finance and there was no breach of its obligations towards lenders as of the date of issuance of this Prospectus.

**Table (6-60): Capitalization and indebtedness as at 31 December 2016G, 2017G, and 2018G**

| SAR in 000s                                                   | 2016G            | 2017G            | 2018G            |
|---------------------------------------------------------------|------------------|------------------|------------------|
| <b>Liabilities</b>                                            |                  |                  |                  |
| Current liabilities                                           | 1,221,450        | 1,303,080        | 1,364,162        |
| Non-current liabilities                                       | 1,084,288        | 1,147,370        | 1,619,743        |
| <b>Total liabilities</b>                                      | <b>2,305,738</b> | <b>2,450,451</b> | <b>2,983,904</b> |
| <b>Equity</b>                                                 |                  |                  |                  |
| Issued share capital                                          | 3,500,000        | 3,500,000        | 3,500,000        |
| Statutory reserve                                             | 234,881          | 300,719          | 380,849          |
| Retained earnings                                             | 539,139          | 517,892          | 447,173          |
| Non-controlling interests                                     | 139,979          | 230,470          | 229,237          |
| <b>Total equity</b>                                           | <b>4,413,999</b> | <b>4,549,081</b> | <b>4,557,259</b> |
| <b>Total captilization (total equity + total liabilities)</b> | <b>6,719,737</b> | <b>6,999,532</b> | <b>7,541,164</b> |
| <b>Debt to equity ratio</b>                                   | <b>26.7%</b>     | <b>26.6%</b>     | <b>35.5%</b>     |

Source: Consolidated audited financial statements for the year ended 31 December 2018G and the special purpose consolidated audited financial statements for the years ended 31 December 2017G and 2016G.

## First-time adoption of IFRSs as endorsed in KSA

For all financial years up to and including the year ended 31 December 2017G, the Group prepared its consolidated financial statements in accordance with Generally Accepted Accounting Standards issued by SOCPA in KSA (referred to as "SOCPA Generally Accepted Accounting Standards"). The Group has applied IFRS as endorsed in KSA for preparation of its consolidated financial statements for the period beginning 1 January 2018G, as well as for presenting the relevant comparative period data.

In compliance with requirements of IFRS 1 as endorsed in KSA, the consolidated financial statements were prepared after incorporating required adjustments to reflect the transition to IFRSs as endorsed in KSA from the previous SOCPA Generally Accepted Accounting Standards. The Group has analyzed the impact on the consolidated statement of financial position as at the transition date (1 January 2017G) and 31 December 2017G, and the consolidated statement of income ended 31 December 2017G.

### Exemptions applied:

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under.

IFRS. The Group has applied the following exemptions referred in note 4.6.

## Estimates:

The estimates at 1 January 2017G and 31 December 2017G are consistent with those made for the same dates in accordance with SOCPA Generally Accepted Accounting Standards (after adjustments to reflect any differences in accounting policies) apart from Employees' end-of-service benefits where application of SOCPA Generally Accepted Accounting Standards did not require estimation.

The estimates used by the Group to present these amounts in accordance with IFRSs as endorsed in KSA effective from 1 January 2018G from the previous SOCPA Generally Accepted Accounting Standards reflect conditions at 1 January 2017G and 31 December 2017G.

The following table illustrates the reconciliation of total comprehensive income reported in accordance with SOCPA Generally Accepted Accounting Standards to IFRS as endorsed in KSA.

**Table (6-61): Reconciliation of total comprehensive income reported in accordance with SOCPA Generally Accepted Accounting Standards to IFRS as endorsed in KSA.**

| Reconciliation of total comprehensive income                                                                              | For the year ended 2017G<br>SR |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Net income attributable to equity holders of the parent company under SOCPA Generally Accepted Accounting Standards       | 658,381,990                    |
| Impact due to componentization of property and equipment (A)                                                              | (1,734,122)                    |
| Actuarial valuation of employees' end-of-service benefits (B)                                                             | 4,887,026                      |
| Other adjustments (C)                                                                                                     | (5,368,132)                    |
| <b>Net income attributable to equity holders of the parent company under IFRS as endorsed in KSA</b>                      | <b>656,166,762</b>             |
| Remeasurement loss on employees' end-of-service benefits                                                                  | (11,575,596)                   |
| <b>Total comprehensive income for the year attributable to equity holders of the parent under IFRS as endorsed in KSA</b> | <b>644,591,166</b>             |

Source: Consolidated audited financial statements for the year ended 31 December 2018G.

**Table (6-62): Reconciliation of equity reported in accordance with SOCPA Generally Accepted Accounting Standards to IFRS as endorsed in KSA**

| Reconciliation of equity                                                                                        | 1 January 2017G<br>SR | 31 December 2017G<br>SR |
|-----------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------|
| Equity attributable to equity holders of the parent company under SOCPA Generally Accepted Accounting Standards | 4,274,100,864         | 4,332,482,854           |
| Impact due to componentization of property and equipment (A)                                                    | (5,863,293)           | (7,597,415)             |
| Actuarial valuation of employees' end-of-service benefits (B)                                                   | 5,782,437             | (906,133)               |
| Other adjustments (C)                                                                                           | -                     | (5,368,132)             |
| <b>Equity attributable to equity holders of the parent company under IFRS as endorsed in KSA</b>                | <b>4,274,020,008</b>  | <b>4,318,611,174</b>    |

Source: Consolidated audited financial statements for the year ended 31 December 2018G.

### A- Impact due to componentization of property and equipment

Under IFRSs as endorsed in KSA, property and equipment should be componentized and the useful lives for each significant component be identified separately. Such componentization practice was not followed generally by companies in KSA. As part of the transition to IFRSs as endorsed in KSA, Management has applied the concept of assets components retrospectively and accounted for its impact on the useful lives.

### B- Actuarial valuation of employees' end-of-service benefits

Under IFRS as endorsed in KSA, employees' end-of-service benefits are required to be calculated using actuarial valuations. Historically, the Group has calculated these obligations based on the local regulations in KSA at the reporting date without considering expected future service periods of employees, salary increments and discount rates.



## C- Other adjustments

Other adjustments represents variable consideration, re-allocation and apportionment of allowance for doubtful debts and others.

## 6.6 Summary of significant accounting policies as presetned in in the interim consolidated financial statements for the three-month period ended 31 March 2019G

### A- Basis of preparation

These interim consolidated financial statements for the period ended 31 March 2019G have been prepared in accordance with IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants (collectively referred to as "IFRS" as endorsed in Kingdom of Saudi Arabia"). These interim consolidated financial statements are prepared on a historical cost basis except for government grants and long-term loans from Ministry of Finance, which are presented on a fair value basis. The interim consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.

### B- Basis of consolidation

These interim consolidated financial statements comprise the financial statements of the Company and its following Subsidiaries (collectively referred to as "the Group"), mainly domiciled in Kingdom of Saudi Arabia ("KSA") and United Arab Emirates ("UAE") as at 31 March 2019G & 31 December 2018G:

**Table (6-63): Subsidiaries of the Group**

| Company                                                | Country of incorporation and business | Activities               | Percentage of ownership |                |
|--------------------------------------------------------|---------------------------------------|--------------------------|-------------------------|----------------|
|                                                        |                                       |                          | 31 December 2018G       | 31 March 2019G |
| Sehat Al Olaya Medical Complex Company                 | KSA                                   | Hospital                 | 100%                    | 100%           |
| Asharq Alawsat Pharmacies Company <sup>(2)</sup>       | KSA                                   | Pharmacy                 | 100%                    | 100%           |
| Dr. Sulaiman Al Habib Hospital Fz - Llc                | UAE                                   | Hospital                 | 100%                    | 100%           |
| Al Mustaqbal For Hospitals Development Company         | KSA                                   | Hospital                 | 100%                    | 100%           |
| Buraidah Al Takhassusi Hospital For Healthcare Company | KSA                                   | Hospital                 | 100%                    | 100%           |
| Al Rayan Hospital For Healthcare Company               | KSA                                   | Hospital                 | 100%                    | 100%           |
| Home Healthcare Company                                | KSA                                   | Home Healthcare services | 100%                    | 100%           |
| Antab Al Riyadh for Operation And Maintenance Company  | KSA                                   | Ancillary services       | 100%                    | 100%           |
| Al Gharb Al Takhassusi Hospital For Healthcare Company | KSA                                   | Hospital                 | 100%                    | 100%           |
| Al Mokhtabarar Diagnostic Medical Company              | KSA                                   | Laboratory services      | 100%                    | 100%           |
| Sehat Al Suweidi Medical Company                       | KSA                                   | Hospital                 | 100%                    | 100%           |





| Company                                                 | Country of incorporation and business | Activities          | Percentage of ownership |                |
|---------------------------------------------------------|---------------------------------------|---------------------|-------------------------|----------------|
|                                                         |                                       |                     | 31 December 2018G       | 31 March 2019G |
| Hulool Al Sahabah For IT and Communication Company      | KSA                                   | IT Support Services | 100%                    | 100%           |
| Al Rayan For Maintenance And Operation Company          | KSA                                   | Ancillary services  | 100%                    | 100%           |
| Rawafed Al Seha International Company <sup>(1)</sup>    | KSA                                   | Trading services    | 100%                    |                |
| Al Afia Pharmacies For Medicines Company <sup>(2)</sup> | KSA                                   | Pharmacy            | 100%                    | 100%           |
| Dar Al Seha Investment Company                          | KSA                                   | Hospital            | 100%                    | 100%           |
| Khobar Hospital                                         | KSA                                   | Hospital            | 50%                     | 50%            |
| Al Wosta Medical Limited Company                        | KSA                                   | Hospital            | 50%                     | 50%            |
| Gharb Jeddah Hospital Company                           | KSA                                   | Hospital            | 50%                     | 50%            |
| Shamal Al Riyadh For Healthcare Company                 | KSA                                   | Hospital            | 100%                    | 100%           |
| Al Muhammadiya Hospital For Healthcare Company          | KSA                                   | Hospital            | 100%                    | 100%           |

Source: The Group's interim audited consolidated financial statements for the three-month period ended 31 March 2019G.

(1) The company transferred Rawafed Al Seha International Company to a Related Party at book value as at 1 January 2019G

(2) The partner has assigned his shares for the benefit of the Company.

## Investments in Associate Companies

The following table shows the Associate Companies as at 31 March 2019G:

**Table (6-64): Investments in Associate Companies**

| Company                                                                                                    | Percentage of ownership as at 31 March 2018G |
|------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Ajaji Dental                                                                                               | 50%                                          |
| Serco Saudi Services Company (previously Antab for Operations and Contracting Company) ("Antab Al Riyadh") | 40%                                          |

Source: The Group's interim audited consolidated financial statements for the three-month period ended 31 March 2019G.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

### **C- Business combination**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in interim consolidated statement of income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cashgenerating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### **D- Investments in Associate Companies**

An Associate Company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its Associate Companies are accounted for using the equity method. Under the equity method, the investment in an Associate Company is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the Associate Company since the acquisition date.

The interim consolidated statement of income reflects the Group's share of earnings of the Associate Companies. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the interim consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the Associate Companies are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit of an Associate Company is shown on the face of the interim consolidated statement of income outside operating profit and represents earnings after zakat and tax wherever applicable.

The financial statements of the Associate Company are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the Associate Company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate Company and its carrying value and recognizes the loss in the interim consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the Associate Company upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the interim consolidated statement of income.

#### **E- 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 presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liabilities is measured using the assumptions that market participants would use when pricing the asset or the liabilities, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the interim consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liabilities and the level of the fair value hierarchy, as explained above.

#### **F- Revenue recognition**

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- b- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

**Patient services:** The patient services revenue is recognized when the services are rendered to the patient net off for any discount or rebates and expected rejections at the time of providing services to the patients.

**Sale of goods:** The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net off any discount or rebates and expected rejections at the time of delivery of goods to the patients.

**Rental income:** Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the interim consolidated statement of income.

**Others:** All other revenues are recognized on an accrual basis.

Upon the adoption of IFRS 15, for advance from customer or accounts receivable, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

#### G- Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the interim consolidated statement of financial position date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim consolidated statement of income, if material.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the statement of financial position date.
- Interim consolidated statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the interim consolidated statement of income as part of the gains or losses on sale.

#### H- Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to interim consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.



## I- Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

Depreciation is calculated on all property and equipment, other than land and capital work-in-progress, at the following useful lives calculated to write off the cost of each asset on a straight-line basis over its expected useful life:

**Table (6-65): Useful life of property and equipment**

| Asset                                    | Years                                                        |
|------------------------------------------|--------------------------------------------------------------|
| Buildings                                | 10 – 33                                                      |
| Leasehold improvements                   | The estimated useful life or lease period whichever is lower |
| Medical and general equipment            | 5 – 10                                                       |
| Motor vehicles and ambulances            | 4 – 10                                                       |
| Furniture, fixtures and office equipment | 4 – 6.67                                                     |

Source: The Group's interim audited consolidated financial statements for the three-month period ended 31 March 2019G.

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies. The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the interim consolidated statement of income as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the interim consolidated statement of income under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.

## J- Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the

asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the interim consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as income immediately in the interim consolidated statement of income.

## **K- Leases**

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption



to leases of commercial buildings, accommodations and offices that are considered of low value (i.e., below SR 20,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### Impact on adoption of IFRS 16 “Leases”

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

In the current period, the Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019G.

The Group elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- a- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- b- Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019G.
- c- Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

### Nature of the effect of adoption of IFRS 16

#### Prior to adoption of IFRS 16:

The Group has lease contracts for renting commercial buildings, accommodations and offices. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liabilities.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as operating expense in the interim consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognised under prepayments and other payables, respectively.

#### After adoption of IFRS 16:

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease



liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018G. Accordingly, the comparative information is not restated.

**The change in accounting policy affected the following items in the interim consolidated statement of financial position on 1 January 2019G:**

- Right-of-use assets of SR 227,616,107 were recognised and presented under property and equipment in the interim consolidated statement of financial position.
- Lease liabilities of SR 209,036,772 were recognised and included under lease liabilities.
- Prepaid expenses and other assets of SR 18,579,335 related to previous operating leases were reclassified to the right-of-use assets.

**For the three months ended 31 March 2019G:**

- Depreciation expense increased by SR 6,977,447 relating to the depreciation of additional assets recognised (i.e., increase in right-of-use assets).
- Rent expense decreased by SR 11,461,567 relating to previous operating leases.
- Finance costs increased by SR 1,959,718 relating to the interest expense on additional lease liabilities recognised.
- Cash flows from operating activities increased by SR 6,856,151 and cash flows from financing activities decreased by SR 10,210,750 representing the payments for the principal and interest of recognised lease liabilities.

**Table (6-66): Impact on the interim consolidated statement of financial position (increase/(decrease)) as at 1 January 2019G**

| Assets                                       | SR                 |
|----------------------------------------------|--------------------|
| Property and equipment – right-of-use assets | 227,616,107        |
| Prepaid expenses and other assets            | (18,579,335)       |
| <b>Total assets</b>                          | <b>209,036,772</b> |
| <b>Liabilities</b>                           |                    |
| Lease liabilities                            | 209,036,772        |
| <b>Total liabilities</b>                     | <b>209,036,772</b> |

Source: The Group's interim audited consolidated financial statements for the three-month period ended 31 March 2019G.

**Table (6-67): Impact on the interim consolidated statement of income (increase/(decrease)) for the three months ended 31 March 2019G**

|                                                                                            | SR                  |
|--------------------------------------------------------------------------------------------|---------------------|
| Depreciation expense (included in cost of revenue and general and administrative expenses) | (6,977,447)         |
| Rent expense (included in cost of revenue and general and administrative expenses)         | (2,081,014)         |
| <b>Operating profit</b>                                                                    | <b>(9,058,461)</b>  |
| Finance costs                                                                              | (1,959,718)         |
| <b>Income for the year</b>                                                                 | <b>(11,018,179)</b> |

Source: The Group's interim consolidated financial statements for the three-month period ended 31 March 2019G.

**Table (6-68): Impact on the interim consolidated statement of cash flows (increase/(decrease)) for the three months ended 31 March 2019G**

|                                          | SR           |
|------------------------------------------|--------------|
| Net cash flows from operating activities | 6,856,151    |
| Net cash flows from financing activities | (10,210,750) |

Source: The Group's interim audited consolidated financial statements for the three-month period ended 31 March 2019G.



**Table (6-69): Reconciliation of lease liabilities pursuant to IFRS 16**

|                                                                                                              | SR                 |
|--------------------------------------------------------------------------------------------------------------|--------------------|
| Minimum lease payments under Operating leases as of 31 December 2018G                                        | 222,911,230        |
| Recognition exemption                                                                                        |                    |
| For short-term leases                                                                                        | (2,181,430)        |
| For leases of low-value assets                                                                               | (17,000)           |
| Effect from discounting at the incremental borrowing rate as of January 1, 2019G                             | (11,676,028)       |
| <b>Liabilities additionally recognized based on the initial application of IFRS 16 as of 1 January 2019G</b> | <b>209,036,772</b> |
| Liabilities from finance leases as of 31 December 2018G                                                      | -                  |
| <b>Liabilities from leases as of 1 January 2019G</b>                                                         | <b>209,036,772</b> |

Source: The Group's interim audited consolidated financial statements for the three-month period ended 31 March 2019G.

### Amounts recognised in the interim consolidated statement of financial position

**Table (6-70): Carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period**

|                             | Property and equipment - right-of use assets | Lease liabilities  |
|-----------------------------|----------------------------------------------|--------------------|
|                             | SR                                           | SR                 |
| As at 1 January 2019G       | 227,616,107                                  | 209,036,772        |
| Depreciation expense        | (6,977,447)                                  | -                  |
| Finance cost                | -                                            | 1,959,718          |
| Payments                    | -                                            | (10,210,750)       |
| <b>As at 31 March 2019G</b> | <b>220,638,660</b>                           | <b>200,785,740</b> |

Source: The Group's interim audited consolidated financial statements for the three-month period ended 31 March 2019G.

**Table (6-71): Reconciliation of lease liabilities pursuant to IFRS 16**

|                                                                                 | For the three months ended 31 March 2019G |
|---------------------------------------------------------------------------------|-------------------------------------------|
|                                                                                 | SR                                        |
| Depreciation expense of right-of-use assets                                     | 6,977,447                                 |
| Finance cost on lease liabilities                                               | 1,959,718                                 |
|                                                                                 | SR                                        |
| Rent expense - short-term leases                                                | 2,181,430                                 |
| Rent expense - leases of low-value assets                                       | 17,000                                    |
| <b>Total amounts recognized in the interim consolidated statement of income</b> | <b>11,135,595</b>                         |

Source: The Group's interim audited consolidated financial statements for the three-month period ended 31 March 2019G.

### L- Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### M- Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## Recognition

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

## Classification

The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification depends on the Group's contractual terms of the financial assets cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss ("FVTPL"). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial liabilities are not reclassified.

## Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through the interim consolidated statement of income and other comprehensive income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the profit or loss are expensed in the interim consolidated statement of income and other comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the profit or loss or other comprehensive income (irrevocable election at the time of recognition).

## De-recognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the interim consolidated statement of income and other comprehensive income.

## Offsetting

Financial assets and liabilities are offset and the net amount is presented in the interim consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

## Impairment

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses ("ECL") on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

#### **A) Stage 1: 12-months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

#### **B) Stage 2: Lifetime ECL - not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

#### **C) Stage 3: Lifetime ECL - credit impaired**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the interim consolidated statement of income and other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Objective evidence that financial assets are impaired may include indications that a debtor or a company of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macroeconomic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

#### **N- Cash and cash equivalents**

Cash and cash equivalents in the interim consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

#### **O- Inventories**

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items, near to expiry items and damages. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

## P- Provisions

### General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the interim consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### Q- Employees' end-of-service benefits

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The plan is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in interim consolidated statement of income on the defined benefit liability are recognized immediately in the interim consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to interim consolidated statement of income in subsequent periods.

Past service costs are recognized in interim consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the interim consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

### R- Zakat and Value Added Tax (VAT)

Zakat is provided for in accordance with **GAZT** regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the interim consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned Subsidiaries since 31 December 2009G. Accordingly, the Company and its 100% legally owned Subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the Subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The subsidiary registered in free zone - Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or



- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the interim consolidated statement of financial position.

#### **S- Standards issued but not yet effective**

The following is an overview of accounting standard changes that the Group will be required to adopt in future years. The Group continues to assess the impact of these standards on the interim consolidated financial statements.

#### **IFRS 17 Insurance Contracts**

In May 2017G, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005G. This standard is not applicable to the Group.

#### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. This is not applicable to the Group since the Group is not operating in complex multinational tax environment.

#### **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019G, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

#### **Amendments to IAS 28: Long-term interests in Associate Companies and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an Associate Company or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the Associate Company or joint venture (long-term interests). Since the Group does not have such long-term interests in its Associate Company and joint venture, the amendments will not have an impact on its interim consolidated financial statements.



## Annual Improvements 2015G-2017G Cycle (issued in December 2017G)

### These improvements include:

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019G, with early application permitted. These amendments will apply on future business combinations of the Group.

- **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019G, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019G, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its interim consolidated financial statements.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019G, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its interim consolidated financial statements.

### T- Significant accounting judgments, estimates, assumptions

#### Estimates and assumptions

The preparation of the Group's interim consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.



The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the interim consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

## Revenue Recognition

The application of IFRS 15 has required Management to make the following judgements:

- **Satisfaction of performance obligations**

The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

- **Determination of transaction prices**

The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount, insurance claims rejection or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

- **Transfer of control in contracts with customers**

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

## Allowance for doubtful debts

For accounts receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

## Employees' end-of-service benefits

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

## Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

## Useful lives of property and equipment

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

## Provision for inventories

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

## Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the interim consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

## U- Critical judgements in applying accounting standards

The following critical judgements have been applied in the interim consolidated financial statements:

### Component parts of property and equipment

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, Management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

### Determination of control and significant influence

Management's judgement in assessing control over interim consolidated subsidiaries:

Subsidiaries are all investees over which the Group has control. The Group's Management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.



The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

The Management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of 5 to 15 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

## 6.7 Result of operations for the first quarter of 2019G

### Income statement

The following schedule shows the consolidated income statements for the first three months period ending 31 March 2018G and 31 March 2019G.

**Table (6-72): Consolidated Income Statements for the three months period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                                   | Three months period ended 31 March 2018G (unaudited) | Three months period ended 31 March 2019G (audited) | Variance 18'-19' |
|-----------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------|
| Revenue                                       | 1,169,410                                            | 1,247,072                                          | 6.6%             |
| Cost of revenue                               | (808,013)                                            | (823,705)                                          | 1.9%             |
| Gross profit                                  | 361,397                                              | 423,367                                            | 17.1%            |
| Selling and marketing expenses                | (40,606)                                             | (58,446)                                           | 43.9%            |
| General and administrative expenses           | (99,782)                                             | (116,745)                                          | 17.0%            |
| <b>Operating income</b>                       | <b>221,010</b>                                       | <b>248,176</b>                                     | <b>12.3%</b>     |
| Share of income of Associate Companies        | 1,685                                                | 1,562                                              | (7.3%)           |
| Finance costs                                 | (4,206)                                              | (6,369)                                            | 51.4%            |
| Other income                                  | 19,298                                               | 16,579                                             | (14.1%)          |
| <b>Income before Zakat</b>                    | <b>237,787</b>                                       | <b>259,947</b>                                     | <b>9.3%</b>      |
| Zakat                                         | (21,610)                                             | (26,328)                                           | 21.8%            |
| <b>Income for the year</b>                    | <b>216,177</b>                                       | <b>233,619</b>                                     | <b>8.1%</b>      |
| <b>Income for the period attributable to:</b> |                                                      |                                                    |                  |
| Shareholders of the Parent Company            | 216,527                                              | 234,080                                            | 8.1%             |
| Non-controlling interest                      | (350)                                                | (461)                                              | 31.7%            |
| <b>Income for the year</b>                    | <b>216,176</b>                                       | <b>233,620</b>                                     | <b>8.1%</b>      |

| SAR in 000s                                                                            | Three months period ended 31 March 2018G (unaudited) | Three months period ended 31 March 2019G (audited) | Variance 18'-19' |
|----------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------|
| <b>(Losses)/Other comprehensive income</b>                                             |                                                      |                                                    |                  |
| <b>Items that will not to be reclassified to profit or loss in subsequent periods:</b> |                                                      |                                                    |                  |
| Remeasurement gain / (loss) on employees' end-of-service benefits                      | 1,943                                                | (1,496)                                            | (177.0%)         |
| Net other comprehensive income (loss) for the year                                     | 1,943                                                | (1,496)                                            | (177.0%)         |
| <b>Total comprehensive income for the year</b>                                         | <b>218,120</b>                                       | <b>232,123</b>                                     | <b>6.4%</b>      |
| <b>Attributable to:</b>                                                                |                                                      |                                                    |                  |
| Equity holders of the parent                                                           | 218,470                                              | 232,584                                            | 6.5%             |
| Non-controlling interests                                                              | (350)                                                | (461)                                              | 31.7%            |
| Total comprehensive income for the year                                                | 218,120                                              | 232,123                                            | 6.4%             |
| <b>Key Performance Indicators</b>                                                      |                                                      |                                                    |                  |
| Number of inpatients                                                                   | 31,809                                               | 36,118                                             | 13.5%            |
| Number of outpatient patients                                                          | 752,375                                              | 807,324                                            | 7.3%             |
| <b>Total number of patients</b>                                                        | <b>784,184</b>                                       | <b>843,442</b>                                     | <b>7.6%</b>      |
| Number of doctors                                                                      | 2,038                                                | 2,085                                              | 2.3%             |
| Number of beds                                                                         | 1,455                                                | 1,455                                              | 0.0%             |
| Number of clinics                                                                      | 1,011                                                | 1,064                                              | 5.2%             |
| <b>As a percentage of revenue</b>                                                      |                                                      | <b>Percentage points</b>                           |                  |
| <b>Total profits</b>                                                                   | <b>30.9%</b>                                         | <b>33.9%</b>                                       | <b>3.0</b>       |
| Selling and marketing expenses                                                         | 3.5%                                                 | 4.7%                                               | 1.2              |
| General and administrative expenses                                                    | 8.5%                                                 | 9.4%                                               | 0.9              |
| Operating income                                                                       | 18.9%                                                | 19.9%                                              | 1.0              |
| Net income                                                                             | 18.5%                                                | 18.7%                                              | 0.2              |

Source: Management information, audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

## Revenue

Revenue is generated through three operating segments: (a) hospitals, (b) pharmacies and (c) others. In regards to hospitals segment, the Group operates and manages six healthcare facilities as at 31 March 2019G, as follows: (1) Olaya Medical Complex (which consists of Outpatient Clinics Complex, Spinal Hospital, Maternity Hospital and the IVF Center), and (2) Dubai Hospital and its branch Dubai Medical Center, (3) Suweidi Hospital, (4) Qassim Hospital, (5) Rayan Hospital, and (6) Takhassemi Hospital. It is worth mentioning that the soft opening of Khobar Hospital commenced in Q2 2019G. As part of the pharmacy segment, the Group owns Al-Habib Pharmacies, which include 12 pharmacies spread across its facilities in the Kingdom and Dubai, through which the Group manages and operates its pharmaceutical facilities. Revenues from the others segment includes management and operations services for third parties, as the Group operates and manages the UMC at the King Abdullah Medical City in Bahrain. Others also includes revenue from Home Healthcare services, Cloud Solutions and other revenues.

Hospital revenues accounted for 82.1% of the Group total revenue in Q1 2018G, and decreased to 81.7% in Q1 2019G as a result of the growth in the other business segments and the Group strategy of entering new segments. Pharmacies revenues accounted for 16.2% of Group total revenue in Q1 2018G, and increased to 16.6% in Q1 2019G. In addition, the Group was able to maintain revenue levels from other business segments, which accounted for 1.7% of the Group total revenues in Q1 2018G and Q1 2019G.

Total revenue increased by 6.6% from SAR 1,169.4 million in Q1 2018G to SAR 1,247.1 million in Q1 2019G, as the Group was able to continue to increase hospital revenues from insurance patients by 7.2%, which represented 62.7% of total hospital revenues in Q1 2019G. Revenues from patients referred by government entities increased by 37.9% as the Group attracted larger number of patients referred from government entities, which represented 6.8% of total hospital revenue in Q1 2019G. It is worth noting that the majority of patients referred from government entities are from Ministry of Health.



## Cost of Revenue

Cost of revenue includes salaries, wages and benefits, materials and supplies, depreciation, and other costs. Cost of revenue increased by 1.9% from SAR 808.0 million in Q1 2018G to SAR 823.7 million in Q1 2019G. The increase is attributable to the increase in medical supplies, consumables and other costs in line with the expansion of the Group's operations. Despite the increase in cost of revenues, cost of revenue as a percentage of total revenues decreased from 69.1% to 66.1% in line with the Group's efforts to increase operational efficiency by reducing costs as a percentage of total revenues.

## Gross Profit

Gross profit increased by 17.1% from SAR 361.4 million in Q1 2018G to SAR 423.4 million in Q1 2019G. This growth is accompanied by an increase in gross margin from 30.9% in Q1 2018G to 33.9% Q1 2019G. The gross profit increase is mainly due to (1) increase in the ability to cover fixed costs as revenue increased across all the Group hospitals, specifically in Suweidi, Takhassusi and Rayan hospitals, (2) increase in efficiency of physicians and medical staff by providing medical services to more patients as number of patients increased by 7.6% (or 59.3 thousand patients), and (3) the Group efforts to improve operational efficiency while maintaining healthcare services quality and enhancing patient experience.

## Selling and Marketing Expenses

Selling and marketing expenses consist mainly of advertising and promotional expenses, salaries and wages, employee benefits associated with sales and marketing activities, provision for doubtful debts, depreciation, and other expenses. Selling and marketing expenses increased by 43.9% from SAR 40.6 million in Q1 2018G (3.5% of total revenue) to SAR 58.4 million in Q1 2019G (4.7% of total revenue).

The increase in selling and marketing expenses was attributable to the increase in provision for doubtful debts, which increased by 62.5% from SAR 21.7 million to SAR 35.2 million during the same period due to the increase in revenue requiring an increase in provision, in line with the increase in revenues from government entities. In addition, promotional and advertising expenses increased by 21.6% from SAR 8.8 million to SAR 10.8 million during the same period, due to the increase in promotional activities in line with the opening of the dermatology and cosmetic clinic building at Takhassusi Hospital and Dubai Medical Center on Sheikh Zayed road.

## General & Administrative Expenses

General and administrative expenses mainly consist of salaries, wages, employee benefits associated with general and administrative activities, directors' remuneration, Management incentives, depreciation expenses, rents, utilities, communications, consultancy and professional fees, cleaning and maintenance expenses, maintenance and repair expenses, government fees, licenses, bank expenses, commissions, travel expenses, subscription fees, and other expenses. General and administrative expenses increased by 17.0% from SAR 99.8 million in Q1 2018G to SAR 116.7 million Q1 2019G mainly due to an increase in salaries, wages and other expenses related to general and administrative expenses by 12.2% from SAR 63.6 million to SAR 71.3 million in the same period. The increase in salaries is in line with the increase of number of employees because of the overall growth in the Group operations. In addition, there is an increase of directors' remuneration and Management incentives from SAR 450 thousand to SAR 7.4 million and an increase in government fees and licenses from SAR 1.3 million to SAR 4.7 million in the same period. On the other hand, there was a reduction in cleaning and rent costs of SAR 1.7 million and SAR 1.6 million, respectively, as a result of reduced rental rates through renegotiation of leases with several landlords and termination of leasing contracts for certain residential buildings.

## Share of income of Associate Companies

The Company recognizes its share of the net income from its Associate Companies in the consolidated statement of income. As at 31 March 2019G, the Company owns 50% of the ownership interests in Dr. Abdulaziz Ibrahim Al Ajaji Dental Complex ("Al Ajaji Dental"), which operates the dental clinics in all the Group's hospitals. The company also owns 40% of Serco Saudi Services Company ("Serco Services"), which provides maintenance and cleaning services to all the Group's hospitals. Share of net income of Associate Companies decreased by 7.3% from SAR 1.7 million in Q1 2018G to SAR 1.6 million in Q1 2019G, as a result of the decrease in Serco Services net income from SAR 397.8 thousand in Q1 2018G to SAR 175.6 thousand in Q1 2019G. This decrease was offset by an increase in net income of Al-Ajaji Dental Company from SAR 1.3 million to SAR 1.4 million during the same period.



## Finance Cost

The Group obtains facilities/loans that are Shariah-compliant through a number of local banks (three banks) and the Ministry of Finance to finance capital expenditures. Financing cost, which represent the cost of profit margin on loans, increased by 51.4% from SAR 4.2 million in Q1 2018G to SAR 6.4 million in Q1 2019G due to the increase in total facilities utilized by the Group.

## Other income

Other income mainly comprises of rental income, scientific support from suppliers, receipts from the Human Resources Development Fund (HRDF), income from Shariah-compliant Murabaha deposits, and loss or gain from disposal of property and equipment. Other income decreased by 14.1% from SAR 19.3 million in Q1 2018G to SAR 16.6 million in Q1 2019G due to a decrease of SAR 9.8 million in receipts from HRDF, as the Group did not receive any receipts from HRDF in Q1 2019G. The decrease in HRDF receipts was offset by an increase in income from Shariah-compliant Murabaha deposits by SAR 5.1 million, which is in line with the increase in Murabaha deposit balances (increased from SAR 543 million to SAR 828 million) and the increase in finance profit rates on Murabaha deposits in Q1 2019G compared to Q1 2018G.

## Zakat Expenses

Zakat expenses increased by 21.8% from SAR 21.6 million in Q1 2018G to SAR 26.3 million in Q1 2019G in line with the increase in income before Zakat.

## Non-controlling interests

The non-controlling interests represent the interests of the other partners in the Group's Subsidiaries owned by 50%, namely: (1) Khobar Hospital, (2) South West Jeddah Hospital, and (3) Qurtoba Hospital. Income attributable to non-controlling interests increased by 31.7% from a loss of SAR 350 thousand in Q1 2018G to a loss of SAR 461 thousand in Q1 2019G as a result of the increase in the loss realized in the above mentioned companies, since they are still under construction.

## Net Income

Net income increased by 8.1% from SAR 216.2 million in Q1 2018G to SAR 233.6 million in Q1 2019G due to the increase in revenues at faster rate compared to the cost of revenues, which resulted in an increase in net income margin from 18.5% to 18.7% during the same period.

## Revenue by business segments

The following table provides an overview of the Group's revenues by business segments as shown in the Group's audited consolidated interim financial statements for the three months period ended 31 March 2018G and 31 March 2019G.

**Table (6-73): Revenue by business segment for the three-month period ended 31 March 2018G and 31 March 2019G as presented in the financial statements**

| SAR in millions       | Three months period ended 31 March 2018G (unaudited) | Three months period ended 31 March 2019G (audited) | Variance 18'-19' |
|-----------------------|------------------------------------------------------|----------------------------------------------------|------------------|
| Hospitals             | 970                                                  | 1,024                                              | 5.6%             |
| Pharmacies            | 189                                                  | 207                                                | 9.5%             |
| Other segments        | 10                                                   | 16                                                 | 60.0%            |
| <b>Total revenues</b> | <b>1,169</b>                                         | <b>1,247</b>                                       | <b>6.6%</b>      |

Source: Management information, audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

For the purpose of analyzing and better understanding the results of operations in this section of the Prospectus, revenue has been reclassified by segment to conform to the major business segments that the Group operates in (Please refer to section 4.2 "Group Activities") and to enable the analysis of the period under consideration in a consistent and accurate manner, the following has been done:





- 1- For the 3 months ending 31 March 2018G, SAR 10.2 million have been reclassified from hospitals revenue to be as part of other segments revenue as follows:
  - Rawafed's revenue of SAR 9.1 million
  - Cloud Solutions revenue of SAR 1.1 million
- 2- For the 3 months ending 31 March 2019G, SAR 4.1 million have been reclassified from hospitals revenue to be as part of other segments revenue as follows:
  - Cloud Solutions revenue of SAR 4.1 million

The table below presents the revenue by segment after reclassification.

**Table (6-74): Revenue by business segment for the three-month period ended 31 March 2018G and 31 March 2019G for management discussion and analysis purpose**

| SAR in 000s                       | Three months period ended<br>31 March 2018G (unaudited) | Three months period ended<br>31 March 2019G (audited) | Variance 18'-19' |
|-----------------------------------|---------------------------------------------------------|-------------------------------------------------------|------------------|
| Hospitals                         | 960,058                                                 | 1,018,638                                             | 6.1%             |
| Pharmacies                        | 189,023                                                 | 207,500                                               | 9.8%             |
| Other segments                    | 20,329                                                  | 20,934                                                | 3.0%             |
| <b>Total revenues</b>             | <b>1,169,410</b>                                        | <b>1,247,072</b>                                      | <b>6.6%</b>      |
| <b>Key Performance Indicators</b> |                                                         |                                                       |                  |
| Number of inpatients              | 31,809                                                  | 36,118                                                | 13.5%            |
| Number of outpatients             | 752,375                                                 | 807,324                                               | 7.3%             |
| <b>Total number of patients</b>   | <b>784,184</b>                                          | <b>843,442</b>                                        | <b>7.6%</b>      |
| Average revenue per patient (SAR) | 1,224                                                   | 1,208                                                 | (1.4%)           |

Source: Management information.

## Hospital revenues

Hospital revenues increased by 6.1% from SAR 960.1 million in Q1 2018G to SAR 1,018.6 million in Q1 2019G due to the 7.6% increase in number of patients due to the increase in number of insurance patients by 45.7 thousand patients. This is in line with the Group strategy to increase revenue from insurance patients and expanding its customer base. Hospital revenues increased mainly from (1) the increase in Takhassusi Hospital revenues (by 6.2%) due to the opening of dermatology and cosmetic clinics building (contains 15 outpatient clinics), and (2) the increase in Dubai Hospital revenues (by 15.0%) due to the opening of Dubai Medical Center on Sheikh Zayed Road (contains 38 outpatient clinics). Both centers opened in late 2018G. The increase in hospital revenues was offset by a slight decrease in average revenue per patient by 1.4% from SAR 1,224 to SAR 1,208, respectively, in line with the Group strategy to increase patient numbers while reducing or maintaining average revenue per patient. This approach has a positive and sustainable impact on expanding the overall customer base.

All departments witnessed revenue growth, specifically in general surgery, pediatrics, dermatology, ENT, and internal medicine. Details about departments' performance are discussed in other sections.

## Pharmacies revenues

Pharmacy revenues include sales of medicines, cosmetics, and other products to outpatients - who make up the bulk of the Group's pharmacy customers - as well as other direct customers. As of 31 March 2019G, the Group operates 12 pharmacies in the Kingdom and Dubai City, three of which are located in Olaya Medical Complex and Rayan Hospital, two in Suweidi Hospital and Takhassusi Hospital and one each in Qassim Hospital and Dubai Hospital. Revenue increased by 9.8% from SAR 189.0 million in Q1 2018G to SAR 207.5 million in Q1 2019G, in line with the 7.6% increase in number of patients, and the increase in number of pharmacies as two new pharmacies opened in Takhassusi Hospital and Dubai Hospital in Q4 2018G.

## Other segments revenues

**Table (6-75): Other segments revenues for the three-month period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                          | Three months period ended 31 March 2018G | Three months period ended 31 March 2019G | Variance 18'-19' |
|--------------------------------------|------------------------------------------|------------------------------------------|------------------|
| Rawafed                              | 9,105                                    | -                                        | (100.0%)         |
| Management and operation services    | 2,969                                    | 10,412                                   | 250.7%           |
| Home healthcare services             | 7,131                                    | 6,388                                    | (10.4%)          |
| Cloud Solutions                      | 1,112                                    | 4,135                                    | 271.7%           |
| MD Labs                              | 12                                       | -                                        | (100.0%)         |
| <b>Total other segments revenues</b> | <b>20,329</b>                            | <b>20,934</b>                            | <b>3.0%</b>      |

Source: Management information.

Other segment revenues include management & operating services for third parties, design & supervision services for the construction of new health facilities, Home healthcare services, Cloud Solutions services, Rawafed, and other revenue items. Other segments revenues increased by 3.0% from SAR 20.3 million in Q1 2018G to SAR 20.9 million in Q1 2019G. The increase is mainly due to an increase in revenue from management & operation, design & supervision services for the construction of new health facilities by 250.7% (SAR 7.4 million) in line with construction works of Khobar hospital, and Cloud Solutions services revenue of 271.7% (SAR 3.0 million) on the back of securing contracts with external clients. It is worth mentioning that on 1 January 2019G, Rawafed was transferred to a Related Party at its net book value, which resulted in nil revenues from Rawafed in Q1 2019G compared to SAR 9.1 million achieved in Q1 2018G. (Please refer to section 12.12 **“Material contracts with related parties”** for more information).

## Hospital revenues by client type

**Table (6-76): Hospital Revenue by client type for the three months period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                    | Three months period ended 31 March 2018G | Three months period ended 31 March 2019G | Variance 18'-19' |
|--------------------------------|------------------------------------------|------------------------------------------|------------------|
| Insurance                      | 596,202                                  | 639,159                                  | 7.2%             |
| Cash                           | 288,062                                  | 286,105                                  | (0.7%)           |
| Government                     | 49,949                                   | 68,872                                   | 37.9%            |
| Others                         | 25,846                                   | 24,502                                   | (5.2%)           |
| <b>Total hospital revenues</b> | <b>960,058</b>                           | <b>1,018,638</b>                         | <b>6.1%</b>      |

Source: Management information.

## Insurance

Hospital revenues from insurance patients increased by 7.2% from SAR 596.2 million in Q1 2018G to SAR 639.2 million in Q1 2019G. The increase is mainly due to the increase in number of patients by 11.0%, in Rayan Hospital by 18.0% and Suweidi Hospital by 15.2%, as the Group strengthened its relationships with insurance companies. These efforts have contributed to revenue increase across several hospitals, specifically, Takhassusi Hospital by 7.7% and Suweidi Hospital by 13.4% during the same period.

## Cash

Hospital revenues from cash patients decreased slightly by 0.7% from SAR 288.1 million in Q1 2018G to SAR 286.1 million in Q1 2019G. The decrease is due to the decrease in the average revenue per cash patient by 3.2%, in line with the change in mix of services provided to cash customers.

## Government

Revenues from government patients increased by 37.9% from SAR 49.9 million in Q1 2018G to SAR 68.9 million in Q1 2019G, due to the increase in number of patients referred by government entities by 28.8%. The Group received more patients referred from government entities, specifically, in Rayan Hospital (+253 patients) and Takhassusi Hospital (+183 patients). The increase was on the back of Ministry of Health (which represents the majority of government patients) appointment of a third party to manage medical claims process, which streamlined the referral and claim management process. In addition, average revenue per patient referred by government entities increased by 7.0% due to the change in services mix.

## Others

Revenues from others include revenue from companies that have direct agreements with the Group. Revenue from others decreased by 5.2% from SAR 25.8 million in Q1 2018G to SAR 24.5 million in Q1 2019G due to a decrease in average revenue per patient by 16.3% because of a change in the mechanism of handling and managing patients of a client. This was offset by an increase in the number of patients by 13.2% due to signing a new agreement with a client in Dubai Hospital.

## Hospital revenues by patient type

**Table (6-77): Hospital revenues by patient type for the three months period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                       | Three months period ended<br>31 March 2018G | Three months period ended<br>31 March 2019G | Variance 18'-19' |
|-----------------------------------|---------------------------------------------|---------------------------------------------|------------------|
| Outpatients                       | 505,876                                     | 541,039                                     | 7.0%             |
| Inpatients                        | 454,182                                     | 477,599                                     | 5.2%             |
| <b>Total hospital revenues</b>    | <b>960,058</b>                              | <b>1,018,638</b>                            | <b>6.1%</b>      |
| <b>Key Performance Indicators</b> |                                             |                                             |                  |
| Number of outpatients             | 752,375                                     | 807,324                                     | 7.3%             |
| Number of inpatients              | 31,809                                      | 36,118                                      | 13.5%            |

Source: Management information.

## Outpatient revenue

Outpatient revenues increased by 7.0% from SAR 505.9 million in Q1 2018G to SAR 541.0 million in Q1 2019G due to the increase in number of outpatients by 7.3%, in line with the Group strategy to increase the number of patients. Number of patients increased in the Group's hospitals, specifically, in Dermatology (19.8%), Ophthalmology (14.5%) and Surgery (13.2%) departments, which was offset by a slight decrease in average revenue per patient by 0.3% from SAR 672 in Q1 2018G to SAR 670 in Q1 2019G. The decrease in average revenue per patient was because of change in mix of services provided, mainly a decline in the spinal and cardiology clinics, which are typically associated with higher average revenues, along with an increase in number of cash patients, who typically demand lower priced services.

## Inpatient revenue

Inpatient revenue increased by 5.2% from SAR 454.2 million in Q1 2018G to SAR 477.6 million in Q1 2019G, mainly due to the increase in number of inpatients by 13.5% from 31.8 thousand to 36.1 thousand. The increase in number of inpatients was due to the increase in number of patients in the General Surgery (32.0%), Pediatrics (19.0%), and OB&Gyne (8.0%) clinics. In addition, the average inpatient stay decreased from 3.0 days to 2.9 days during the same period because of increased efficiency and a slight decrease in the number of surgeries that normally require longer hospital stay. The increase in the number of patients was offset by a decrease in the average revenue per inpatient from SAR 14,278 to SAR 13,223 (7.4% decline), due to the decrease in number of complex operations.

## Hospital revenues by clinic

**Table (6-78): Hospital revenues by clinic for the three months period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                                | Three months period ended 31 March 2018G | Three months period ended 31 March 2019G | Variance 18'-19' |
|--------------------------------------------|------------------------------------------|------------------------------------------|------------------|
| OB&Gyne & its sub-specialties              | 133,975                                  | 138,256                                  | 3.2%             |
| Surgery and its sub specialties            | 62,230                                   | 70,653                                   | 13.5%            |
| Internal Medicine and its sub specialties  | 100,284                                  | 105,522                                  | 5.2%             |
| Paediatrics                                | 121,544                                  | 129,774                                  | 6.8%             |
| E.R. (Emergency Room)                      | 67,365                                   | 72,288                                   | 7.3%             |
| Orthopaedics                               | 61,073                                   | 62,289                                   | 2.0%             |
| Dental                                     | 39,048                                   | 39,799                                   | 1.9%             |
| Cardiology                                 | 52,170                                   | 54,652                                   | 4.8%             |
| Ophthalmology                              | 26,148                                   | 29,484                                   | 12.8%            |
| Gastroenterology                           | 31,337                                   | 32,350                                   | 3.2%             |
| Endocrine                                  | 31,785                                   | 33,282                                   | 4.7%             |
| Bariatrics                                 | 33,951                                   | 34,431                                   | 1.4%             |
| Neurology                                  | 28,751                                   | 30,885                                   | 7.4%             |
| E.N.T. (Otolaryngology)                    | 67,852                                   | 73,244                                   | 7.9%             |
| Spinal Clinic                              | 23,331                                   | 24,920                                   | 6.8%             |
| Dermatology                                | 27,883                                   | 33,458                                   | 20.0%            |
| Urology                                    | 21,651                                   | 22,464                                   | 3.8%             |
| Physiotherapy                              | 9,512                                    | 10,247                                   | 7.7%             |
| Pulmonology                                | 20,169                                   | 20,640                                   | 2.3%             |
| <b>Total hospital revenue</b>              | <b>960,058</b>                           | <b>1,018,638</b>                         | <b>6.1%</b>      |
| <b>As a percentage of hospital revenue</b> |                                          |                                          |                  |
| OB&Gyne & its sub-specialties              | 14.0%                                    | 13.6%                                    | (0.4)            |
| Surgery and its sub specialties            | 6.5%                                     | 6.9%                                     | 0.4              |
| Internal Medicine and its sub specialties  | 10.4%                                    | 10.4%                                    | 0.0              |
| Paediatrics                                | 12.7%                                    | 12.7%                                    | 0.0              |
| E.R. (Emergency Room)                      | 7.0%                                     | 7.1%                                     | 0.1              |
| Orthopaedics                               | 6.4%                                     | 6.1%                                     | (0.3)            |
| Dental                                     | 4.1%                                     | 3.9%                                     | (0.2)            |
| Cardiology                                 | 5.4%                                     | 5.4%                                     | 0.0              |
| Ophthalmology                              | 2.7%                                     | 2.9%                                     | 0.2              |
| Gastroenterology                           | 3.3%                                     | 3.2%                                     | (0.1)            |
| Endocrine                                  | 3.3%                                     | 3.3%                                     | 0.0              |
| Bariatrics                                 | 3.5%                                     | 3.4%                                     | (0.1)            |
| Neurology                                  | 3.0%                                     | 3.0%                                     | 0.0              |
| E.N.T. (Otolaryngology)                    | 7.1%                                     | 7.2%                                     | 0.1              |
| Spinal Clinic                              | 2.4%                                     | 2.4%                                     | 0.0              |
| Dermatology                                | 2.9%                                     | 3.3%                                     | 0.4              |
| Urology                                    | 2.3%                                     | 2.2%                                     | (0.1)            |
| Physiotherapy                              | 1.0%                                     | 1.0%                                     | 0.0              |
| Pulmonology                                | 2.1%                                     | 2.0%                                     | (0.1)            |

Source: Management information.



## OB&Gyne and its subspecialties

Revenues of OB&Gyne department increased by 3.2% from SAR 134.0 million in Q1 2018G to SAR 138.3 million in Q1 2019G. The increase is mainly due to an increase in number of patients in Qassim Hospital by 15.5% and Dubai Hospital by 11.5%, in line with the increase in number of physicians in both hospitals, in addition to the increase in the average revenue per patient during this period.

## General Surgery and its subspecialties

Revenue from General Surgery and its subspecialties department increased by 13.5% from SAR 62.2 million in Q1 2018G to SAR 70.7 million in Q1 2019G. The increase was mainly due to an increase in General Surgery department revenue in Takhassusi Hospital by 35.8% (due to increase in physicians efficiency which resulted in doing more surgical operations and an increase in number of patients by 36.2%), and in Suweidi Hospital by 35.4% (on the back of increase in number of physicians). In addition, the increase in average revenue per patient in this department has contributed to its revenue growth during the period.

## Internal Medicine and its subspecialties

Revenue from the Internal Medicine and its subspecialties department increased by 5.2%, from SAR 100.3 million in Q1 2018G to SAR 105.5 million in Q1 2019G. The increase was due to an increase in Rayan Hospital revenues by 5.6% (as a result of an increase in operational efficiency) and an increase in Suweidi Hospital revenues by 14.9% (as a result of increase in number of physicians in the department). Accordingly, number of patients increased by 19.6% during the period.

## Pediatrics

Revenues from the Pediatrics department increased by 6.8% from SAR 121.5 million in Q1 2018G to SAR 129.8 million in Q1 2019G, mainly from the increase in Dubai Hospital revenue by 67.5%, and Suweidi Hospital revenue by 4.3%. These increases were due to (1) increase in the number of physicians, (2) increase in occupancy rates in the PICU, and (3) increase in the number of surgeries.

## Emergency

Emergency department revenues increased by 7.3% from SAR 67.4 million in Q1 2018G to SAR 72.3 million in Q1 2019G, mainly due to the increase in number of emergency department patients by 7.4%, mainly in Suweidi and Takhassusi hospitals. This is in line with the increase in the number of emergency physicians in various hospitals across the Group. The increase was slightly offset by a decrease in average revenue per patient by 0.2%.

## Orthopedics

Orthopedic department revenues increased by 2.0% from SAR 61.1 million in Q1 2018G to SAR 62.3 million in Q1 2019G mainly due to a 1.6% increase in the number of patients accompanied by a 0.4% increase in average revenue per patient. In addition, a 23.7% increase in revenue from the orthopedic department at Dubai Hospital contributed to the increase in revenue for the period.

## Dental

Dental revenues increased by 1.9% from SAR 39.0 million in Q1 2018G to SAR 39.8 million in Q1 2019G. This is due to the increase in number of patients in the department by 1.9%, specifically, in Rayan Hospital (by 5.8%).

## Cardiology

Cardiology department revenues increased by 4.8% from SAR 52.2 million in Q1 2018G to SAR 54.7 million in Q1 2019G mainly from Rayan Hospital (increased by 10.9%) as a result of the increase in number of patients by 13.1% in line with the increased efficiency of physicians, which led to do more surgeries, specifically Catheterization procedures. In addition, the increase in number of physicians across the Group have contributed to revenue growth in the department.



## Ophthalmology

Ophthalmology revenues increased by 12.8%, from SAR 26.1 million in Q1 2018G to SAR 29.5 million in Q1 2019G, mainly due to a 14.5% increase in number of patients, specifically, in Takhassusi Hospital and Dubai Hospital, where the increase was from inpatient admissions.

## Gastroenterology

Gastroenterology department revenue increased by 3.2% from SAR 31.3 million in Q1 2018G to SAR 32.4 million in Q1 2019G due to a 28.2% increase in the number of patients in the Gastroenterology department at Suweidi Hospital.

## Endocrinology

Revenue from the endocrinology department increased by 4.7% from SAR 31.8 million in Q1 2018G to SAR 33.3 million in Q1 2019G due to the increase in number of patients in the Endocrine department by 7.2%, particularly in Qassim Hospital. This was offset by a 2.3% decrease in average revenue per patient during the same period.

## Bariatrics

Bariatrics revenues increased by 1.4% from SAR 34.0 million in Q1 2018G to SAR 34.4 million in Q1 2019G due to the 2.4% increase in the number of patients in all hospitals. This was offset by a decrease in the average revenue per patient by 1.0%.

## Neurology

Revenues of the Neurology department increased by 7.4% from SAR 28.8 million in Q1 2018G to SAR 30.9 million in Q1 2019G due to the increase in the number of patients in the Neurology department by 7.0% in line with the appointment of neurologists in all hospitals specifically in Rayan Hospital.

## Ear, Nose and Throat (ENT)

ENT revenues increased by 7.9% from SAR 67.9 million in Q1 2018G to SAR 73.2 million in Q1 2019G. The increase is mainly due to the opening of Dubai Medical Center on Sheikh Zayed Road, which resulted in an increase in the number of outpatients, which resulted in an increase in the number of patients in Dubai Hospital by 41.1% during the same period.

## Spinal

Spinal department revenue increased by 6.8% from SAR 23.3 million in Q1 2018G to SAR 24.9 million in Q1 2019G. This was due to the increase in number of patients by 8.5%, particularly in Rayan Hospital. Accordingly, Spinal department revenue at Rayan Hospital increased by 16.3% during the same period.

## Dermatology

Dermatology revenue increased by 20.0% from SAR 27.9 million in Q1 2018G to SAR 33.5 million in Q1 2019G. The increase was mainly due to the opening of the dermatology and cosmetic clinic building at Takhassusi Hospital and Dubai Medical Center on Sheikh Zayed Road, where both opened in late 2018G. This resulted in an increase in number of patients at Takhassusi Hospital and Dubai Hospital by 50.5% and 41.2%, respectively, during the same period.

## Urology

Urology revenue increased by 3.8% from SAR 21.7 million in Q1 2018G to SAR 22.5 million in Q1 2019G due to an increase in the number of patients, specifically in Rayan Hospital by 9.8% during the same period.

## Physiotherapy

Revenue from the Physiotherapy department increased by 7.7% from SAR 9.5 million in Q1 2018G to SAR 10.2 million in Q1 2019G due to the increase in number of patients by 8.8%, specifically in Rayan Hospital, where revenue increased by 11.0%. The increase was offset by a 1.0% decrease in average revenue per patient in the physiotherapy department.



## Pulmonology

Pulmonology revenues increased by 2.3% from SAR 20.2 million in Q1 2018G to SAR 20.6 million in Q1 2019G due to an increase in the number of patients by 3.2% in Suweidi and Rayan hospitals, offset by a decrease in average revenue per patient by 0.8%.

## Pharmacies revenue

**Table (6-79): Pharmacies revenues for the three months period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                                  | Three months period ended 31 March 2018G | Three months period ended 31 March 2019G | Variance 18'-19' |
|----------------------------------------------|------------------------------------------|------------------------------------------|------------------|
| Medicine                                     | 144,767                                  | 164,056                                  | 13.3%            |
| Cosmetics                                    | 40,583                                   | 39,756                                   | (2.0%)           |
| Others                                       | 3,672                                    | 3,688                                    | 0.4%             |
| <b>Total pharmacies revenue</b>              | <b>189,023</b>                           | <b>207,500</b>                           | <b>9.8%</b>      |
| <b>As a percentage of Pharmacies Revenue</b> |                                          |                                          |                  |
| Medicine                                     | 76.6%                                    | 79.1%                                    | 2.5              |
| Cosmetics                                    | 21.5%                                    | 19.2%                                    | (2.3)            |
| Others                                       | 1.9%                                     | 1.8%                                     | (0.2)            |

Source: Management information.

## Medicine

Medicine revenues increased by 13.3% from SAR 144.8 million in Q1 2018G to SAR 164.1 million in Q1 2019G as a result of the increase in number of patients. The increase was in line with the growth in the Group business, and due to the opening of two pharmacies in Takhassemi Hospital and Dubai Medical Center on Sheikh Zayed Road in late 2018G.

## Cosmetics

Cosmetics include body care, hair care and other products. Cosmetics revenues declined by 2.0% from SAR 40.6 million in Q1 2018G to SAR 39.8 million in Q1 2019G due to a slight change in the mix of products sold to customers as a result of the changes in consumer spending behavior.

## Other

Other income includes sales of cosmetics, baby care, and other healthcare products. Other income increased by 0.4% from SAR 3.7 million in Q1 2018G to SAR 3.7 million in Q1 2019G in line with the increase in pharmacies customers.

## Cost of revenue

**Table (6-80): Cost of revenues for the three month period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                                           | Three months period ended 31 March 2018G | Three months period ended 31 March 2019G | Variance 18'-19' |
|-------------------------------------------------------|------------------------------------------|------------------------------------------|------------------|
| Employees' salaries, wages and other related benefits | 457,858                                  | 453,730                                  | (0.9%)           |
| Materials and supplies                                | 241,482                                  | 247,085                                  | 2.3%             |
| Depreciation                                          | 41,327                                   | 46,426                                   | 12.3%            |
| Others                                                | 67,346                                   | 76,465                                   | 13.5%            |
| <b>Total cost of revenue</b>                          | <b>808,013</b>                           | <b>823,705</b>                           | <b>1.9%</b>      |
| <b>Key Performance Indicators</b>                     |                                          |                                          |                  |
| Number of employees                                   | 7,267                                    | 6,739                                    | (7.3%)           |



| SAR in 000s                                           | Three months period ended 31 March 2018G | Three months period ended 31 March 2019G | Variance 18'-19' |
|-------------------------------------------------------|------------------------------------------|------------------------------------------|------------------|
| <b>As a percentage of revenue Percentage points</b>   |                                          |                                          |                  |
| Employees' salaries, wages and other related benefits | 39.2%                                    | 36.4%                                    | (2.8)            |
| Materials and supplies                                | 20.6%                                    | 19.8%                                    | (0.8)            |
| Depreciation                                          | 3.5%                                     | 3.7%                                     | 0.2              |
| Others                                                | 5.8%                                     | 6.1%                                     | 0.4              |
| <b>Total</b>                                          | <b>69.1%</b>                             | <b>66.1%</b>                             | <b>(3.0)</b>     |

Source: Management information.

### Employees' salaries, wages and other benefits

Salaries, wages and benefits represent the total salary payments made to physicians, nurses, and other health practitioners. Salaries, wages and benefits decreased by 0.9% from SAR 457.9 million in Q1 2018G to SAR 453.7 million in Q1 2019G due to the decrease in number of nurses from 3,734 to 3,209 in line with the Group's efforts to increase operational efficiency, which resulted in reducing costs as a percentage of total revenue from 39.2% to 36.4%. This was partly offset by an average salary increase of 6.9%. The average salary increase was due to the increase in the number of physicians from 2,038 to 2,085 along with the opening of the dermatology and cosmetic clinic building in Takhassusi Hospital, the opening of Dubai Medical Center on Sheikh Zayed Road, and the preparation for opening Khobar Hospital in Q2 2019G.

### Materials and supplies

Materials and supplies represent materials, consumables and medical supplies used in the Group's hospitals. Costs of materials and supplies increased by 2.3% from SAR 241.5 million in Q1 2018G to SAR 247.1 million in Q1 2019G in line with the increase in the number of patients, while materials and supplies as a percentage of revenues decreased from 20.6% to 19.8% due to the Group's efforts to increase operational efficiencies.

### Depreciation

Depreciation represents depreciation expenses related to premises, medical equipment, clinic equipment and improvements to leased properties. Depreciation expenses increased by 12.3% from SAR 41.3 million in Q1 2018G to SAR 46.4 million in Q1 2019G due to the implementation of IFRS (16) (effective on 1 January 2019G), replacing IAS (17), and its impact on the increase in depreciation as a result of converting some operating leases into financial leases, and the related accounting treatments.

### Other cost

Other costs represent costs for cleaning services, repairs and maintenance, patient meals, government fees, stationery and utilities. Other costs increased by 13.5% from SAR 67.3 million in Q1 2018G to SAR 76.5 million in Q1 2019G due to the use of additional part-time programmers for Cloud Solutions services (in line with the expansion of the Group's operations), higher government fees, and increase in maintenance and repairs due to restoration and preventive maintenance.



## Selling and marketing expenses

**Table (6-81): Selling and Marketing Expenses for the three-month period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                        | Three months period ended 31 March 2018G (unaudited) | Three months period ended 31 March 2019G (audited) | Variance 18'-19' |
|------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------|
| Provision for doubtful receivables | 21,661                                               | 35,207                                             | 62.5%            |
| Promotions and advertisement       | 8,842                                                | 10,755                                             | 21.6%            |
| Salaries, wages and other benefits | 8,093                                                | 10,200                                             | 26.0%            |
| Depreciation                       | 380                                                  | 379                                                | (0.2%)           |
| Others                             | 1,630                                                | 1,905                                              | 16.8%            |
| <b>Total</b>                       | <b>40,606</b>                                        | <b>58,446</b>                                      | <b>43.9%</b>     |
| <b>As a percentage of revenue</b>  | <b>Percentage points</b>                             |                                                    |                  |
| Provision for doubtful receivables | 1.9%                                                 | 2.8%                                               | 1.0              |
| Promotions and advertisement       | 0.8%                                                 | 0.9%                                               | 0.1              |
| Salaries, wages and other benefits | 0.7%                                                 | 0.8%                                               | 0.1              |
| Depreciation                       | 0.0%                                                 | 0.0%                                               | (0.0)            |
| Others                             | 0.1%                                                 | 0.2%                                               | 0.0              |
| <b>Total</b>                       | <b>3.5%</b>                                          | <b>4.7%</b>                                        | <b>1.2</b>       |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

### Provision for doubtful debts

Provision for doubtful debts increased by 62.5% from SAR 21.7 million in Q1 2018G to SAR 35.2 million in Q1 2019G due to higher revenues generated, resulting in an increase in provisions undertaken, in line with the increase in revenue from government patients.

### Promotions and advertisements

Promotional, advertising and incentive expenses are expenses relating to advertising campaigns using various forms of media such as print, audio, and visual. These expenses are allocated at the discretion of each hospital and based on the approved annual budget set for it accordingly. Promotional and advertising expenses increased by 21.6% from SAR 8.8 million in Q1 2018G to SAR 10.8 million in Q1 2019G due to an increase in promotional activities in line with the opening of Dubai Medical Center on Sheikh Zayed Road.

### Salaries, wages and other benefits

Salaries, wages and other benefits related to the expenses of sales and marketing staff increased by 26.0% from SAR 8.1 million in Q1 2018G to SAR 10.2 million in Q1 2019G due to the appointment of new employees in line with the opening of two pharmacies at Takhassusi Hospital and Dubai Hospital in late 2018G.

### Depreciation

Depreciation expenses on assets related to sales and marketing remained stable, falling by 0.2%, down from SAR 380 thousand in Q1 2018G to SAR 379 thousand in Q1 2019G due to the stability of the book value of assets related to Sales and Marketing Expenses. Depreciation expense as a percentage of revenue remained relatively stable for the same period.

### Other

Other expenses consist of rental expenses, stationery, transportation and communications expenses. Other expenses increased by 16.8%, from SAR 1.6 million in Q1 2018G to SAR 1.9 million in Q1 2019G due to higher government fees related to labor and other expenses.

## General and administrative expenses

**Table (6-82): General and Administrative Expenses for the three-month period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                                           | Three months period ended 31 March 2018G (unaudited) | Three months period ended 31 March 2019G (audited) | Variance 18'-19' |
|-------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------|
| Employees' salaries, wages and other related benefits | 63,599                                               | 71,344                                             | 12.2%            |
| Depreciation                                          | 8,393                                                | 9,438                                              | 12.5%            |
| Directors' remuneration and management incentive      | 450                                                  | 7,425                                              | 1550.0%          |
| Licenses and government fees                          | 1,302                                                | 4,706                                              | 261.4%           |
| Rent                                                  | 4,538                                                | 2,892                                              | (36.3%)          |
| Utilities and communication                           | 3,191                                                | 4,089                                              | 28.2%            |
| Professional fees                                     | 2,782                                                | 2,711                                              | (2.5%)           |
| Housekeeping                                          | 4,354                                                | 2,654                                              | (39.0%)          |
| Bank charges and commissions                          | 2,666                                                | 2,106                                              | (21.0%)          |
| Travel                                                | 590                                                  | 1,598                                              | 170.8%           |
| Repair and maintenance                                | 2,181                                                | 1,039                                              | (52.4%)          |
| Fees and other subscriptions                          | 542                                                  | 365                                                | (32.6%)          |
| Others                                                | 5,193                                                | 6,375                                              | 22.8%            |
| <b>Total general and administrative expenses</b>      | <b>99,782</b>                                        | <b>116,745</b>                                     | <b>17.0%</b>     |
| <b>As a percentage of revenue</b>                     | <b>Percentage points</b>                             |                                                    |                  |
| Employees' salaries, wages and other related benefits | 5.4%                                                 | 5.7%                                               | 0.3              |
| Depreciation                                          | 0.7%                                                 | 0.8%                                               | 0.0              |
| Directors' remuneration and management incentive      | 0.0%                                                 | 0.6%                                               | 0.6              |
| Licenses and government fees                          | 0.1%                                                 | 0.4%                                               | 0.3              |
| Rent                                                  | 0.4%                                                 | 0.2%                                               | (0.2)            |
| Utilities and communication                           | 0.3%                                                 | 0.3%                                               | 0.1              |
| Professional fees                                     | 0.2%                                                 | 0.2%                                               | (0.0)            |
| Housekeeping                                          | 0.4%                                                 | 0.2%                                               | (0.2)            |
| Bank charges and commissions                          | 0.2%                                                 | 0.2%                                               | (0.1)            |
| Travel                                                | 0.1%                                                 | 0.1%                                               | 0.1              |
| Repair and maintenance                                | 0.2%                                                 | 0.1%                                               | (0.1)            |
| Fees and other subscriptions                          | 0.0%                                                 | 0.0%                                               | (0.0)            |
| Others                                                | 0.4%                                                 | 0.5%                                               | 0.1              |
| <b>Total</b>                                          | <b>8.5%</b>                                          | <b>9.4%</b>                                        | <b>0.8</b>       |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

## Salaries, wages and other benefits

Salaries, wages and other benefits related to employees of administrative departments increased by 12.2% from SAR 63.6 million in Q1 2018G to SAR 71.3 million in Q1 2019G in line with the increase in number of employees due to overall growth in the Group's operations.



## Depreciation

Depreciation expense related to buildings, equipment, and vehicles associated with public and administrative operations. Depreciation expenses increased by 12.5% from SAR 8.4 million in Q1 2018G to SAR 9.4 million in Q1 2019G in line with the Group's implementation of IFRS (16), replacing IAS (17), and its impact on the increase in depreciation as a result of converting some operating leases into financial leases, and the related accounting treatments.

## Directors' remuneration and management incentive

Directors' remuneration and management incentives increased by 1550.0% from SAR 450 thousand in Q1 2018G to SAR 7.4 million in Q1 2019G due to Management's decision to reward employees based on the Company's performance.

## Licenses and government fees

Government fees and licenses increased by 261.4% from SAR 1.3 million in Q1 2018G to SAR 4.7 million in Q1 2019G due to an increase in amortization related to additional software licenses and systems in line with the growth in the Group's operations.

## Rent

Rental expenses decreased by 36.3% from SAR 4.5 million in Q1 2018G to SAR 2.9 million in Q1 2019G. The decrease is due to the Group's renegotiation of some lease contracts as well as the vacating of a building that was used for employee accommodations. This is coupled with the Group's adoption of IFRS (16), which replaces IAS (17) (effective 1 January 2019G) which resulted in significant portion of operating leases to be converted to finance leases on specific terms, and hence this reclassification lowered rental expenses and increased depreciation and financing expenses.

## Utilities and telecommunications

Utilities and telecommunications expenses increased by 28.2% from SAR 3.2 million in Q1 2018G to SAR 4.1 million in Q1 2019G as a result of the Group's growth in operations, while, utilities and telecommunications expenses as a percentage of revenues remained stable at 0.3% during the same period.

## Professional fees

Professional consultancy and services fees decreased by 2.5% from SAR 2.8 million in Q1 2018G to SAR 2.7 million in Q1 2019G. Professional fees as a percentage of revenues remained stable at 0.2% during the same period.

## Housekeeping

Housekeeping represents expenses associated with cleaning services provided for the Group's facilities. Cleaning expenses decreased by 39.0% from SAR 4.4 million in Q1 2018G to SAR 2.7 million in Q1 2019G due to the approval of payment of additional non-recurring cleaning services related to previous periods in favor of Serco Company during the first quarter of 2018G.

## Bank charges and commissions

Banking expenses and commissions decreased by 21.0% from SAR 2.7 million in Q1 2018G to SAR 2.1 million in Q1 2019G due to lower Point of Sale fees after the Group renegotiated fees charged on these services with the banks.

## Travel

Travel expenses increased by 170.8% from SAR 590 thousand in Q1 2018G to SAR 1.6 million in Q1 2019G due to increased staff travels in line with the preparations for the opening of Khobar hospital, new projects in Jeddah, growth in the operations of Cloud Solutions services, and overall growth in the Group operations.

## Repair and maintenance

Repairs and maintenance expenses decreased by 52.4% from SAR 2.2 million in Q1 2018G to SAR 1.0 million in Q1 2019G mainly due to lower maintenance and repair expenses at Suweidi Hospital as the Group applied additional deductions upon a supplier, as the supplier breached one of its maintenance contracts.

## Fees and subscriptions

Fees and subscription expenses relate to fees associated with government and regulating bodies, such as Ministry of Commerce & Investment, Chamber of Commerce, Ministry of Municipalities and Rural Affairs, and others. Fees and subscriptions decreased by 32.6% from SAR 542 thousand in Q1 2018G to SAR 365 thousand in Q1 2019G.

## Other

Other expenses consist of several items including supplies, donations, stationery, and printing. Other expenses increased by 22.8% from SAR 5.2 million in Q1 2018G to SAR 6.4 million in Q1 2019G.

## Net income

**Table (6-83): Net Income for the three months period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                                                                            | Three months period ended 31 March 2018G (unaudited) | Three months period ended 31 March 2019G (audited) | Variance 18'-19' |
|----------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------|
| Operating income                                                                       | 221,010                                              | 248,176                                            | 12.3%            |
| Share of income of Associate Companies                                                 | 1,685                                                | 1,562                                              | (7.3%)           |
| Finance costs                                                                          | (4,206)                                              | (6,369)                                            | 51.4%            |
| Other income                                                                           | 19,298                                               | 16,579                                             | (14.1%)          |
| <b>Income before zakat and non-controlling interests</b>                               | <b>237,787</b>                                       | <b>259,947</b>                                     | <b>9.3%</b>      |
| Zakat                                                                                  | (21,610)                                             | (26,328)                                           | 21.8%            |
| <b>Income for the year</b>                                                             | <b>216,177</b>                                       | <b>233,619</b>                                     | <b>8.1%</b>      |
| <b>Attributable to:</b>                                                                |                                                      |                                                    |                  |
| Equity holders of the parent                                                           | 216,527                                              | 234,080                                            | 8.1%             |
| Non-controlling interests                                                              | (350)                                                | (461)                                              | 31.7%            |
| <b>Net income for the year</b>                                                         | <b>216,177</b>                                       | <b>233,619</b>                                     | <b>8.1%</b>      |
| <b>(Losses)/Other comprehensive income</b>                                             |                                                      |                                                    |                  |
| <b>Items that will not to be reclassified to profit or loss in subsequent periods:</b> |                                                      |                                                    |                  |
| Remeasurement gain / (loss) on employees' end-of-service benefits                      | 1,943                                                | (1,496)                                            | (177.0%)         |
| Net other comprehensive income (loss) for the year                                     | 1,943                                                | (1,496)                                            | (177.0%)         |
| Total comprehensive income for the year                                                | 218,120                                              | 232,123                                            | 6.4%             |
| <b>Attributable to:</b>                                                                |                                                      |                                                    |                  |
| Equity holders of the parent                                                           | 218,470                                              | 232,584                                            | 6.5%             |
| Non-controlling interests                                                              | (350)                                                | (461)                                              | 31.7%            |
| <b>Total comprehensive income for the year</b>                                         | <b>218,120</b>                                       | <b>232,123</b>                                     | <b>6.4%</b>      |
| <b>As a percentage of revenue</b>                                                      |                                                      | <b>Percentage points</b>                           |                  |
| Net profit margin                                                                      | 18.5%                                                | 18.7%                                              | 0.2              |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

## Share of income of Associate Companies

The company's share of net income in Associate Companies decreased by 7.3% from SAR 1.7 million in Q1 2018G to SAR 1.6 million in Q1 2019G. The total decrease is due to the decrease in profits of Serco Services from SAR 397.8 thousand in Q1 2018G to SAR 175.6 thousand in Q1 2019G; this was offset by an increase in the profits of Al-Ajaji Dental Company from SAR 1.3 million to SAR 1.4 million during the same period.



## Finance Cost

The Group obtains Shariah-compliant loans and facilities through a number of local banks (3 banks) and the Ministry of Finance to finance capital expenditures. Financing expenses represents the cost of profit margin on loans. The cost increased by 51.4% from SAR 4.2 million in Q1 2018G to SAR 6.4 million in Q1 2019G due to higher total facilities utilized by the Group.

## Other income

**Table (6-84): Other income for the three month period ended 31 March 2018G and 31 March 2019G**

| SAR in 000s                       | Three months period<br>ended 31 March 2018G<br>(Not reviewed) | Three months period<br>ended 31 March 2019G<br>(Reviewed) | Variance 18'-19' |
|-----------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|------------------|
| Scientific support from suppliers | 2,596                                                         | 2,800                                                     | 7.9%             |
| Rental income                     | 3,702                                                         | 3,575                                                     | (3.4%)           |
| Finance income                    | 1,376                                                         | 6,465                                                     | 369.9%           |
| HRDF receipts                     | 9,819                                                         | -                                                         | (100.0%)         |
| Gain/(Loss) on disposal of PPE    | (339)                                                         | (233)                                                     | (31.1%)          |
| Others                            | 2,145                                                         | 3,972                                                     | 85.1%            |
| <b>Total other revenue</b>        | <b>19,298</b>                                                 | <b>16,579</b>                                             | <b>(14.1%)</b>   |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

## Scientific support from suppliers

Scientific support from suppliers is represented by free supplies obtained by the Group which relate to the volume of purchases (in lieu of discounts). Scientific support revenues from suppliers increased by 7.9% from SAR 2.6 million in Q1 2018G to SAR 2.8 million in Q1 2019G, along with the increase in procurement volumes purchased during the same period.

## Rental income

Rental income represents income from rental of retail space and ATMs. Rental income decreased by 3.4% from SAR 3.7 million in Q1 2018G to SAR 3.6 million in Q1 2019G due to renegotiation of some leases with tenants.

## Finance income

Finance income represents income on Islamic Murabaha deposits. Finance income increased by 369.9% from SAR 1.4 million in Q1 2018G to SAR 6.5 million in Q1 2019G due to increase in Murabaha deposits from SAR 543 million to SAR 828 million during the same period, in addition to the increase in income margins on deposits in Q1 2019G as compared to Q1 2018G.

## Human Resources Development Fund receipts

HRDF is a support program aimed at incentivizing companies to nationalize jobs. HRDF receipts declined from SAR 9.8 million in Q1 2018G to zero in Q1 2019G due to the ending of support provided from the HRDF.

## (Loss)/gain on disposal of property and equipment

Mainly related to losses or gains on the sale of property, medical and, other equipment. (Loss)/gain on disposal of property and equipment decreased from a loss of SAR 339 thousand in Q1 2018G to a loss of SAR 233 thousand in Q1 2019G due to a decrease in disposal of property and equipment that are no longer fit for use in that period.

## Other

Other items include free supplies from suppliers for new projects and contributions related to medical seminars and advertising. Other items increased by 85.1% from SAR 2.1 million in Q1 2018G to SAR 4.0 million in Q1 2019G, as a result of recognition of income related to advances from patients for services that were not provided to them.

## Zakat

Zakat expenses increased by 21.8% from SAR 21.6 million in Q1 2018G to SAR 26.3 million in Q1 2019G in line with the increase in income before Zakat.

## Non-controlling interest

The non-controlling interests represent the interests of other partners in the Group's Subsidiaries owned by 50%, namely: (1) Khobar Hospital, (2) South West Jeddah Hospital, and (3) Qurtoba Hospital. Income attributable to non-controlling interests increased by 31.7% from a loss of SAR 350 thousand in Q1 2018G to a loss of SAR 461 thousand in Q1 2019G as a result of an increase in the loss realized in the above companies as they are still under construction.

## Net income

Net income increased by 8.1% from SAR 216.2 million in Q1 2018G to SAR 233.6 million in Q1 2019G, due to increase in revenues at a higher rate compared to cost of revenues, which resulted in increase in net income margin from 18.5% to 18.7% during the same period.

## Total comprehensive income

The Group achieved total comprehensive income of SAR 218.1 million in the Q1 2018G, an increase of SAR 1.9 million compared to net income for the period because of the recording of actuarial profits resulting from the defined benefit obligation recognized in other comprehensive income related to Employees' end of service benefits. In Q1 2019G, the Group achieved total comprehensive income of SAR 232.1 million, a decrease of SAR 1.5 million compared to net income for the period due to actuarial profit losses related to Employees' end of service benefits.

## Balance sheet

### Consolidated statement of financial position

**Table (6-85): Consolidated statement of financial position as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                            | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|----------------------------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>                          |                                   |                                |
| Cash and cash equivalents              | 1,369,118                         | 1,500,611                      |
| Accounts receivable                    | 1,311,100                         | 1,246,243                      |
| Advances to suppliers and contractors  | 17,671                            | 18,163                         |
| Inventories                            | 302,537                           | 279,274                        |
| Prepaid expenses and other assets      | 210,226                           | 181,379                        |
| <b>Total current assets</b>            | <b>3,210,652</b>                  | <b>3,225,670</b>               |
| Investments in Associate Companies     | 43,488                            | 45,050                         |
| Property and equipment                 | 4,287,023                         | 4,599,719                      |
| <b>Total non-current assets</b>        | <b>4,330,511</b>                  | <b>4,644,769</b>               |
| <b>Total assets</b>                    | <b>7,541,164</b>                  | <b>7,870,438</b>               |
| <b>Liabilities</b>                     |                                   |                                |
| Current portion of long-term loans     | 228,513                           | 253,320                        |
| Current portion of lease liability     | -                                 | 45,367                         |
| Accounts payable                       | 531,611                           | 512,811                        |
| Advances from customers                | 18,958                            | 19,670                         |
| Accrued expenses and other liabilities | 503,237                           | 589,638                        |





| SAR in 000s                                                | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|------------------------------------------------------------|-----------------------------------|--------------------------------|
| Zakat payable                                              | 79,136                            | 48,710                         |
| Current portion of government grant                        | 2,707                             | 2,180                          |
| Total current liabilities                                  | 1,364,162                         | 1,471,696                      |
| Long-term loans                                            | 1,338,257                         | 1,374,017                      |
| Government grant                                           | 47,433                            | 47,415                         |
| Lease liability                                            | -                                 | 155,419                        |
| Employees' end-of-service benefits                         | 234,053                           | 242,509                        |
| <b>Total non-current liabilities</b>                       | <b>1,619,743</b>                  | <b>1,819,360</b>               |
| <b>Total liabilities</b>                                   | <b>2,983,904</b>                  | <b>3,291,056</b>               |
| <b>Equity</b>                                              |                                   |                                |
| Issued share capital                                       | 3,500,000                         | 3,500,000                      |
| Statutory reserve                                          | 380,849                           | 380,849                        |
| Retained earnings                                          | 447,173                           | 469,757                        |
| <b>Equity attributable to equity holders of the parent</b> | <b>4,328,022</b>                  | <b>4,350,606</b>               |
| Non-controlling interests                                  | 229,237                           | 228,776                        |
| <b>Total equity</b>                                        | <b>4,557,259</b>                  | <b>4,579,382</b>               |
| <b>Total liabilities and equity</b>                        | <b>7,541,164</b>                  | <b>7,870,438</b>               |

#### Key Performance Indicators

|                    |       |                      |
|--------------------|-------|----------------------|
| Return on Assets   | 10.6% | 10.4% <sup>(1)</sup> |
| Return on equity   | 17.6% | 17.9% <sup>(2)</sup> |
| Indebtedness ratio | 35.5% | 36.6%                |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

(1) Return on assets was calculated by dividing the net income for the last twelve months over the total assets as at 31 March 2019G

(2) Return on equity was calculated by dividing the net income for the last twelve months over the total equity as at 31 March 2019G

#### Current assets

**Table (6-86): Current Assets as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                           | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|---------------------------------------|-----------------------------------|--------------------------------|
| Cash and cash equivalents             | 1,369,118                         | 1,500,611                      |
| Accounts receivable                   | 1,311,100                         | 1,246,243                      |
| Advances to suppliers and contractors | 17,671                            | 18,163                         |
| Inventories                           | 302,537                           | 279,274                        |
| Prepaid expenses and other assets     | 210,226                           | 181,379                        |
| <b>Total current assets</b>           | <b>3,210,652</b>                  | <b>3,225,670</b>               |

#### Key Indicators

|                            |     |     |
|----------------------------|-----|-----|
| Days sales outstanding     | 149 | 127 |
| Days inventory outstanding | 112 | 103 |

Source: Management information, audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

## A- Cash and cash equivalents

**Table (6-87): Cash and cash equivalents as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                    | As at 31 December 2018G<br>(audited) | As at 31 March 2019G<br>(audited) |
|--------------------------------|--------------------------------------|-----------------------------------|
| Short-term deposits with banks | 778,113                              | 827,838                           |
| Cash at banks                  | 581,764                              | 665,442                           |
| Cash on hand                   | 9,241                                | 7,330                             |
| <b>Total</b>                   | <b>1,369,118</b>                     | <b>1,500,611</b>                  |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Cash and cash equivalents increased by 9.6% from SAR 1,369.1 million as at 31 December 2018G to SAR 1,500.6 million as at 31 March 2019G. This was due to an increase in cash flows from operating activities which amounted to SAR 379.9 million. The increase in operating cash flows was driven by growth in operations and improved efficiency in working capital management during the period. This has resulted in a surplus to cover investment activities (amounted to SAR 146.4 million) mainly related to Khobar hospital and financing activities (amounted to SAR 102.0 million) mainly related to dividends distributions. Accordingly, the Group has used the surplus to increase the short-term bank deposits from SAR 778.1 million to SAR 827.8 million during the same period, in order to benefit from Murabaha income. It is worth noting that all deposits are Shariah-Compliant.

The Group and its Subsidiaries did not purchase or own any contractual securities or other assets whose value is volatile or difficult to ascertain, which significantly affects the assessment of the financial position as at 31 March 2019G.

## B- Accounts receivable

**Table (6-88): Accounts receivable as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                        | As at 31 December 2018G<br>(audited) | As at 31 March 2019G<br>(audited) |
|------------------------------------|--------------------------------------|-----------------------------------|
| Gross accounts receivable - trade  | 1,433,550                            | 1,399,921                         |
| Less: Allowance for doubtful debts | (122,450)                            | (153,678)                         |
| <b>Net receivables</b>             | <b>1,311,100</b>                     | <b>1,246,243</b>                  |
| Days sales outstanding             | 149                                  | 127                               |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

## Aging of receivables

**Table (6-89): Ageing of receivables as at 31 March 2019G**

| SAR in 000s                          | 0-90 days | 91-180 days | 181-270 days | 271-360 days | 361+ days | Total     |
|--------------------------------------|-----------|-------------|--------------|--------------|-----------|-----------|
| Gross accounts receivable - trade    | 909,225   | 174,817     | 111,440      | 100,239      | 104,200   | 1,399,921 |
| As a percentage of gross receivables | 64.9%     | 12.5%       | 8.0%         | 7.2%         | 7.4%      | 100.0%    |

Source: Management information.

## Provision for doubtful debts

**Table (6-90): Movement in allowance for doubtful debts as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                          | As at 31 December 2018G<br>(audited) | As at 31 March 2019G<br>(audited) |
|--------------------------------------|--------------------------------------|-----------------------------------|
| At the beginning of the period/year  | 82,131                               | 122,450                           |
| Charged for the period/year          | 81,696                               | 35,207                            |
| Acquisition of a subsidiary          | -                                    | (3,979)                           |
| Write-off                            | (41,377)                             | -                                 |
| <b>At the end of the period/year</b> | <b>122,450</b>                       | <b>153,678</b>                    |

Source: Audited and consolidated initial financial statements for the group for the period ending in 31 March 2019G.



Net receivables decreased by 4.9% from SAR 1,311.1 million as at 31 December 2018G to SAR 1,246.2 million as at 31 March 2019G due to the Group's efforts to collect accounts receivable, mainly those related to insurance companies. Gross trade accounts receivables decreased from SAR 1,433.5 million to SAR 1,399.9 million during the same period. The provision for doubtful debts increased from SAR 122.4 million to SAR 153.7 million due to the increase in revenues requiring provision, in line with increase in government revenues. Average days sales outstanding (DSO) decreased from 149 days as at 31 December 2018G to 127 days as at 31 March 2019G, due to the increased efficiency in cash collection.

The Group has a clear policy regarding credit revenues; it offers clients a payment period of 60 to 120 days, as customary in the healthcare business. Due to the short credit period granted to clients, significant amount of receivables did not pass due dates and neither impaired.

#### C- Advances to suppliers and contractors

Advances to suppliers and contractors increased by 2.8% from SAR 17.7 million as at 31 December 2018G to SAR 18.2 million as at 31 March 2019G, mainly due to new hospital construction projects being undertaken in Khobar, South West Jeddah and North Riyadh hospitals.

#### D- Inventory

**Table (6-91): Inventories as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                     | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|---------------------------------|-----------------------------------|--------------------------------|
| Pharmaceuticals                 | 165,333                           | 167,905                        |
| Medical supplies                | 111,614                           | 82,639                         |
| Others                          | 27,966                            | 31,842                         |
| Less: provision for inventories | (2,376)                           | (3,112)                        |
| <b>Net Inventories</b>          | <b>302,537</b>                    | <b>279,274</b>                 |
| <b>Key Indicators</b>           |                                   |                                |
| Days inventory outstanding      | 112                               | 103                            |

Source: Management information and audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Net inventories decreased by 6.7% from SAR 302.5 million as at 31 December 2018G to SAR 279.3 million as at 31 March 2019G. The decrease was mainly due to the decrease in medical supplies following the exclusion of net inventory related to Rawafed (34.8 million Saudi Riyals) after being transferred to a Related Party on a net book value basis on 1 January 2019G. This was offset by a 1.6% increase in pharmacy inventory to meet the demand for pharmacy products in line with the growth in the Group operations. Others include laboratory items, information technology items and other non-medical materials. It increased by 13.9% from SAR 28.0 million as at 31 December 2018G to SAR 31.8 million as at 31 March 2019G. The average life of the inventory decreased from 112 days as at 31 December 2018G to 103 days as at 31 March 2019G due to the increased efficiency in inventory management.

It is worth mentioning that the majority of contracts and agreements with suppliers allow for replacing products that are close to expiration. Thus, the provision for inventory is not related to pharmaceuticals and medical supplies, but to inventories such as laboratory supplies and IT equipment.

#### E- Prepaid expenses and other assets

**Table (6-92): Prepaid expenses and other assets as at 31 December 2018G and 31 March 2019G**

| SAR in 000s           | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|-----------------------|-----------------------------------|--------------------------------|
| Prepaid expenses      | 101,285                           | 71,898                         |
| Advances to employees | 46,273                            | 45,407                         |
| Accrued revenue       | 20,608                            | 15,023                         |
| Others                | 42,061                            | 49,051                         |
| <b>Total</b>          | <b>210,226</b>                    | <b>181,379</b>                 |



| SAR in 000s | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|-------------|-----------------------------------|--------------------------------|
|-------------|-----------------------------------|--------------------------------|

#### As a Percentage of Total

|                       |       |       |
|-----------------------|-------|-------|
| Prepaid expenses      | 48.2% | 39.6% |
| Advances to employees | 22.0% | 25.0% |
| Accrued revenue       | 9.8%  | 8.3%  |

Source: Management information and audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

The balance of prepaid expenses and other assets consists mainly of the rent of buildings and apartments used by the Group's employees as well as prepaid medical insurance for employees and their families, accommodation costs, etc. Prepaid expenses decreased by 29.0% from SAR 101.3 million as at 31 December 2018G to SAR 71.9 million as at 31 March 2019G mainly due to the Group's application of IFRS (16) "Leases". Accordingly, prepaid expenses and other assets relating to previous operating leases of SAR 18.6 million have been reclassified to the "Right-of-Use" assets in property and equipment.

Payments made to employees are mainly comprised of prepaid salaries and other advance payments given to employees. It decreased by 1.9% from SAR 46.3 million as at 31 December 2018G to SAR 45.4 million as at 31 March 2019G.

Accrued revenue from suppliers decreased by 27.1% from SAR 20.6 million as at 31 December 2018G to SAR 15.0 million as at 31 March 2019G.

Other items (which mainly comprise of VAT receivables and income due from suppliers) increased by 16.2% from SAR 42.0 million as at 31 December 2018G to SAR 49.1 million as at 31 March 2019G.

### Non-current assets

**Table (6-93): Non-current assets as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                        | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|------------------------------------|-----------------------------------|--------------------------------|
| Investments in Associate Companies | 43,488                            | 45,050                         |
| Property and equipment             | 4,287,023                         | 4,599,719                      |
| <b>Total non-current assets</b>    | <b>4,330,511</b>                  | <b>4,644,769</b>               |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

### A- Investments in Associate Companies

**Table (6-94): Investment in Associate Companies as at 31 December 2018G and 31 March 2019G**

| SAR in 000s          | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|----------------------|-----------------------------------|--------------------------------|
| Ajaji Dental         | 33,851                            | 35,237                         |
| Saudi Serco Services | 9,637                             | 9,813                          |
| <b>Total</b>         | <b>43,488</b>                     | <b>45,050</b>                  |

Source: Consolidated initial financial statements for the group for the period ending in 31 March 2019G.



**Table (6-95): Movement of investments in Associate Companies as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                                                | Opening Balance | Share in net income | Ending balance |
|------------------------------------------------------------|-----------------|---------------------|----------------|
| <b>For the period ending in 31 March 2019G (audited)</b>   |                 |                     |                |
| Ajaji Dental                                               | 33,851          | 1,386               | 35,237         |
| Saudi Serco Services                                       | 9,637           | 176                 | 9,813          |
| <b>Total</b>                                               | <b>43,488</b>   | <b>1,562</b>        | <b>45,050</b>  |
| <b>For the period ending in 31 March 2018G (unaudited)</b> |                 |                     |                |
| Ajaji Dental                                               | 34,451          | 1,287               | 35,738         |
| Saudi Serco Services                                       | 9,227           | 398                 | 9,624          |
| <b>Total</b>                                               | <b>43,278</b>   | <b>1,685</b>        | <b>45,363</b>  |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

**The Group's investments in Associate Companies consist of:**

- 1- 50% ownership interest in Al Ajaji Dental, a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013G). Al-Ajaji dental activities include the establishment and management of medical hospitals, dental centers, radiology laboratories, dental institutes and universities, and the import and distribution of medical equipment. Al Ajaji Dental operates dental clinics in the Group's health facilities since its inception in 1995G. The Group receives a certain percentage of Al Ajaji Dental revenues for providing the Group with a dedicated and equipped office space for dental clinics. The Group also provides support services and other services provided by the main center of dental clinics in the Group. Al-Ajaji Dental handles all costs of medical equipment and consumables and provides medical staff or staff who fall under its umbrella.
- 2- 40% ownership interest in Serco Services, a Saudi limited liability company registered in Riyadh, Saudi Arabia under Commercial Registration No. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013G). Serco Services activities include operation and maintenance of buildings under construction, electrical works, mechanical works, cooling systems and building cleaning. Serco Services provides facilities maintenance services for all medical facilities of the Group.

Investment in Associate Companies balance increased from SAR 43.5 million as at 31 December 2018G to SAR 45.1 million as at 31 March 2019G, as the Group recognized its share of net income from Al Ajaji Dental Company (SAR 1.4 million) and Serco Services Company (SAR 175.6 thousand).

**B- Property and equipment**

**Table (6-96): Property and equipment as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                         | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|-------------------------------------|-----------------------------------|--------------------------------|
| Property and equipment (cost)       | 4,593,422                         | 4,850,271                      |
| Accumulated depreciation            | (1,208,947)                       | (1,259,493)                    |
| <b>Total property and equipment</b> | <b>3,384,475</b>                  | <b>3,590,778</b>               |
| Capital work in progress            | 902,548                           | 1,008,941                      |
| <b>Net property and equipment</b>   | <b>4,287,023</b>                  | <b>4,599,719</b>               |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Property and equipment consist mainly of buildings, land, medical equipment, furniture, fixtures and others. Maintenance and repair expenses are considered as operating expenses and are recognized in the income statement. However, expenditures for improvements that substantially prolong the useful life of the asset are capitalized in the statement of financial position under net property and equipment. The cost of property and equipment, other than land and capital work-in-progress, is depreciated on a straight-line basis over their estimated useful lives. Improvements in leased property however, are depreciated over the lease term or the useful life, whichever is shorter.

## Useful life of property and equipment

**Table (6-97): Useful life of property and equipment as at 31 December 2018G and 31 March 2019G**

| Type of property and equipment           | Years                                                         |
|------------------------------------------|---------------------------------------------------------------|
| Buildings                                | 10-33                                                         |
| Leasehold improvements                   | The estimated useful life or lease period, whichever is lower |
| Medical and general equipment            | 5-10                                                          |
| Motor vehicles and ambulances            | 4-10                                                          |
| Furniture, fixtures and office equipment | 4-6.67                                                        |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

## Details of property and equipment <sup>(1)</sup>

**Table (6-98): Details of total property and equipment as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                              | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|------------------------------------------|-----------------------------------|--------------------------------|
| Land                                     | 1,571,832                         | 1,571,832                      |
| Buildings and leasehold improvements     | 1,201,865                         | 1,201,721                      |
| Medical and general equipment            | 452,431                           | 439,635                        |
| Motor vehicles and ambulances            | 1,699                             | 1,514                          |
| Furniture, fixtures and office equipment | 156,647                           | 155,437                        |
| Right-of-use assets                      | -                                 | 220,639                        |
| <b>Total</b>                             | <b>3,384,475</b>                  | <b>3,590,778</b>               |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

(1) Does not include net capital work-in-progress which amounted to SAR 902.5 and 1,008.9 million as at 31 December 2018G and 31 March 2019G, respectively, which will be discussed in a separate section below.

The Group's operations rely on the property and equipment which are comprised of its facilities. These assets including building, medical equipment and others are presented in Table 6-98 above. Also, presented by facility in section 12.14 "**properties owned by the company**". The Group also rented Al Qassim Hospital land, in addition to two buildings that are part of Olaya Medical Complex (for more details on rental contracts and their value, please refer to section 12.15 "**Properties rented by the Group**").

Total property and equipment amounted to SAR 3,590.8 million as at 31 March 2019G, comprising mainly of land (SAR 1,571.8 million), leasehold improvements (SAR 1,201.7 million), medical and general equipment (SAR 439.6 million), right-of-use assets (SAR 220.6 million), Furniture, fixtures and office equipment (SAR 155.4 million), and Motor Vehicles and ambulance (SAR 1.6 million).

The value of land amounted to SAR 1,571.8 million as at 31 March 2019G. No additions or exclusions were made during this period. Leasehold improvements decreased by SAR 144 thousand from SAR 1,201.9 million as at 31 December 2018G to SAR 1,201.7 million as at 31 March 2019G as a result of depreciation of SAR 12.6 million, offset by net additions and transfers of SAR 12.5 million in Q1 2019G.

Medical and general equipment decreased by 2.8% from SAR 452.4 million as at 31 December 2018G to SAR 439.6 million as at 31 March 2019G due to depreciation of SAR 24.2 million which was offset by net additions and transfers of medical and general equipment worth 11.4 million SAR in Q1 2019G.

Furniture, fixtures and office equipment decreased by 0.8% from SAR 156.6 million as at 31 December 2018G to SAR 155.4 million as at 31 March 2019G, attributable to depreciation of SAR 12.3 million which was offset by net additions and transfers of furniture, fixtures and equipment SAR 11.1 million in Q1 2019G.

The Group has adopted IFRS (16) "Leases", replacing IAS (17) as at 1 January 2019G, which sets out the principles of recognition, measurement, presentation and disclosure of leases and requires the conversion of certain operating



leases to finance leases and the accounting treatments for adjusted retroactive effect. As a result, significant portion of operating leases have been recognized as finance leases in accordance with the requirements set out by the standard. Accordingly, a SAR 227.6 million has been recognized as right-of-use assets. As at 31 March 2019G, the balance of the right of use-of-assets reached SAR 220.6 million.

#### Additions to property, equipment and capital work-in-progress

**Table (6-99): Additions to property and equipment and capital work-in-progress as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                              | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|------------------------------------------|-----------------------------------|--------------------------------|
| Land                                     | 172,055                           | -                              |
| Buildings and leasehold improvements     | 3,161                             | 226                            |
| Medical and general equipment            | 33,326                            | 11,939                         |
| Motor vehicles and ambulances            | -                                 | -                              |
| Furniture, fixtures and office equipment | 30,331                            | 12,462                         |
| Right-of-use assets                      | -                                 | 227,616                        |
| Capital work in progress                 | 591,254                           | 120,084                        |
| <b>Total</b>                             | <b>830,128</b>                    | <b>372,326</b>                 |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

As at the end of Q1 2019G, additions related to the right-of-use assets accounted for 61.1% of total additions to property and equipment with a total of SAR 227.6 million as a result of the application of IFRS (16) "Leases". Additions related to capital work-in-progress accounted for 32.3% of the total additions to property and equipment with a total of SAR 120.1 million mainly related to Khobar hospital. Additions related to furniture, fixtures and office equipment represented 3.3% with a total value of SAR 12.5 million. Additions related to medical and general equipment accounted for 3.2% with a total value of SAR 11.9 million. Additions related to buildings and improvements represented a total value of SAR 226 thousand.

#### Details of capital work-in-progress

**Table (6-100): Details of capital work in progress as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                              | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|------------------------------------------|-----------------------------------|--------------------------------|
| Buildings and leasehold improvements     | 872,190                           | 962,175                        |
| Medical and general equipment            | 7,635                             | 9,642                          |
| Furniture, fixtures and office equipment | 11,934                            | 32,631                         |
| Other                                    | 10,793                            | 4,497                          |
| <b>Total</b>                             | <b>902,548</b>                    | <b>1,008,941</b>               |

Source: Management information.

The balance of buildings in capital work-in-progress increased by 10.3% from SAR 872.2 million as at 31 December 2018G to SAR 962.2 million as at 31 March 2019G mainly due to construction related to Khobar hospital and the commencement of construction works in South West Jeddah Hospital. Medical equipment under capital work-in-progress increased by 26.3% from SAR 7.6 million as at 31 December 2018G to SAR 9.6 million as at 31 March 2019G. The balance of furniture, fixtures and office equipment under capital work-in-progress increased by 173.4% from SAR 11.9 million as at 31 December 2018G to SAR 32.6 million as at 31 March 2019G, mainly due to equipping Khobar hospital. Other capital work-in-progress, mainly consisting of IT infrastructure and office equipment, decreased from SAR 10.8 million as at 31 December 2018G to SAR 4.5 million as at 31 March 2019G due to capital work-in-progress in other hospitals.

It is worth noting that capital commitments associated with the construction of new hospitals, which mainly relate to Khobar Hospital, North Riyadh Hospital, South West Jeddah Hospital, and North Jeddah Hospital amounted to SAR 387.3 million as at 31 March 2019G.



It is also worth noting that the Group does not intent to buy or rent any material fixed assets other than those discussed in section 4.9 “future projects”, and section 12.14 “properties owned by the Company”. These sections state that the Group is in the process of acquiring several properties related to its business.

#### The Group's assets inside the Kingdom and outside the Kingdom (Dubai Hospital)

The table below shows the Group's assets inside and outside the Kingdom (Dubai Hospital). As shown in the table, the assets of Dubai Hospital decreased from SAR 566 million as at 31 December 2018G to SAR 559 million as at 31 March 2019G. The decrease was mainly due to the decrease in cash.

**Table (6-101): The group assets inside the Kingdom and outside the Kingdom (Dubai Hospital) as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                                 | As at 31 December 2018G | As at 31 March 2019G |
|---------------------------------------------|-------------------------|----------------------|
| Assets inside the Kingdom                   | 6,966                   | 7,311                |
| Assets outside the Kingdom (Dubai Hospital) | 566                     | 559                  |

Source: Management information and audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

#### Current liabilities

**Table (6-102): Current liabilities as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                                        | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|----------------------------------------------------|-----------------------------------|--------------------------------|
| Current portion of long-term loans <sup>(1)</sup>  | 228,513                           | 253,320                        |
| Current portion of lease liability <sup>(1)</sup>  | -                                 | 45,367                         |
| Accounts payable                                   | 531,611                           | 512,811                        |
| Advances from customers                            | 18,958                            | 19,670                         |
| Accrued expenses and other liabilities             | 503,237                           | 589,638                        |
| Zakat payable                                      | 79,136                            | 48,710                         |
| Current portion of government grant <sup>(1)</sup> | 2,707                             | 2,180                          |
| <b>Total current liabilities</b>                   | <b>1,364,162</b>                  | <b>1,471,696</b>               |

#### Key Indicators

|                          |    |    |
|--------------------------|----|----|
| Days payable outstanding | 59 | 56 |
|--------------------------|----|----|

Source: Management information and audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

(1) Discussed in detail in the section related to bank loans and term loans

#### A- Payables

**Table (6-103): Accounts payable as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                          | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|--------------------------------------|-----------------------------------|--------------------------------|
| Accounts payable                     | 459,366                           | 444,646                        |
| Contractors' payables and retentions | 68,631                            | 64,689                         |
| Others                               | 3,614                             | 3,476                          |
| <b>Total accounts payables</b>       | <b>531,611</b>                    | <b>512,811</b>                 |

#### Key Indicators

|                          |    |    |
|--------------------------|----|----|
| Days payable outstanding | 59 | 56 |
|--------------------------|----|----|

Source: Management information and audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

The payables balance comprised mainly of trade payables that relate to contractors, suppliers of medical equipment, medicines, laboratories, and other services. Payables decreased by 3.5% from SAR 531.6 million as at 31 December 2018G to SAR 512.8 million as at 31 March 2019G accompanied by a decrease in the average



days payable outstanding from 59 days to 56 days during the same period. The decrease was mainly due to the transfer of trade payables related to Rawafed which amounted to SAR 14.7 million after its sale to a Related Party. Accounts payable also included amounts due to related parties amounting to SAR 52.4 million as at 31 March 2019G.

## B- Disclosures relating to related parties

Related parties represent the shareholders and Senior Management of the Group, the directors and entities controlled or jointly controlled, or have significant influence over these entities. Pricing policies and terms of these transactions are approved by the Group's Management.

### Related Party transactions

The following is a summary of significant transactions and balances with related parties during the ordinary course of business included in the audited consolidated interim financial statements:

**Table (6-104): Transactions with related parties as at 31 December 2018G and 31 March 2019G**

| Nature of transaction                                | Related Party                                        | Relationship        | Name of Related Party                                                                                                      | Three months period ended 31 March 2018G | Three months period ended 31 March 2019G |
|------------------------------------------------------|------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Capital work-in-progress                             | Masah Contracting Company                            | Other Related Party | Sulaiman Abdulaziz Sulaiman Al Habib (Chairman of the board), and Hesham Sulaiman Abdulaziz Al Habib (member of the board) | 13,249                                   | 4,583                                    |
| Purchases and services                               | Antab Serco                                          | Associate           | The Group owns 40% of the company                                                                                          | 14,631                                   | 16,381                                   |
| Revenue                                              | Ajaji Dental                                         | Associate           | The Group owns 50% of the company                                                                                          | 9,706                                    | 9,427                                    |
| Board of Directors and its committee of remuneration | Members of the Board of Directors and its committees | Affiliates          | Members of the board                                                                                                       | 450                                      | 425                                      |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

### Compensation of Senior Management of the Group

The Senior Management of the Group is represented by its Directors and key management personnel who are responsible for planning, directing and monitoring the Group's activities.

**Table (6-105): Compensation of key management personnel of the group as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                                                | Three months period ended 31 March 2018G | Three months period ended 31 March 2019G |
|------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Short-term employee benefits                               | 1,182                                    | 1,153                                    |
| Post-employment and medical benefits                       | 31                                       | 31                                       |
| Board of Directors and its committees' remuneration        | 450                                      | 425                                      |
| <b>Total compensation paid to key management personnel</b> | <b>1,662</b>                             | <b>1,609</b>                             |

Source: Audited and consolidated initial financial statements for the group for the period ending in 31 March 2019G.



### C- Advances from customers

Advances from customers represent the amount of cash deposited by patients before their surgeries, which is amortized upon completion of surgeries. Advances received from customers increased by 3.8% from SAR 19.0 million as at 31 December 2018G to SAR 19.7 million as at 31 March 2019G, in line with the Group's revenue growth.

### D- Accrued expenses and other liabilities

**Table (6-106): Accrued expenses and other liabilities as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                              | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|------------------------------------------|-----------------------------------|--------------------------------|
| Accrued employee's salaries and benefits | 301,418                           | 306,412                        |
| Dividends payable                        | 103,360                           | 165,015                        |
| Accrued expenses                         | 75,973                            | 91,142                         |
| Others                                   | 22,487                            | 27,069                         |
| <b>Total</b>                             | <b>503,237</b>                    | <b>589,638</b>                 |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Accrued expenses and other liabilities comprise salaries and employee benefits payable, dividends payable and accrued expenses. It increased from SAR 503.2 million as at 31 December 2018G to SAR 589.6 million as at 31 March 2019G.

Employees' salaries and benefits payable include salaries, benefits, airline tickets, leave allowances and employee benefits. Employees' salaries and benefits accrued increased by 1.7% from SAR 301.4 million as at 31 December 2018G to SAR 306.4 million as at 31 March 2019G, despite the decrease in the number of employees from 10,492 employees to 10,475 employees, due to the timing at which employees used their annual leaves and entitlement to benefits.

The Board of Directors of the Group has decided to distribute interim dividends of SAR 210.0 million in Q1 2019G. These dividends have been approved by the General Assembly of the Group. The outstanding balance represents outstanding and unpaid payments from dividends. It is worth noting that during Q2 2019G the Board of Directors approved an interim dividend of SAR 390.0 million for Q2 and Q3 periods. In Q4 of 2019G, the Group's Board of Directors decided to make interim dividend of SAR 200 million. Thus, 2019G total dividends were SAR 800.0 million. As of 31/12/2019G, the balance of dividends liability was zero, as the Group paid all the outstanding dividends liability. (please refer to section (7) "Dividend distribution policy").

Accrued expenses increased by 20.0% from SAR 76.0 million as at 31 December 2018G to SAR 91.1 million as at 31 March 2019G. This coincides with the increase in entitlements related to utilities and maintenance services (SAR 7.0 million), patient meals (SAR 3.4 million), accounting and audit fees (SAR 1.6 million) and accrued rents (SAR 2.2 million) in line with growth in the Group's operations.

Other payables increased by 20.4% from SAR 22.5 million as at 31 December 2018G to SAR 27.1 million as at 31 March 2019G, due to an increase in loans profit margin.

### E- Movement in Zakat provision

**Table (6-107): Movement in Zakat provision as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                             | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|-----------------------------------------|-----------------------------------|--------------------------------|
| Balance at beginning of the period/year | 82,389                            | 79,136                         |
| Charge for the period/year              | 81,330                            | 26,328                         |
| Paid during the period/year             | (84,583)                          | (56,754)                       |
| <b>Ending balance</b>                   | <b>79,136</b>                     | <b>48,710</b>                  |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.



The provision for Zakat decreased by 38.4% from SAR 79.1 million as at 31 December 2018G to SAR 48.7 million as at 31 March 2019G. Zakat provision charged for the period ending in 31 March 2019G was SAR 26.3 million. The amount paid during the same period was SAR 56.7 million.

### Non-current liabilities

**Table (6-108): Non-current liabilities as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                          | As at 31 December 2018G<br>(audited) | As at 31 March 2019G<br>(audited) |
|--------------------------------------|--------------------------------------|-----------------------------------|
| Long-term loans                      | 1,338,257                            | 1,374,017                         |
| Government grant                     | 47,433                               | 47,415                            |
| Lease liability                      | -                                    | 155,419                           |
| Employees' end-of-service benefits   | 234,053                              | 242,509                           |
| <b>Total non-current liabilities</b> | <b>1,619,743</b>                     | <b>1,819,360</b>                  |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

### A- Bank borrowings and term loans

**Table (6-109): Bank borrowings and term loans agreements as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                        | As at 31 December 2018G<br>(audited) | As at 31 March 2019G<br>(audited) |
|------------------------------------|--------------------------------------|-----------------------------------|
| SAMBA Financial Group              | 115,000                              | 102,969                           |
| Saudi British Bank                 | 104,163                              | 83,330                            |
| National Commercial Bank           | 946,883                              | 1,049,413                         |
| <b>Local banks</b>                 | <b>1,166,045</b>                     | <b>1,235,712</b>                  |
| Ministry of Finance                | 400,725                              | 391,625                           |
| <b>Total loans</b>                 | <b>1,566,770</b>                     | <b>1,627,337</b>                  |
| Current portion of long-term loans | (228,513)                            | (253,320)                         |
| <b>Total long-term loans</b>       | <b>1,338,257</b>                     | <b>1,374,017</b>                  |
| Debt to equity ratio               | 29.4%                                | 30.0%                             |

Source: Management information and audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

### Details of facilities available and utilized

**Table (6-110): Details of facilities available and utilized as at 31 March 2019G**

| SAR in 000s                                                      | Type of facility available        | Credit limit of<br>facilities | Facilities<br>utilized | Percent utilized<br>as at 31 March<br>2019G |
|------------------------------------------------------------------|-----------------------------------|-------------------------------|------------------------|---------------------------------------------|
| SAMBA Financial Group                                            | General use                       | 215,000                       | 102,969                | 47.9%                                       |
| Saudi British Bank                                               | Paid off a loan from another bank | 195,879                       | 83,330                 | 42.5%                                       |
| Saudi British Bank                                               | General use                       | 400,000                       | -                      | -                                           |
| National Commercial Bank                                         | Suweidi Hospital                  | 561,246                       | 223,014                | 39.7%                                       |
| National Commercial Bank                                         | Khobar hospital                   | 1,053,000                     | 826,400                | 78.5%                                       |
| <b>Local banks – total cash and<br/>non-cash facilities</b>      | -                                 | <b>2,425,125</b>              | <b>1,235,712</b>       | <b>51.0%</b>                                |
| Ministry of Finance                                              | -                                 | -                             | 391,625                | -                                           |
| <b>Total cash facilities and Min-<br/>istry of Finance loans</b> | -                                 | -                             | <b>1,627,337</b>       | -                                           |

Source: Management information.

All banking facilities obtained by the company are Sharia-compliant and approved by Shariah committees within banks. The Group has utilized diversified banking facilities and cash flow from operating activities to meet capital expenditure requirements. The Group intends to continue its strategy of leveraging cash flows from operating activities and long-term loans from banks while maintaining an optimal financing structure. Long-term loans are divided into:

- **Loans from local banks:**

The Group has obtained Islamic facilities in the form of long and short term loans (Tawarruq) from local banks. These facilities are subject to commission in accordance with the Saudi Arabian Interbank Offered Rates (SAIBOR) as well as an agreed margin. These facilities are secured by guarantees. These facilities bind the Group to certain financial commitments as set out below. The total facilities utilized amounted to SAR 1,235.7 million as at 31 March 2019G.

- **Loans from the Ministry of Finance:**

The Group has obtained loans from the Ministry of Finance without any commission to finance the capital expenditure of the Group's health facilities. These loans are repayable in equal installments. With the exception of the agreement of Qassim Hospital, the land and the construction of the land were mortgaged for the benefit of the Ministry of Finance against the obtained loans. The total outstanding loans from the Ministry of Finance amounted to SAR 391.6 million as at 31 March 2019G.

### Term loans agreements

**Table (6-111): Bank borrowings as at 31 March 2019G**

| SAR in 000s              | Facilities available | Facilities utilized | Purpose                           | Covenants and guarantees                                                                                                                                                                                                                                                                                                        |
|--------------------------|----------------------|---------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Samba                    | 215,000              | 102,969             | General use                       | <ul style="list-style-type: none"> <li>• Total Liability / Equity 2.0 : 1.0 respectively</li> <li>• Current Ratio not to fall below 1x</li> <li>• Interest Coverage Ratio not to fall below 3.5x</li> <li>• Minimum equity of SAR 500 million</li> <li>• DSCR above 1.25</li> </ul>                                             |
| SABB                     | 195,879              | 83,330              | Paid off a loan from another bank | <ul style="list-style-type: none"> <li>• No covenants required</li> </ul>                                                                                                                                                                                                                                                       |
| SABB                     | 400,000              | -                   | General use                       | <ul style="list-style-type: none"> <li>• No covenants required</li> </ul>                                                                                                                                                                                                                                                       |
| National Commercial Bank | 561,246              | 223,014             | Suweidi Hospital                  | <ul style="list-style-type: none"> <li>• DSCR above 1.25</li> <li>• Minimum equity of SAR 3 billion</li> </ul>                                                                                                                                                                                                                  |
| National Commercial Bank | 1,053,000            | 826,400             | Khobar hospital                   | <ul style="list-style-type: none"> <li>• Total Liability / Equity 2.5 : 1.0 respectively</li> <li>• DSCR above 1.3</li> <li>• Minimum equity of SAR 530 million</li> </ul>                                                                                                                                                      |
| MOF                      | 20,831               | 10,416              | Maternity Hospital                | <ul style="list-style-type: none"> <li>• No covenants required</li> <li>• The guarantees are represented by land, buildings and medical equipment</li> <li>• Land deed number 710118001937, at a book value of SAR 13,520,000 including commissions and capitalized costs. Land cost as per deed is SAR 13, 025, 000</li> </ul> |
| MOF                      | 44,091               | 22,045              | Qassim Hospital                   | <ul style="list-style-type: none"> <li>• No covenants required</li> <li>• Bank guarantee number C123645 provided to the MOF</li> </ul>                                                                                                                                                                                          |



| SAR in 000s | Facilities available | Facilities utilized | Purpose             | Covenants and guarantees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------|----------------------|---------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MOF         | 50,000               | 28,125              | Rayyan Hospital     | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Land deed number 610118027485</li> <li>Plot number 157 from plan A/674 of deed 610116005331 issued in 28/10/1429H</li> <li>Book value of SAR 31,000,000 including commissions and capitalized costs. Land cost as per deed is SAR 31,000,000</li> </ul>                                                                                                                                                             |
| MOF         | 37,083               | 23,177              | Spinal Hospital     | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Deed number 310112019009 (old deed number is 310106006592), plot 110</li> <li>Deed number 210112019010 (old deed number is 410114007287), plot 111</li> <li>Book value of SAR 12,000,000 including commissions and capitalized costs. Land cost as per deed is SAR 12,000,000</li> <li>Book value of SAR 12,000,000 including commissions and capitalized costs. Land cost as per deed is SAR 12,000,000</li> </ul> |
| MOF         | 75,250               | 47,031              | Takhassusi Hospital | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Land deed number 310107016186 (old deed number 910101004343) plot 6/a, plan 1324 Rahmanyah Al Riyadh</li> <li>Book value of SAR 74,584,125 including commissions and capitalized costs. Land cost as per deed is SAR 74,584,125</li> </ul>                                                                                                                                                                          |
| MOF         | 200,000              | 200,000             | Suweidi Hospital    | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Land deed 210114030846</li> <li>Book value of SAR 45,250.060 including commissions and capitalized costs. Land cost as per deed is SAR 38,748,800</li> </ul>                                                                                                                                                                                                                                                        |

| SAR in 000s | Facilities available | Facilities utilized | Purpose         | Covenants and guarantees                                                                                                                                                                                                                                                                                            |
|-------------|----------------------|---------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MOF         | 200,000              | 110,426             | Khobar hospital | <ul style="list-style-type: none"> <li>No covenants required</li> <li>The guarantees are represented by land, buildings and medical equipment</li> <li>Deed number 230203007387</li> <li>Book value of SAR 51,300,532 including commissions and capitalized costs (as per contract between the partners)</li> </ul> |

Source: Management information.

### Loan repayment schedule as at 31 March 2019G

**Table (6-112): Loan repayment schedule as at 31 March 2019G**

| SAR in 000s              | 2019G          | 2020G          | 2021G          | 2022G          | 2023G          | 2024G          | 2025G          | 2026G          | 2027G         | Beyond 2027G   | Total            |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|------------------|
| Samba Financial Group    | 36,094         | 36,406         | 24,375         | 6,094          | -              | -              | -              | -              | -             | -              | 102,969          |
| Saudi British Bank       | 62,498         | 20,833         | -              | -              | -              | -              | -              | -              | -             | -              | 83,330           |
| National Commercial Bank | 80,854         | 82,854         | 121,580        | 159,837        | 154,429        | 150,429        | 150,429        | 149,472        | -             | -              | 1,049,413        |
| Local banks              | 179,446        | 140,093        | 145,955        | 165,461        | 154,429        | 150,429        | 150,429        | 149,472        | -             | -              | 1,235,712        |
| Ministry of Finance      | 14,203         | 24,203         | 24,203         | 24,203         | 29,305         | 28,438         | 28,256         | 28,081         | 23,857        | 166,874        | 391,625          |
| <b>Total</b>             | <b>193,649</b> | <b>164,297</b> | <b>170,159</b> | <b>189,664</b> | <b>183,734</b> | <b>178,867</b> | <b>178,684</b> | <b>177,553</b> | <b>23,857</b> | <b>166,874</b> | <b>1,627,337</b> |

Source: Management information.

As shown in the table above, it is expected that the outstanding bank loans as at 31 March 2019G will be fully repaid by 2026G. Full repayment of ministry of finance loans is expected by 2034G.

### B- Government grants

**Table (6-113): Government grant repayment schedule as at 31 March 2019G**

| SAR in 000s      | 2019G | 2020G | 2021G | 2022G | 2023G | 2024G | 2025G | 2026G | 2027G | Beyond 2027G | Total  |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|--------|
| Government grant | 1,635 | 2,180 | 2,180 | 2,180 | 2,180 | 2,180 | 2,180 | 2,180 | 2,180 | 30,520       | 49,595 |

Source: Management information.

| SAR in 000s                       | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|-----------------------------------|-----------------------------------|--------------------------------|
| Beginning balance as at 1 January | -                                 | 50,140                         |
| Received during the year          | 50,140                            |                                |
| Recognized during the year        | -                                 | (545)                          |
| Ending balance                    | 50,140                            | 49,595                         |
| Current                           | 2,707                             | 2,180                          |
| Non-current                       | 47,433                            | 47,415                         |
| <b>Total</b>                      | <b>50,140</b>                     | <b>49,595</b>                  |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.





Loans received from the Ministry of Finance for hospital construction are classified in the consolidated financial statements prepared in accordance with generally accepted accounting standards issued by the Saudi Organization for Certified Public Accountants in the financial year ended 31 December 2017G as long-term loans. Management has applied the exemption provided in IFRS (1) and continues with the same classification of loans received as at 31 December 2017G, adopting the application of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance for new loans (under IAS) (20), which was after the date of adoption of International Financial Reporting Standards for the consolidated financial statements.

Thus, the government grant represents the Ministry of Finance's loan, provided to finance the construction of Khobar hospital, which was obtained after the application of the above-mentioned standard. The loan amount will be used to purchase medical and non-medical equipment. The Group obtained this loan during October 2018G and is not subject to any commissions or interest and will be amortized over 24 years from the date of obtaining it.

Government grants are recognized when there is reasonable assurance that the grant will be received, and all conditions attached thereto will be met. When a grant relates to an expense item, it is recognized as income on a regular basis over the periods when costs are charged and intended to be reimbursed. When a grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

### C- Lease liability

**Table (6-114): Lease liability as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                                   | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|-----------------------------------------------|-----------------------------------|--------------------------------|
| Within one year                               | -                                 | 53,157                         |
| One to five years                             | -                                 | 134,333                        |
| More than five years                          | -                                 | 52,942                         |
| <b>Gross lease liability</b>                  | <b>-</b>                          | <b>240,432</b>                 |
| Less: unamortized finance charged             | -                                 | (39,647)                       |
| <b>Net lease liability</b>                    | <b>-</b>                          | <b>200,786</b>                 |
| Less: current portion of lease liability      | -                                 | (45,367)                       |
| <b>Non-current portion of lease liability</b> | <b>-</b>                          | <b>155,419</b>                 |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

In adopting IFRS 16, the Group has adopted a single recognition and measurement approach for all leases, which is the lessee, except for short-term leases and leases of low-value assets. The Group has recognized the lease obligations to make the payment of the lease and the right of use assets that represent the right of use for the underlying assets. In accordance with the modified retrospective approval method, the Group has adopted IFRS 16 at the date of initial application. Under the modified retrospective method, the right of use the assets has been measured at the amount equal to the lease liability, adjusted for any pre-paid or accrued lease payments relating to a lease recognized in the interim consolidated statement of financial position as at 31 December 2018G. Accordingly, comparative figures have not been adjusted. As a result, lease receivables amounting to SAR 209.0 million were recognized and presented as a liability in the interim consolidated statement of financial position as at 1 January 2019G, and as at 31 March 2019G the net balance of lease receivables amounted to SAR 200.8 million.

### D- Employees' end of service benefits

**Table (6-115): Changes in the present value of the employees' end-of-service benefits as at 31 December 2018G and 31 March 2019G**

|                                                                            | SAR in 000s |
|----------------------------------------------------------------------------|-------------|
| Employee's end of service benefits as at 1 January 2018G                   | 220,104     |
| Interest cost on defined benefit obligation                                | 8,794       |
| Current service cost                                                       | 41,398      |
| Actuarial gain on the employees' end-of-service benefits recognized in OCI | (8,104)     |

|                                                                            | SAR in 000s    |
|----------------------------------------------------------------------------|----------------|
| Benefits paid                                                              | (28,140)       |
| <b>Employees' end-of-service benefits as at 31 December 2018G</b>          | <b>234,053</b> |
| Transfer of a subsidiary                                                   | (1,315)        |
| Interest cost on defined benefit obligation                                | 2,790          |
| Current service cost                                                       | 10,779         |
| Actuarial loss on the employees' end-of-service benefits recognized in OCI | 1,496          |
| Benefits paid                                                              | (5,293)        |
| <b>Employees' end-of-service benefits as at 31 March 2019G</b>             | <b>242,509</b> |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Employees' end of service benefits were calculated using actuarial valuations. The balance of employees' end of service benefits increased by 3.6% from SAR 234.1 million as at 31 December 2018G to SAR 242.5 million as at 31 March 2019G in line with the normal increase in the number of years of service for current employees.

### Contingent liabilities and operating lease commitments

The table below shows the contingent liabilities under operating lease commitments.

#### A- Operating lease commitments as a lease

**Table (6-116): Operating lease commitments as at 31 December 2018G and 31 March 2019G**

| SAR in 000s          | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|----------------------|-----------------------------------|--------------------------------|
| Within one year      | 51,374                            | 14,310                         |
| One to five years    | 137,518                           | -                              |
| More than five years | 34,019                            | -                              |
| <b>Total</b>         | <b>222,911</b>                    | <b>14,310</b>                  |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Operating lease payments represent leases payable by the Group for the lease of land and buildings. In Q1 2019G, contractual obligations under operating leases maturing in less than one year amounted to SAR 14.3 million, and contractual obligations that meet the requirements of IFRS 16 have been transferred to Lease Liabilities following the adoption of the standard by the Group effective 1 January 2019G.

#### B- Contingent liabilities

**Table (6-117): Letter of credits and guarantees as at 31 December 2018G and 31 March 2019G**

| SAR in 000s          | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|----------------------|-----------------------------------|--------------------------------|
| Letters of credit    | 56,209                            | 93,060                         |
| Letters of guarantee | 72,914                            | 73,519                         |
| <b>Total</b>         | <b>129,123</b>                    | <b>166,579</b>                 |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Contingent liabilities relate to the Group's outstanding letters of guarantee and letters of credit as of the consolidated statement of financial position date. Letters of credit commitments increased from SAR 56.2 million as at 31 December 2018G to SAR 93.1 million as at 31 March 2019G mainly due to the increase in new hospital projects as well as purchases by suppliers from outside the Kingdom.

Commitments under letters of guarantee increased from SAR 72.9 million as at 31 December 2018G to SAR 73.5 million as at 31 March 2019G, due to the increased activity of the Group in bidding for projects related to security forces hospital, security agency and the Royal Commission for Jubail and Yanbu, the Supreme Commission for the Development of Riyadh, the Ministry of Interior and the Ministry of Health.



## Capital commitments

**Table (6-118): Capital commitments as at 31 December 2018G and 31 March 2019G**

| SAR in 000s         | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|---------------------|-----------------------------------|--------------------------------|
| Capital commitments | 415,647                           | 387,285                        |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Capital commitments relate to construction work associated with the Group's new hospitals, which are Khobar Hospital, North Riyadh Hospital, South West Jeddah Hospital, and North Jeddah Hospital.

## Equity

**Table (6-119): Equity as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                                                | As at 31 December 2018G (audited) | As at 31 March 2019G (audited) |
|------------------------------------------------------------|-----------------------------------|--------------------------------|
| Issued share capital                                       | 3,500,000                         | 3,500,000                      |
| Statutory reserve                                          | 380,849                           | 380,849                        |
| Retained earnings                                          | 447,173                           | 469,757                        |
| <b>Equity attributable to equity holders of the parent</b> | <b>4,328,022</b>                  | <b>4,350,606</b>               |
| Non-controlling interest                                   | 229,237                           | 228,776                        |
| <b>Total equity</b>                                        | <b>4,557,259</b>                  | <b>4,579,382</b>               |
| Return on equity                                           | 17.6%                             | 17.9% <sup>(1)</sup>           |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

(1) Return on equity was calculated by dividing the net income for the last twelve months by total shareholders' equity as at 31 March 2019G

**Table (6-120): Changes in equity as at 31 December 2018G and 31 March 2019G**

| SAR in 000s                  | Issued share capital | Statutory reserve | Retained earnings | Total            | Non-controlling interest | Total            |
|------------------------------|----------------------|-------------------|-------------------|------------------|--------------------------|------------------|
| As at 1 January 2018G        | 3,500,000            | 300,719           | 517,892           | 4,318,611        | 230,470                  | 4,549,081        |
| Income (loss) for the year   | -                    | -                 | 216,527           | 216,527          | (350)                    | 216,177          |
| Other comprehensive (loss)   | -                    | -                 | 1,943             | 1,943            | -                        | 1,943            |
| Total comprehensive income   | -                    | -                 | 218,470           | 218,470          | (350)                    | 218,120          |
| Dividends                    | -                    | -                 | (400,000)         | (400,000)        | -                        | (400,000)        |
| <b>As at 31 March 2018G</b>  | <b>3,500,000</b>     | <b>300,719</b>    | <b>336,362</b>    | <b>4,137,081</b> | <b>230,120</b>           | <b>4,367,201</b> |
| <b>As at 1 January 2019G</b> | <b>3,500,000</b>     | <b>380,849</b>    | <b>447,173</b>    | <b>4,328,022</b> | <b>229,237</b>           | <b>4,557,259</b> |
| Income (loss) for the year   | -                    | -                 | 234,080           | 234,080          | (461)                    | 233,619          |
| Other comprehensive (loss)   | -                    | -                 | (1,496)           | (1,496)          | -                        | (1,496)          |
| Total comprehensive income   | -                    | -                 | 232,584           | 232,584          | (461)                    | 233,123          |
| Dividends                    | -                    | -                 | (210,000)         | (210,000)        | -                        | (210,000)        |
| <b>As at 31 March 2019G</b>  | <b>3,500,000</b>     | <b>380,849</b>    | <b>469,757</b>    | <b>4,350,606</b> | <b>228,776</b>           | <b>4,579,382</b> |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

The issued share capital consists of the authorized, issued and fully paid up capital of SAR 3,500 million. The capital is divided into 350 million shares and the value of each share is SAR 10. In accordance with the Saudi Companies Law and the Bylaws of the Group, the Group has established a statutory reserve by transferring 10% per annum of the net income for the year until this statutory reserve equals 30% of the capital. This statutory reserve is not available for distribution to shareholders.

Retained earnings increased by 5.1% from SAR 447.2 million as at 31 December 2018G to SAR 469.8 million as at 31 March 2019G, due to the increase in net income for the year to SAR 234.1 million in the first quarter of 2019G, which was offset by a dividend of SAR 210.0 million during the same period.

Non-controlling interests decreased by 0.2% from SAR 229.2 million as at 31 December 2018G to SAR 228.8 million as at 31 December 2019G, in line with the movement of net assets related to companies not wholly owned by the Group.

## The Group's consolidated cash flows

**Table (6-121): Consolidated statement of cash flows as at 31 March 2018G and 31 March 2019G**

| SAR in 000s                                            | Three months period ended 31 March 2018G (unaudited) | Three months period ended 31 March 2019G (audited) |
|--------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
| Net cash from operations                               | 67,846                                               | 379,924                                            |
| Net cash used in investing activities                  | (45,442)                                             | (146,401)                                          |
| Net cash used in financing activities                  | (194,548)                                            | (102,030)                                          |
| Net increase / (decrease) in cash and cash equivalents | (172,144)                                            | 131,492                                            |
| Cash and cash equivalents at the beginning of the year | 1,140,537                                            | 1,369,118                                          |
| Cash and cash equivalents at the end of the year       | 968,393                                              | 1,500,611                                          |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

## Cash flows from operating activities

**Table (6-122): Cash flows from operating activities as at 31 March 2018G and 31 March 2019G**

| SAR in 000s                                                                   | Three months period ended 31 March 2018G (unaudited) | Three months period ended 31 March 2019G (audited) |
|-------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
| <b>Operating activities</b>                                                   |                                                      |                                                    |
| Income before zakat                                                           | 237,787                                              | 259,947                                            |
| <b>Non-cash adjustments to reconcile income before zakat to net cash flow</b> |                                                      |                                                    |
| Depreciation                                                                  | 50,099                                               | 56,307                                             |
| Share of income of Associate Companies                                        | (1,685)                                              | (1,562)                                            |
| Loss on disposal of property and equipment                                    | 339                                                  | 233                                                |
| Allowance for doubtful debts                                                  | 21,661                                               | 35,207                                             |
| Government grants recognized                                                  | -                                                    | (545)                                              |
| Provision for inventories                                                     | 1,138                                                | 2,260                                              |
| Finance costs                                                                 | 4,206                                                | 6,369                                              |
| Employees' end-of-service benefits                                            | 12,531                                               | 13,569                                             |
| <b>Total non-cash adjustments</b>                                             | <b>326,075</b>                                       | <b>371,787</b>                                     |
| <b>Working capital adjustments</b>                                            |                                                      |                                                    |
| Accounts receivable                                                           | (36,531)                                             | 7,835                                              |
| Advances to suppliers and contractors                                         | (58,282)                                             | (3,938)                                            |
| Due to related parties, net                                                   | 166                                                  | 48,299                                             |
| Inventories                                                                   | 11,648                                               | (13,826)                                           |
| Prepaid expenses and other assets                                             | (93,194)                                             | 8,518                                              |
| Accounts payable                                                              | (58,070)                                             | (4,055)                                            |
| Advances from customers                                                       | 4,855                                                | 1,322                                              |



| SAR in 000s                               | Three months period ended<br>31 March 2018G (unaudited) | Three months period ended<br>31 March 2019G (audited) |
|-------------------------------------------|---------------------------------------------------------|-------------------------------------------------------|
| Accrued expenses and other liabilities    | 61,796                                                  | 26,029                                                |
| <b>Cash generated from operations</b>     | <b>158,463</b>                                          | <b>441,971</b>                                        |
| Zakat paid                                | (84,583)                                                | (56,754)                                              |
| Employees' end-of-service benefits        | (6,034)                                                 | (5,293)                                               |
| <b>Net cash from operating activities</b> | <b>67,846</b>                                           | <b>379,924</b>                                        |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Cash flows from operating activities increased by 460.0% from SAR 67.8 million in Q1 2018G to SAR 379.9 million in Q1 2019G due to higher income before Zakat driven by the growth of the Group's operations and the Group's efficiency in working capital management through the amounts received from related parties and collection of receivables, and decrease in advances to suppliers, contractors, prepayments and other assets during that period.

### Cash used in investing activities

**Table (6-123): Cash flows from investing activities as at 31 March 2018G and 31 March 2019G**

| SAR in 000s                                                   | As at 31 March 2018G<br>(unaudited) | As at 31 March 2019G<br>(audited) |
|---------------------------------------------------------------|-------------------------------------|-----------------------------------|
| <b>Investing activities</b>                                   |                                     |                                   |
| Purchase of property and equipment                            | (46,576)                            | (144,710)                         |
| Proceeds from sale of property and equipment                  | 1,134                               | 1,082                             |
| Acquisition of a subsidiary, net of cash and cash equivalents | -                                   | (2,773)                           |
| <b>Net cash used in investing activities</b>                  | <b>(45,442)</b>                     | <b>(146,401)</b>                  |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Investment activities include the purchase and sale of property and equipment and cash flows arising from the disposal of a subsidiary. Cash flows used in investment activities increased by 222.2% from SAR 45.4 million in the first quarter of 2018G to SAR 146.4 million in the first quarter of 2019G. The Group purchased property and equipment worth SAR 144.7 million in the first quarter of 2019G mainly related to the construction work of Khobar hospital.

Proceeds from sale of property and equipment include disposal of property and equipment that are no longer valid or usable as part of the Group's plan to develop and improve asset efficiency and it has remained relatively stable at SAR 1.1 million, it includes cash flows from the disposal of Rawafed which amounted to SAR 2.8 million in the first quarter of 2019G.

### Cash used in financing activities

**Table (6-124): Cash flows from financing activities as at 31 March 2018G and 31 March 2019G**

| SAR in 000s                                  | As at 31 March 2018G<br>(unaudited) | As at 31 March 2019G<br>(audited) |
|----------------------------------------------|-------------------------------------|-----------------------------------|
| <b>Financing activities</b>                  |                                     |                                   |
| Proceeds from long-term loans, net           | (11,308)                            | 60,567                            |
| Leasing costs paid                           | -                                   | (10,211)                          |
| Finance costs paid                           | (4,240)                             | (4,042)                           |
| Dividends paid                               | (179,000)                           | (148,345)                         |
| <b>Net cash used in financing activities</b> | <b>(194,548)</b>                    | <b>(102,030)</b>                  |

Source: Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.

Net cash used in financing activities decreased by 47.6% from SAR 194.5 million in the first quarter of 2018G to SAR 102.0 million in the first quarter of 2019G due to the Group's use of bank facilities which amounted to SAR 60.6 million for financing purposes related to the construction of Khobar hospital, which was offset by paid dividends of SAR 148.3 million in Q1 2019G.



## Capitalization and indebtedness

The table below shows the Group's capitalization and indebtedness as at 31 December 2018G and 31 March 2019G. This table should be read in conjunction with all the Group's audited consolidated interim financial statements. The Group's total liabilities and equity increased as a result of the growth of its operations and capital investments from SAR 7,541.2 million as at 31 December 2018G to SAR 7,870.4 million as at 31 March 2019G. It is worth mentioning that the Group has complied with all the terms of local bank agreements and loans from the Ministry of Finance and there was no breach of its obligations towards lenders as of the date of this Prospectus.

**Table (6-125): Capitalization and indebtedness as at December 31 2016G, 2017G, and 2018G**

| SAR in 000s                             | As at 31 December 2018G | As at 31 March 2019G |
|-----------------------------------------|-------------------------|----------------------|
| Current liabilities                     | 1,364,162               | 1,471,696            |
| Non-current liabilities                 | 1,619,743               | 1,819,360            |
| <b>Total liabilities</b>                | <b>2,983,904</b>        | <b>3,291,056</b>     |
| Issued share capital                    | 3,500,000               | 3,500,000            |
| Statutory reserve                       | 380,849                 | 380,849              |
| Retained earnings                       | 447,173                 | 469,757              |
| Non-controlling interests               | 229,237                 | 228,776              |
| Total equity                            | 4,557,259               | 4,579,382            |
| <b>Total liabilities + total equity</b> | <b>7,541,164</b>        | <b>7,870,438</b>     |
| <b>Debt to equity ratio</b>             | <b>35.5%</b>            | <b>36.6%</b>         |

Source: Management information and Audited consolidated interim financial statements for the group for the period ending in 31 March 2019G.



## 7- Dividend Distribution Policy

The shares shall entitle its holders the right to receive any dividends that the Company declares from the date of publishing this Prospectus and for the subsequent Financial Years.

The Company intends to distribute annual dividends to its Shareholders to enhance the value that such Shareholders obtain in a manner that is proportionate to the Company's profits, financial position, and restrictions that govern dividends under debts and financing agreements, results of Company's activities, Company's need of cash currently and future, expansion plans, investment requirements of the Company and other factors, including analysis of investment opportunities, re-investment requirements with the Company, capital and cash requirements, commercial expectations, the impact of any such distributions on any legal and regulatory considerations. Any investor willing to invest in the Offer Shares should realize that the dividend distribution policy may change from time to time.

Although the Company intends to pay annual dividends to its Shareholders, there are no guarantees of actual dividends. Furthermore, there is no guaranteed amounts that shall be paid in any year. The Company's annual net profits are distributed as follows:

- 1- Ten percent (10%) of the annual net profits are set aside to form a statutory reserve for the Company. Such allocations to the statutory reserve may be discontinued by the Ordinary General Assembly when the reserve reaches 30% the Company's capital.
- 2- The holder of preferred shares shall obtain profits allocated to these shares.
- 3- The Ordinary General Assembly may, at the request of the Board of Directors, set aside a percentage of the net profits to form a contractual reserve to be allocated towards one or more specific purposes.
- 4- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – as far as possible – to the Shareholders. The said assembly may also withhold certain amounts from the net profits for the creation of social organizations for the Company's employees and workmen, or for supporting such organizations as may already be in existence.
- 5- At least 5% of the remaining amount shall be paid as an initial payment to the Shareholders.
- 6- Subject to the provisions set forth in Article 22 of the Company's Bylaws; and Article 76 of the Companies Law, no more than 10% shall be set aside to remunerate the Board of Directors, provided that such remuneration be proportionate to the number of sessions attended by each director.
- 7- The balance shall be distributed among Shareholders as an additional share of the dividends.

Subject to the controls set by the competent authorities, the Company may distribute semi-annual and quarterly dividends.

The following is a summary of the profits that the Company announced and distributed since the beginning of 2016G:

**Table (7-1): Dividend distributions for the Financial Years ended 31 December 2016G, 2017G and 2018G and for the period ended 31 March 2019G:**

| SAR                                                                         | 2016G         | 2017G       | 2018G       | Period ended 31/03/2019G |
|-----------------------------------------------------------------------------|---------------|-------------|-------------|--------------------------|
| Declared distributions                                                      | 369,854,077   | 600,000,000 | 800,000,000 | 210,000,000              |
| Distributions paid during the period                                        | 199,854,077   | 517,014,078 | 788,475,661 | 148,345,143              |
| Net income                                                                  | 1,015,334,487 | 655,904,780 | 800,073,975 | 233,619,253              |
| Ratio of declared distributions of cash dividends to the Group's net income | 36.4%         | 91.5%       | 100%        | 89.9%                    |

Source: The Group's audited consolidated financial statements for the Financial Year ended 31 December 2018G, the special-purpose audited consolidated financial statements for the Financial Years ended 31 December 2016G and 2017G, and the interim audited consolidated financial statements for the three-month period ended 31 March 2019G.

In Q2 of 2019G, the Group's Board of Directors decided to make interim dividend of SAR 390.0 million for Q2 and Q3. In Q4 of 2019G, the Group's Board of Directors decided to make interim dividend of SAR 200 million. Thus, 2019G total dividends were SAR 800.0 million. As of 31/12/2019G, the balance of dividends liability was zero, as the Group paid all the outstanding dividends liability.



## 8- Use of Offering Proceeds

The total proceeds from the Offering are estimated at SAR (2,625,000,000), of which approximately SAR (110,000,000) will be applied to settle all the expenses of the Offering, which include the fees of the Financial Advisor, Lead Manager, Bookrunner and Underwriter, Legal Advisor, Financial Due Diligence Advisor, Market Study Consultant, Auditor, other Advisors and Receiving Agents, and marketing, printing and distribution fees, as well as other fees related to the Offering. The net Offer Proceeds will be SAR (2,515,000,000) and will be distributed to the Selling Shareholders in proportion to the number of shares to be sold by each of them. The Company will not receive any portion of the Offer Proceeds. Selling Shareholders shall bear all the fees, expenses and costs related to the Offering.



## 9- Capitalization of the Company's Capital and Indebtedness

Current Shareholders hold all the Company's shares prior to the Offering. After completing the Offering, they will have together what accounts for 85% of the Company's shares.

The following table shows the Company's capitalization as reflected in the Company's consolidated financial statements as of 31/12/2016G, 31/12/2017G and 31/12/2018G. The following table should be read together with the relevant financial statements, including the attached notes contained in section 19 "Financial Statements and Report of Public Accountants" of this Prospectus.

**Table (9-1): Capitalization of the Company's Capital and Indebtedness**

| SAR '000                                                 | Financial Year ended 31 December |                  |                  | Period ended 31 March |
|----------------------------------------------------------|----------------------------------|------------------|------------------|-----------------------|
|                                                          | 2016G                            | 2017G            | 2018G            | 2019G                 |
| <b>Loans</b>                                             |                                  |                  |                  |                       |
| Current portion of long-term loans                       | 276,435                          | 281,509          | 228,513          | 253,320               |
| Current portion of government grants                     | 0                                | 0                | 2,707            | 2,180                 |
| Non-current portion of long-term loans                   | 904,159                          | 927,267          | 1,338,257        | 1,374,016             |
| Government subsidy                                       | 0                                | 0                | 47,433           | 47,415                |
| <b>Total loans</b>                                       | <b>1,180,594</b>                 | <b>1,208,776</b> | <b>1,616,910</b> | <b>1,676,931</b>      |
| <b>Shareholders' Equity</b>                              |                                  |                  |                  |                       |
| Issued share capital                                     | 3,500,000                        | 3,500,000        | 3,500,000        | 3,500,000             |
| Statutory Reserve                                        | 234,881                          | 300,719          | 380,849          | 380,849               |
| Retained Earnings                                        | 539,139                          | 517,892          | 447,173          | 469,756               |
| Non-controlling equity                                   | 139,979                          | 230,470          | 229,237          | 228,775               |
| <b>Total equity</b>                                      | <b>4,413,999</b>                 | <b>4,549,081</b> | <b>4,557,259</b> | <b>4,579,382</b>      |
| <b>Total capitalization (total loans + total equity)</b> | <b>5,594,593</b>                 | <b>5,757,857</b> | <b>6,174,169</b> | <b>6,256,313</b>      |
| <b>Total Loans / Total Capitalization</b>                | <b>21.1%</b>                     | <b>20.9%</b>     | <b>26.2%</b>     | <b>26.8%</b>          |

Source: The Company and the audited consolidated financial statements of the Group for the Financial Years ended 13 December 2018G and the special purpose audited consolidated financial statements for the Financial Year ended 31 December 2017G.

The Directors declare that:

- None of the Company's shares is under option rights;
- The Company does not have any debt instrument as at the date of this Prospectus; and
- The Company's balance and cash flows are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months after the date of publication of this Prospectus, taking into account any adverse and material change to the Company's business.

## 10- Expert Statements

All Advisors, whose names appear on pages (vi) and (vii) of this Prospectus, have furnished and not withdrawn, until the date of this Prospectus, their written consent to refer to their names, addresses and logos and to the publication of their statements in this Prospectus. No Advisor and their employees – forming part of the engagement team serving the Company – nor their Relatives have any shares or interest of any kind in the Company or its Subsidiaries as of the date of this Prospectus, which would impair their independence.

## 11- Declarations

As of the date of this Prospectus, the Board of Directors declares that:

- 1- There has been no interruption in the business of the Company or its Subsidiaries that may influence or have a material impact on its financial position during the last twelve (12) months.
- 2- No commissions, discounts, brokerage fees or non-cash compensations were given by the Company or its Subsidiaries, during the three (3) years immediately preceding the date of application for listing and offering of securities with respect to issuance or offering of any securities.
- 3- There has been no material adverse change in the financial or business position of the Company or its Subsidiaries in the three (3) Financial Years immediately preceding the date of application for listing and offering of securities that are subject to this Prospectus, in addition to the period included in the Financial Statements and the Auditor's Report until the approval of this Prospectus.
- 4- Except as provided in section 5.2.1 "**Composition of the Board of Directors**", the Board of Directors, the Board Secretary, the Senior Management, or their Relatives do not own any shares or interest of any kind in the Company or its Subsidiaries.
- 5- The Company and its Subsidiaries have working capital that is sufficient for twelve (12) months at least following the date of this Prospectus.
- 6- The balance and cash flows of the Company and its Subsidiaries are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months after the date of this Prospectus, taking into account any adverse and material change to the business of the Company and its Subsidiaries.
- 7- None of the Company's Directors, Senior Management team or Secretary of the Board has declared bankruptcy or was subject to the bankruptcy procedure.
- 8- No solvency has been declared over the last five (5) years for a company in which any of its Directors, Senior Management members or Secretary of the Board has been appointed in an administrative or supervisory position.
- 9- None of the Directors, Senior Management team of the Company, Secretary of the Board nor any one of their Relatives or affiliates has any direct or indirect interest in the shares of the Company or its Subsidiaries or any other matter that can affect the Company's business, except as disclosed in section 5.2.1 "**Composition of the Board of Directors**" and section 12.12 "**Material Contracts with Related Parties**".
- 10- None of the Company's Directors, Senior Management team, Secretary of the Board nor any of their Relatives or affiliates has any interest in any applicable contract or arrangement as of the date of this Prospectus or to be concluded when submitting this Prospectus relating to the business of the Company and its Subsidiaries except as disclosed in section 12.12 "**Material Contracts with Related Parties**".
- 11- Except as disclosed in section 12.12 "**Material Contracts with Related Parties**" and section 12.13 "**Transactions and Internal Contracts between the Company and its Subsidiaries**" of this Prospectus, the Company has no any transactions, agreements, commercial relations or real estate transactions with a Related Party, including the Financial Advisor and Legal Advisor of the Offering.
- 12- All Agreements with the Related Parties described under section 12.12 "**Material Contracts with Related Parties**" do not include any preferential conditions, and have been concluded in accordance with laws and regulations on commercially appropriate and reasonable terms.
- 13- They shall comply with Articles Seventy-One (71) and Seventy-Two (72) of the Companies Law and Articles Forty-Four (44) and Forty-Six (46) of the Corporate Governance Regulations.
- 14- They shall abstain from voting on contracts entered into with the Related Parties in the General Assembly Meetings if they have either direct or indirect interest therein.
- 15- There is no power to give a member of the Board or the CEO the right to vote on remuneration granted thereto.
- 16- Neither the Board of Directors nor any of the Senior Management has any power to borrow from the Issuer.

- 17- As of the date of this Prospectus, and to the best of their knowledge and belief, there are no other significant risks, except those stated in section 2 “**Risk Factors**” of this Prospectus, which may affect investors’ decisions relating to the investment in the Offer Shares.
- 18- Except as stated in section 2 “**Risk Factors**” and section 6 “**Management Discussion and Analysis of Financial Position and Results of Operations**” of this Prospectus, the Company is not aware of any government, economic, financial, monetary, political policies or other factors that have or may have a material (direct or indirect) effect on the operations of the Company or its Subsidiaries.
- 19- Except as disclosed in section 2 “**Risk Factors**” and section 6 “**Management Discussion and Analysis of Financial Position and Results of Operations**” of this Prospectus, the Company is not aware of any seasonal information or economic cycles related to its business that would affect the operations or financial position of the Company or its Subsidiaries.
- 20- As of the date of this Prospectus, there is no intention to make any material change in the nature of the business of the Company or its Subsidiaries.
- 21- There are no loans or debts, including overdrafts from bank accounts, any guarantee obligations (including those with or without personal guarantee), liabilities under acceptance, acceptance credit or lease purchase obligations except as disclosed in section 12.10 “**Ministry of Finance Loan Agreements,**” section 12.11 “**Finance Agreements with Commercial Banks**” and section 6 “**Management’s Discussion and Analysis of Financial Conditions and Results of Operations**” of this Prospectus.
- 22- All the financing agreements mentioned in section 12.10 “**Ministry of Finance Loan Agreements,**” and section 12.11 “**Finance Agreements with Commercial Banks**” are still in force and have not been breached by any of the material obligations and conditions set forth therein.
- 23- There are no mortgages, rights, burdens or costs on the property of the Company or its Subsidiaries, except as stated in section 12.10 “**Ministry of Finance Loan Agreements,**” section 12.11 “**Finance Agreements with Commercial Banks,**” section 6 “**Management’s Discussion and Analysis of Financial Conditions and Results of Operations**” and section 12.14 “**Company-Owned Properties.**”
- 24- None of the shares of the Company or its Subsidiaries is subject to any option rights.
- 25- Neither the Company nor any of its Subsidiaries has any debt instruments as of the date of this Prospectus; and
- 26- The Offering does not violate the applicable laws and regulations in the Kingdom.
- 27- The Offer does not prejudice any contracts or agreements to which the Company is a party.
- 28- All material legal information related to the Company has been disclosed in the Prospectus.
- 29- Except as described in section 12.18 “**Cases, Claims and Statutory Procedures**” of this Prospectus, the Company and its Subsidiaries are not involved in any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the Company’s business or financial position.
- 30- The Board of Directors shall not be subject to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company or its Subsidiaries.
- 31- They are not aware of any cases or claims threatened to be filed.
- 32- All material facts relating to the Company and its Subsidiaries and financial performance thereof have been disclosed in this Prospectus, and that there are no other information, documents or facts the omission of which would make any statement herein misleading.
- 33- All increases that the capital of the Company had do not conflict with the applicable laws and regulations in KSA.
- 34- The Company does not have any securities, contractual or otherwise, or any assets that are subject to fluctuation, which would adversely and materially affect the financial position of the Company.
- 35- Selling Shareholders will bear all expenses and costs related to the Offering.
- 36- The Board of Directors has submitted or will submit to CMA all the documents required by Capital Market Law, and Rules on the Offer of Securities and Continuing Obligations.



- 37- The financial information contained in this Prospectus has been derived from the audited consolidated financial statements for the year ended 31 December 2018G, along with notes thereto, which have been prepared by the Group in accordance with IFRS endorsed in the Kingdom by SOCPA, the special-purpose audited consolidated financial statements for the year ended 31 December 2016G and 2017G, with notes thereto, which have been prepared by the Group for comparative purposes so to conform to the applicable accounting policies of transition to IFRS, and the consolidated financial statements for the three month period ended 31/03/2019G, and notes thereto prepared in accordance with IFRS endorsed in the Kingdom by SOCPA. All the above financial statements have been extracted without any material change thereto, except for approximation purposes.
- 38- Except for the assets mentioned in section 6 **“Management Discussion and Analysis of Financial Condition and Results of Operations”**, neither Company nor its Subsidiaries have commercial activity or substantial assets outside the Kingdom.
- 39- Except as disclosed in section 2 **Risk Factors**, the Directors are not aware of any other material risks that may affect a prospective investors’ decision to invest in the Offer Shares.
- 40- Except as disclosed in section 2 **Risk Factors**, the insurance policies of the Company and its Subsidiaries sufficiently cover the Company’s business and the Company renews the insurance contract documents regularly to ensure continued insurance coverage.
- 41- The Directors acknowledge that the Company has obtained all necessary approvals from the lenders to offer the Company’s shares.
- 42- Other party information and data included in this Prospectus, including the information derived from the market research report prepared by the Market Study Consultant, are reliable and there is no reason for the Company to believe that such information and data are materially inaccurate.
- 43- The Directors shall update the Company’s Bylaws in accordance with the Companies Law, the Capital Market Law and their implementing regulations. Furthermore, the Directors must declare to the Board any direct or indirect personal interest he may have in contracts made for the account of the Company. Such declarations must be recorded in the minutes of the Board meeting.
- 44- There are no other facts the omission of which would affect the application for admission and offering of securities.
- 45- The required reports will be prepared in due time as per the CMA Implementing Regulations.
- 46- Except as disclosed in section 5.7 **“Conflict of Interest”**, the Directors acknowledge that they have not jointly and individually engaged in any similar or competing activities of the Company and undertake to comply with the requirements of the Companies Law.
- 47- The Directors are committed to all the terms and conditions under agreements entered into with providers of all loans, facilities and financing.
- 48- As at the date of this Prospectus, persons whose names appear in Table 4.3 of the Prospectus are the legal and beneficial owners of the Company’s Shares.
- 49- All the Company’s employees are under the sponsorship of the Company.
- 50- The Company holds all the key licenses and approvals required to engage in its business.
- 51- The internal control systems and controls have been prepared on a sound basis. The Company shall ensure the integrity of financial and operational systems and appropriate controls to manage risk in accordance with the requirements of Corporate Governance Regulations. Furthermore, the Directors review annually the Company’s internal control procedures.
- 52- The Company’s internal control, accounting and information technology systems are appropriate.
- 53- The Company has no intention to enter into any new agreements with Related Parties, other than those disclosed in section 12.12 **“Material Contracts with Related Parties”** and table 12.24 **“Summary of Material Contracts with Related Parties”**.



## 12- Legal Information

### 12.1 Declarations Related to Legal Information

The Board of Directors declare that:

The Offering does not violate the applicable laws and regulations in the Kingdom.

- a- The Offering does not prejudice any contracts or agreements which the Company is a party thereof.
- b- All material legal information relating to the Company has been disclosed in the Prospectus.
- c- Except as disclosed in section 12.18) **“Cases, Claims, and Statutory Procedures”**, the Company is not involved in any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company and its Subsidiaries.
- d- Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company and its Subsidiaries.

### 12.2 The Company

Dr. Sulaiman Al-Habib Medical Services Group Company (hereinafter referred as to the **“Company”**, **“HMG”** or the **“Issuer”**,) is a Saudi closed joint stock company incorporated under the MOCI Resolution No. (38/Q) dated 26/02/1435H (corresponding to 29/12/2013G) and registered in Riyadh Commercial Registration Office under No. 1010118330 dated 11/06/1414H (corresponding to 24/11/1993G). The Group head office is located in Olaya, King Fahd Road, P.O. Box 301578, Riyadh 11372, Kingdom of Saudi Arabia.

The Company’s capital amounts to three billion, five hundred million Saudi Riyals (SAR 3,500,000,000), divided into three hundred fifty million ordinary shares with a fully paid nominal value of ten Saudi Riyals (10 SAR) per share.

The Company operates through its Subsidiaries that it owns or holds shares therein (please refer to section 12.4 **“Company’s Branches and its Subsidiaries”** of this Prospectus for further details).

The current main business of the Company under its bylaws is as follows:

- 1- Establishing, managing and operating hospitals, public and specialized medical complexes, clinics, dispensaries and outpatient surgery centers.
- 2- Establishing, managing and operating support health centers, ambulatory transportation services, medical laboratories, and analysis as well as radiology centers.
- 3- Import, wholesale and retail trade in medicines, medical and herbal products, cosmetics, medical devices and equipment.
- 4- Owning properties to establish the Company’s facilities and invest them in favor of the Company.
- 5- Managing and operating its Subsidiaries or others, or participating in the management of other companies in which it has shares.
- 6- Providing guarantees, loans, and funds to its Subsidiaries.
- 7- Possessing the industrial property rights, including patents, trademarks, franchise rights and other intangible rights and exploitation and leasing thereof for its Subsidiaries or others.





## 12.3 Shareholder Structure

The following table sets out ownership of shares and Shareholders in the Company before and after the Offering:

**Table (12-1): The Company's Shareholding Structure before and after the Offering**

| Shareholders                                                           | Pre-Offering       |                     |                      |                        | Post-Offering      |                     |                      |                        |
|------------------------------------------------------------------------|--------------------|---------------------|----------------------|------------------------|--------------------|---------------------|----------------------|------------------------|
|                                                                        | No. of Shares      | Nominal Value (SAR) | Direct Ownership (%) | Indirect Ownership (%) | No. of Shares      | Nominal Value (SAR) | Direct Ownership (%) | Indirect Ownership (%) |
| Sulaiman Abdulaziz Sulaiman Al-Habib <sup>(1)(2)</sup>                 | 157,488,333        | 10                  | 45.00%               | 3.67%                  | 140,105,000        | 10                  | 40.03%               | 3.67%                  |
| Thabat Business Company Ltd.                                           | 12,845,000         | 10                  | 3.67%                | -                      | 12,845,000         | 10                  | 3.67%                | -                      |
| Mohammed Abdulaziz Al-Habib and Sons Holding Company <sup>(1)(3)</sup> | 152,903,333        | 10                  | 43.69%               | 4.98%                  | 118,136,666        | 10                  | 33.75%               | 4.98%                  |
| Jawharat Al Bahr Investment Company                                    | 17,430,000         | 10                  | 4.98%                | -                      | 17,430,000         | 10                  | 4.98%                | -                      |
| Hesham Sulaiman Abdulaziz Al-Habib                                     | 7,000,000          | 10                  | 2.00%                | -                      | 7,000,000          | 10                  | 2.00%                | -                      |
| Mohammed Sulaiman Abdulaziz Al-Habib <sup>(1)</sup>                    | 2,333,334          | 10                  | 0.67%                | -                      | 1,983,334          | 10                  | 0.57%                | -                      |
| Public                                                                 | -                  | -                   | -                    | -                      | 52,500,000         | 10                  | 15.00%               | -                      |
| <b>Total</b>                                                           | <b>350,000,000</b> | <b>10</b>           | <b>100%</b>          | <b>8.65%</b>           | <b>350,000,000</b> | <b>10</b>           | <b>100%</b>          | <b>8.65%</b>           |

Source: The Company.

(1) Selling Shareholder

(2) Sulaiman Abdulaziz Sulaiman Al-Habib indirectly owns 12,845,000 shares (3.67%) of the Company's shares before and after the Offering through Thabat Business Company Ltd. (which directly owns 12,845,000 shares (3.67%) of Issuer's shares). Sulaiman Abdulaziz Sulaiman Al-Habib directly and indirectly owns 100% of the shares of Thabat Business Company Ltd. (1% owned by Sulaiman Abdulaziz Sulaiman Al-Habib and 99% owned by Dr. Sulaiman bin Abdulaziz Al-Habib Commercial Investment Company, 100% of which is directly owned by Sulaiman Abdulaziz Sulaiman Al-Habib).

(3) Mohammed Abdulaziz Al-Habib and Sons Holding Company directly owns 100% of Jawharat Al Bahr Investment Company shares, which directly owns 17,430,000 shares of the Issuer's shares. Thus, the indirect ownership of Mohammed Abdulaziz Al-Habib and Sons Holding Company is 17,430,000 shares (4.98%) before and after the Offering.



## 12.4 The Company's Branches and its Subsidiaries

The Company holds stocks and shares in several other Subsidiaries. The following table provides the details and percentages of the Company's shareholding in those Subsidiaries:

**Table (12-2): Subsidiaries of the Company**

| #  | Subsidiary                                                                                            | Country of Incorporation | Commercial Registration No. | Commercial Registration Date | Commercial Registration Expiry Date | Direct Shareholding | Indirect Shareholding | Other Shareholders (if any)          |
|----|-------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|------------------------------|-------------------------------------|---------------------|-----------------------|--------------------------------------|
| 1  | Afia Pharmacies Company ("Afia Pharmacies")                                                           | KSA                      | 1010462436                  | 22/09/1437H                  | 22/09/1445H                         | 99%                 | 1% <sup>(1)</sup>     | 1% (Mohammad Al-Jarfan)              |
| 2  | Dr. Abdulaziz. Ibrahim Al-Ajaji Dental Clinic Group Service Company ("Ajaji Dental")                  | KSA                      | 1010218565                  | 24/03/1441H                  | 06/09/1441H                         | 50%                 | -                     | 50% (Dr. Abdulaziz Al-Ajaji)         |
| 3  | Antab Al Riyadh for Operation and Maintenance Company ("Antab Al Riyadh")                             | KSA                      | 1010320541                  | 26/12/1445H                  | 26/12/1445H                         | 100%                | -                     | -                                    |
| 4  | Saudi Serco Services Company ("Serco Services Company")                                               | KSA                      | 1010242254                  | 28/12/1428H                  | 21/08/1444H                         | 40%                 | -                     | 60% (Saudi Serco Company)            |
| 5  | Cloud Solutions for Communications and Information Technology (Srilanka) ("Cloud Solutions SriLanka") | SriLanka                 | 121728                      | 08/05/2017G                  | -                                   | -                   | 100% <sup>(2)</sup>   | -                                    |
| 6  | Cloud Solutions for Communications and Information Technology Company ("Cloud Solutions")             | KSA                      | 1010384104                  | 15/09/1434H                  | 15/09/1445H                         | 100%                | -                     | -                                    |
| 7  | Dr. Sulaiman Al-Habib Hospital FZ-LLC ("Dubai Hospital")                                              | UAE                      | 26                          | 30/05/2004G                  | 01/08/2020G                         | 100%                | -                     | -                                    |
| 8  | Home Healthcare Company ("HHC")                                                                       | KSA                      | 1010320537                  | 26/12/1432H                  | 26/12/1443H                         | 100%                | -                     | -                                    |
| 9  | Sehat Al Olaya Medical Complex Company ("Olaya Medical Company")                                      | KSA                      | 1010196728                  | 23/02/1425H                  | 23/02/1446H                         | 100%                | -                     | -                                    |
| 10 | Gharb Jeddah Hospital Company ("South West Jeddah Hospital")                                          | KSA                      | 4030538330                  | 19/05/1438H                  | 19/05/1443H                         | 50%                 | -                     | 50% (Al Andalus Real Estate Company) |



| #  | Subsidiary                                                                     | Country of Incorporation | Commercial Registration No. | Commercial Registration Date | Commercial Registration Expiry Date | Direct Shareholding | Indirect Shareholding | Other Shareholders (if any)                   |
|----|--------------------------------------------------------------------------------|--------------------------|-----------------------------|------------------------------|-------------------------------------|---------------------|-----------------------|-----------------------------------------------|
| 11 | Al Mokhtabarat Diagnostic Medical Company ("MD Labs")                          | KSA                      | 1010362523                  | 17/03/1434H                  | 17/03/1445H                         | 100%                | -                     | -                                             |
| 12 | Middle East Pharmacies Company ("MEP")                                         | KSA                      | 1010252818                  | 27/06/1429H                  | 27/06/1445H                         | 99%                 | 1% <sup>(1)</sup>     | 1% (Mohammad Al-Jarfan)                       |
| 13 | Al Muhammadiya Hospital for Healthcare Company ("North Jeddah Hospital")       | KSA                      | 4030794665                  | 19/07/1439H                  | 19/07/1444H                         | 100%                | -                     | -                                             |
| 14 | Pharmachoice                                                                   | UAE                      | 811387                      | 23/07/2020G                  | 22/07/2020G                         | -                   | 100% <sup>(3)</sup>   | -                                             |
| 15 | Buraidah Al Takhassusi Hospital for Healthcare Company ("Qassim Hospital")     | KSA                      | 1131025857                  | 21/03/1429H                  | 20/03/1445H                         | 100%                | -                     | -                                             |
| 16 | Al Wosta Medical Limited Company ("Qurtoba Hospital")                          | KSA                      | 1010238625                  | 14/09/1428H                  | 14/09/1444H                         | 50%                 | -                     | 50% (Jarir for Commercial Investment Company) |
| 17 | Al Rayan for Maintenance and Operation Company ("Rayan Maintenance")           | KSA                      | 1010418355                  | 26/08/1435H                  | 26/08/1443H                         | 100%                | -                     | -                                             |
| 18 | Al Rayan Hospital for Healthcare Company ("Rayan Hospital")                    | KSA                      | 1010237325                  | 11/04/1414H                  | 09/08/1441H                         | 100%                | -                     | -                                             |
| 19 | Shamal Al Riyadh for Healthcare Company ("North Riyadh Hospital")              | KSA                      | 1010946027                  | 24/06/1439H                  | 24/06/1444H                         | 100%                | -                     | -                                             |
| 20 | Sehat Al Suweidi Medical Company ("Suweidi Hospital")                          | KSA                      | 1010361683                  | 09/03/1434H                  | 09/03/1445H                         | 100%                | -                     | -                                             |
| 21 | Al Gharb Al Takhassusi Hospital for Healthcare Company ("Takhassusi Hospital") | KSA                      | 1010236901                  | 30/07/1428H                  | 29/07/1443H                         | 100%                | -                     | -                                             |
| 22 | Sehat Al Sharq Medical Limited Company - ("Khobar Hospital")                   | KSA                      | 1010238553                  | 13/09/1428H                  | 13/09/1444H                         | 50%                 | -                     | 50% (Jarir for Commercial Investment Company) |



| #  | Subsidiary                                            | Country of Incorporation | Commercial Registration No. | Commercial Registration Date | Commercial Registration Expiry Date | Direct Shareholding | Indirect Shareholding | Other Shareholders (if any) |
|----|-------------------------------------------------------|--------------------------|-----------------------------|------------------------------|-------------------------------------|---------------------|-----------------------|-----------------------------|
| 23 | Intensive Care Company for Healthcare ("ICU Company") | KSA                      | 1010497146                  | 25/04/1438H                  | 25/04/1443H                         | 100%                | -                     | -                           |

Source: The Company.

- (1) Shareholder assigned all beneficial rights to his shareholding of the Company (please refer to section 12.7 (f) Partnership Agreement between the Company and Mohammad Ali Jarfan)
- (2) This Company is wholly owned by the Cloud Solutions, which is wholly owned by the Issuer
- (3) This Company is wholly owned by Dubai Hospital, which is wholly owned by the Issuer

The Company and its Subsidiaries have several branches. The following table provides the details of these branches:

**Table (12-3): Branches of the Group and its Subsidiaries**

| #  | Branch Name                                                              | Country of Incorporation | Commercial Registration No. | Commercial Registration Date | Commercial Registration Expiry Date | Direct Ownership | Indirect Ownership |
|----|--------------------------------------------------------------------------|--------------------------|-----------------------------|------------------------------|-------------------------------------|------------------|--------------------|
| 1  | The Company's branch in the Kingdom of Bahrain                           | Bahrain                  | 81609-1                     | 12/06/2012G                  | 12/06/2020G                         | 100%             | -                  |
| 2  | Sulay Branch                                                             | KSA                      | 1010357146                  | 24/01/1434H                  | 24/01/1441H                         | 100%             | -                  |
| 3  | Dubai Branch                                                             | UAE                      | 807161                      | 15/05/2018G                  | 14/05/2020G                         | -                | 100%               |
| 4  | Olaya Medical Company Branch ("IVF Center")                              | KSA                      | 1010203221                  | 11/10/1425H                  | 19/06/1442H                         | -                | 100%               |
| 5  | Khobar Hospital Branch                                                   | KSA                      | 2051221372                  | 16/08/1439H                  | 16/08/1444H                         | -                | 50%                |
| 6  | Olaya Medical Company Branch ("Spinal Hospital")                         | KSA                      | 1010236902                  | 30/07/1428H                  | 29/07/1443H                         | -                | 100%               |
| 7  | Al Mustaqbal for Hospitals Development Company ("Maternity Hospital")(1) | KSA                      | 1010208562                  | 18/03/1426H                  | 20/02/1444H                         | -                | 100%               |
| 8  | Afia Pharmacies (1) – Suweidi Hospital                                   | KSA                      | 1010462519                  | 24/09/1437H                  | 24/09/1445H                         | -                | 100%               |
| 9  | Afia Pharmacies (2) – Takhassusi Hospital                                | KSA                      | 1010462521                  | 24/09/1437H                  | 24/09/1445H                         | -                | 100%               |
| 10 | Afia Pharmacies (3) – Rayan Hospital (ICU)                               | KSA                      | 1010464428                  | 04/01/1438H                  | 04/01/1446H                         | -                | 100%               |



| #  | Branch Name                           | Country of Incorporation | Commercial Registration No. | Commercial Registration Date | Commercial Registration Expiry Date | Direct Ownership | Indirect Ownership |
|----|---------------------------------------|--------------------------|-----------------------------|------------------------------|-------------------------------------|------------------|--------------------|
| 11 | Afia Pharmacies (4) – Khobar Hospital | KSA                      | 2051225585                  | 12/08/1440H                  | 12/08/1445H                         | -                | 100%               |
| 12 | Ajaji Dental – Olaya                  | KSA                      | 1010222433                  | 28/07/1427H                  | 06/09/1441H                         | -                | 50%                |
| 13 | Ajaji Dental – Qassim                 | KSA                      | 1131051383                  | 27/03/1435H                  | 27/03/1445H                         | -                | 50%                |
| 14 | Ajaji Dental – Rayan                  | KSA                      | 1010402647                  | 27/03/1435H                  | 27/03/1445H                         | -                | 50%                |
| 15 | Ajaji Dental – Suweidi                | KSA                      | 1010465604                  | 17/02/1438H                  | 17/02/1444H                         | -                | 50%                |
| 16 | Ajaji Dental – Khobar                 | KSA                      | 2051226042                  | 08/09/1440H                  | 08/09/1443H                         | -                | 100%               |
| 17 | Ajaji Dental – Takhassusi             | KSA                      | 1010402646                  | 27/03/1435H                  | 27/03/1445H                         | -                | 50%                |
| 18 | MEP Olaya 1 – Olaya                   | KSA                      | 1010152000                  | 13/08/1419H                  | 29/03/1445H                         | -                | 100%               |
| 19 | MEP Olaya 2 – Olaya                   | KSA                      | 1010198159                  | 06/04/1425H                  | 23/03/1445H                         | -                | 100%               |
| 20 | MEP Olaya 3 – Olaya                   | KSA                      | 1010295615                  | 05/11/1431H                  | 05/11/1441H                         | -                | 100%               |
| 21 | MEP Olaya 4 – Rayan                   | KSA                      | 1010295620                  | 05/11/1431H                  | 05/11/1443H                         | -                | 100%               |
| 22 | MEP Olaya 6 – Rayan                   | KSA                      | 1010433953                  | 02/08/1436H                  | 02/08/1444H                         | -                | 100%               |
| 23 | MEP Olaya (5) – Takhas-susi Hospital  | KSA                      | 1010357168                  | 24/01/1434H                  | 24/01/1445H                         | -                | 100%               |
| 24 | MEP Olaya 7 – Qassim Hospital         | KSA                      | 1131028710                  | 24/04/1430H                  | 23/04/1445H                         | -                | 100%               |

Source: The Company.

## 12.5 Key Licenses and Approvals

With the exception of MOH license granted to MD Labs and HHC, four licenses granted by the Ministry of Municipal and Rural Affairs regarding the Spinal Hospital, Maternity Hospital, IVF Center and Cloud Solutions, civil defense certificates for IVF Center, Spinal Hospital and Takhassusi Hospital, and the certificate granted by the Saudi Health Council regarding Suweidi Hospital, which are being renewed as of the date of this Prospectus, the Group obtained all the necessary essential licenses from the competent authorities, which enables it to carry out all its business. The following is a summary of the Group's material licenses and regulatory authorizations:

**Table (12-4): Summary of the legal licenses for the opening or operation of the Group's health facilities**

| #  | Entity                     | License Type                                                                                         | License No.           | Issuer                          | Date of Issue | Expiry Date |
|----|----------------------------|------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|---------------|-------------|
| 1  | Ajaji Dental – Branch (3)  | License to open a private health establishment – a specialized dental medical complex                | 1410101305000064      | MOH                             | 30/05/1429H   | 12/02/1445H |
| 2  | Ajaji Dental Olaya         | License to open a private health establishment – dental complex                                      | 014-101-013-050-00017 | MOH                             | 20/01/1427H   | 23/01/1442H |
| 3  | Dubai Hospital             | Permit to operate a health facility                                                                  | CL-MC-0012-07         | Dubai Healthcare City Authority | 03/08/2019G   | 01/08/2020G |
| 4  | Dubai Hospital             | Permit to operate – open a general medical hospital                                                  | CL-SH-0003-15         | Dubai Healthcare City Authority | 03/08/2019G   | 01/08/2020G |
| 5  | The Company                | License to open a private health establishment – general medical complex                             | 014-101-012-012-00129 | MOH                             | 26/06/1428H   | 24/06/1443H |
| 6  | IVF Center                 | License to open a private health establishment – gynecology, surgery and infertility                 | 014-101-013-147-10002 | MOH                             | 11/02/1439H   | 03/07/1444H |
| 7  | South West Jeddah Hospital | Approval of the initial phase requirements to open a health establishment – general medical hospital | 026-101-010-010-00055 | MOH                             | 14/04/1439H   | 14/04/1441H |
| 8  | Khobar Hospital            | Permit to open a private health establishment – a hospital with multiple specialties                 | 038-105-010-012-10003 | MOH                             | 19/05/1429H   | 25/08/1445H |
| 9  | Maternity Hospital         | License to open a private health establishment – obstetrics and gynecology hospital                  | 014-101-010-022-00003 | MOH                             | 15/07/1440H   | 13/07/1444H |
| 10 | Qassim Hospital            | Final approval license for opening a hospital                                                        | 6310101001010001      | MOH                             | 03/04/1430H   | 25/04/1445H |



| #  | Entity                | License Type                                                                                                     | License No.           | Issuer                                         | Date of Issue | Expiry Date |
|----|-----------------------|------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------|---------------|-------------|
| 11 | Qurtoba Hospital(2)   | Approval of the initial phase requirements to open a health establishment – a hospital with multiple specialties | 014-101-010-012-00047 | MOH                                            | 26/03/1428H   | 22/01/1439H |
| 12 | Rayan Hospital        | License to open a private health establishment – a hospital with multiple specialties                            | 014-101-010-012-00029 | MOH                                            | 12/03/1427H   | 22/03/1441H |
| 13 | Rayan Hospital        | License to open a private health establishment – gynecology, surgery                                             | 014-101-013-022-00010 | MOH                                            | 12/03/1427H   | 22/03/1441H |
| 14 | Spinal Hospital       | License to open a private health establishment – a hospital with all specialties                                 | 014-101-010-097-00001 | MOH                                            | 19/04/1428H   | 10/01/1442H |
| 15 | Suweidi Hospital      | License to open a private health establishment – a hospital with all specialties                                 | 014-101-010-097-00057 | MOH                                            | 01/06/1435H   | 14/01/1443H |
| 16 | Takhassusi Hospital   | License to open a private health establishment – a hospital with multiple specialties                            | 014-101-010-012-00055 | MOH                                            | 14/06/1429H   | 21/06/1443H |
| 17 | UMC(1)                | A private health establishment license to operate a general hospital                                             | 30302867              | National Health Regulatory Authority (Bahrain) | 05/12/2013G   | 04/12/2019G |
| 18 | MD Labs               | License to open a private health establishment – laboratory                                                      | 014-101-050-081-00361 | MOH                                            | 08/09/1434H   | 16/08/1440H |
| 19 | Dubai Hospital Branch | License of healthcare facility                                                                                   | DHA-FL-0081673        | -                                              | 18/10/2018G   | 18/10/2019G |

Source: The Company.

- (1) The Company operates the UMC in Bahrain under a management and operation agreement (please refer to section 12.9 of this Prospectus “**Health Facility Management and Operation Agreements**” for further details on this agreement).
- (2) The Company is in the process of studying the implementation of the project for Qurtoba Hospital and this license will not be renewed unless a decision to implement the project is made by the Board of Directors.



**Table (12-5): Summary of specialized health licenses**

| #  | Entity              | License Type                                                                                                                                         | License No.           | Issuer                          | Date of Issue | Expiry Date |
|----|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|---------------|-------------|
| 1  | HHC                 | Initial approval license                                                                                                                             | 1400000658            | MOH                             | 01/01/1440H   | 12/01/1441H |
| 2  | Dubai Hospital      | Permit to operate a health facility for home healthcare services                                                                                     | RL-NwOp-18-0002       | Dubai Healthcare City Authority | 03/08/2019G   | 01/08/2020G |
| 3  | Suweidi Hospital    | License to practice an additional specialty or activity for a private health establishment – home medicine                                           | 014-101-010-097-00057 | MOH                             | 04/11/1438H   | 14/01/1443H |
| 4  | Rayan Hospital      | License to practice an additional specialty or activity for a private health establishment – home medicine                                           | 014-101-010-012-00029 | MOH                             | 20/06/1440H   | 22/03/1441H |
| 5  | IVF Center          | License to practice an additional specialty or activity for a private health establishment – obstetrics, gynecology and infertility                  | 014-101-013-147-10002 | MOH                             | 23/07/1439H   | 03/07/1444H |
| 6  | Suweidi Hospital    | License for kidney - transplantation                                                                                                                 | -                     | Saudi Health Council            | 23/07/2017G   | -           |
| 7  | Dubai Hospital      | Laboratory operation license                                                                                                                         | RL-NwOp-18-0005       | Dubai Healthcare City Authority | 03/08/2019G   | 01/08/2020G |
| 8  | The Company         | License to practice an additional specialty or activity for a private health establishment – examination of expatriate workers and nutrition workers | 014-101-012-012-00129 | MOH                             | 16/01/1441H   | 24/06/1443H |
| 9  | Qassim Hospital     | Labor examination permit                                                                                                                             | -                     | Saudi Health Council            | 16/03/1431H   | 14/06/1443H |
| 10 | Suweidi Hospital    | Labor examination permit                                                                                                                             | -                     | MOH                             | 24/03/1439H   | 24/03/1442H |
| 11 | Takhassusi Hospital | Labor examination permit                                                                                                                             | -                     | MOH                             | 14/02/1438H   | 13/02/1441H |



| #  | Entity              | License Type                                                                                                                                         | License No.           | Issuer                                                                                          | Date of Issue | Expiry Date |
|----|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------|---------------|-------------|
| 12 | Rayan Hospital      | License to practice an additional specialty or activity for a private health establishment – examination of expatriate workers and nutrition workers | 014-101-010-012-00029 | MOH                                                                                             | 21/07/1440H   | 22/03/1441H |
| 13 | The Company         | License to conduct medical radiological diagnosis                                                                                                    | TD-7-527-1            | King Abdullah City for Atomic and Renewable Energy and National Center for Radiation Protection | 13/03/1438H   | 13/03/1441H |
| 14 | Dubai Branch        | License for radiological diagnosis                                                                                                                   | FANR/RM/2018/3300     | Federal Authority for Nuclear Regulation                                                        | 17/07/2018G   | 17/07/2021G |
| 15 | Dubai Hospital      | License for radiological diagnosis                                                                                                                   | FANR/RM/2011/167      | Federal Authority for Nuclear Regulation                                                        | 29/01/2018G   | 29/01/2021G |
| 16 | Rayan Hospital      | License to conduct medical radiological diagnosis                                                                                                    | AUT2018133            | King Abdullah City for Atomic and Renewable Energy and National Center for Radiation Protection | 20/04/1439H   | 20/04/1442H |
| 17 | Suweidi Hospital    | License to conduct medical radiological diagnosis                                                                                                    | TD-11-568-1           | King Abdullah City for Atomic and Renewable Energy and National Center for Radiation Protection | 26/12/1438H   | 25/12/1443H |
| 18 | Takhassusi Hospital | License to practice nuclear medicine                                                                                                                 | TN-52-435-3           | King Abdullah City for Atomic and Renewable Energy and National Center for Radiation Protection | 20/04/1439H   | 20/04/1442H |
| 19 | Dubai Hospital      | Permit to operate a medical treatment and rehabilitation center                                                                                      | CL-CS-0057-12         | Dubai Healthcare City Authority                                                                 | 03/08/2019G   | 01/08/2020G |
| 20 | Dubai Hospital      | Multi-disciplinary clinic operating permit                                                                                                           | CL-MC-0060-13         | Dubai Healthcare City Authority                                                                 | 03/08/2019G   | 01/08/2020G |



| #  | Entity                | License Type                                                                                              | License No.           | Issuer | Date of Issue | Expiry Date                                                             |
|----|-----------------------|-----------------------------------------------------------------------------------------------------------|-----------------------|--------|---------------|-------------------------------------------------------------------------|
| 21 | Rayan Hospital        | Letter of approval of licensing the Obesity Department(1)                                                 | 1438-1399163          | MOH    | 29/07/1438H   | Effective until the final decision is issued by the competent authority |
| 22 | Olaya Medical Company | Letter of Preliminary Approval for Obesity Surgery Unit(1)                                                | -                     | MOH    | 18/08/1440H   | Effective until the final decision is issued by the competent authority |
| 23 | Suweidi Hospital      | Letter of Preliminary Approval for Obesity Surgery Unit(1)                                                | -                     | MOH    | 10/09/1440H   | Effective until the final decision is issued by the competent authority |
| 24 | Takhassusi Hospital   | Letter of Preliminary Approval for Obesity Surgery Unit(1)                                                | -                     | MOH    | 15/09/1440H   | Effective until the final decision is issued by the competent authority |
| 25 | Spinal Hospital       | Letter of initial approval for the Bariatric Surgery Unit                                                 | -                     | MOH    | 10/01/1441G   | Effective until the final decision is issued by the competent authority |
| 26 | The Company           | License to practice an additional specialty or activity for a private health establishment – circumcision | 014-101-012-012-00129 | MOH    | 26/06/1428H   | 24/06/1443H                                                             |
| 27 | IVF Center            | License to practice an additional specialty or activity for a private health establishment – circumcision | 014-101-013-147-10002 | MOH    | 05/01/1439H   | 03/07/1444H                                                             |
| 28 | Qassim Hospital       | License to practice an additional specialty or activity for a private health establishment – circumcision | 17626555              | MOH    | 02/09/1439H   | -                                                                       |



| #  | Entity              | License Type                                                                                              | License No.           | Issuer                                   | Date of Issue | Expiry Date |
|----|---------------------|-----------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------|---------------|-------------|
| 29 | Takhassusi Hospital | License to practice an additional specialty or activity for a private health establishment – circumcision | 014-101-010-012-00055 | MOH                                      | 14/06/1429H   | 21/06/1443H |
| 30 | Rayan Hospital      | License to practice an additional specialty or activity for a private health establishment – circumcision | 014-101-010-012-00029 | MOH                                      | 12/03/1427H   | 22/03/1441H |
| 31 | Dubai Hospital      | Permit to provide ambulance services                                                                      | E 15001               | Dubai Corporation for Ambulance Services | 12/02/2019G   | 11/02/2020G |

Source: The Company.

(1) This license has been granted temporarily pending the final approval by the competent committee

**Table (12-6): Summary of approvals granted by the Saudi Central Board for Accreditation of Healthcare Institutions, the Saudi Health Council and Saudi Commission for Health Specialties**

| #  | Entity              | Accreditation Type                                      | Certificate No. | Issuer                                                           | Date of Issue | Expiry Date |
|----|---------------------|---------------------------------------------------------|-----------------|------------------------------------------------------------------|---------------|-------------|
| 1  | The Company         | Certificate of qualification for medical operation      | -               | Saudi Central Board for Accreditation of Healthcare Institutions | 10/10/2017G   | 10/10/2020G |
| 2  | MD Labs             | Certificate of approval of laboratories and blood banks | -               | Saudi Central Board for Accreditation of Healthcare Institutions | 16/08/2017G   | 15/08/2020G |
| 3  | Qassim Hospital     | Hospital approval certificate                           | -               | Saudi Central Board for Accreditation of Healthcare Institutions | 24/07/2019G   | 23/07/2022G |
| 4  | Rayan Hospital      | Hospital approval certificate                           | -               | Saudi Central Board for Accreditation of Healthcare Institutions | 10/11/2017G   | 10/11/2019G |
| 5  | Suweidi Hospital    | Hospital approval certificate                           | -               | Saudi Central Board for Accreditation of Healthcare Institutions | 14/03/2018G   | 14/03/2021G |
| 6  | Takhassusi Hospital | Hospital conditional approval certificate               | -               | Saudi Central Board for Accreditation of Healthcare Institutions | 31/07/2019G   | -           |
| 7  | Maternity Hospital  | Hospital approval certificate                           | -               | Saudi Central Board for Accreditation of Healthcare Institutions | 09/01/2019G   | 08/01/2022G |
| 8  | Spinal Hospital     | Hospital approval certificate                           | -               | Saudi Central Board for Accreditation of Healthcare Institutions | 04/12/2018G   | 08/01/2022G |
| 9  | The Company         | License to apply ICD – 6 AM                             | 1-0131          | Saudi Health Council                                             | 17/04/2019G   | 17/04/2022G |
| 10 | IVF Center          | License to apply ICD – 6 AM                             | 4-01755         | Saudi Health Council                                             | 12/06/2019G   | 12/06/2022G |



| #  | Entity                 | Accreditation Type          | Certificate No. | Issuer                                  | Date of Issue | Expiry Date |
|----|------------------------|-----------------------------|-----------------|-----------------------------------------|---------------|-------------|
| 11 | Maternity Hospital     | License to apply ICD – 6 AM | 2-0112          | Saudi Health Council                    | 22/04/2019G   | 22/04/2022G |
| 12 | Qassim Hospital        | License to apply ICD – 6 AM | 2-00110         | Saudi Health Council                    | 22/03/2019G   | 22/03/2022G |
| 13 | Spinal Hospital        | License to apply ICD – 6 AM | 2-00165         | Saudi Health Council                    | 26/03/2019G   | 26/03/2022G |
| 14 | Rayan Hospital         | License to apply ICD – 6 AM | 2-00111         | Saudi Health Council                    | 22/03/2019G   | 22/03/2022G |
| 15 | Takhassusi Hospital    | License to apply ICD – 6 AM | 2-00113         | Saudi Health Council                    | 20/01/2019G   | 20/01/2022G |
| 16 | Suweidi Hospital       | License to apply ICD – 6 AM | 2-01767         | Saudi Health Council                    | 02/01/1438H   | 02/01/1441H |
| 17 | Ajaji Dental           | License to apply ICD – 6 AM | 4-01356         | Saudi Health Council                    | 24/03/1439H   | 24/03/1442H |
| 18 | Khobar Hospital Branch | License to apply ICD – 6 AM | 1-07639         | Saudi Health Council                    | 02/05/2019G   | 02/05/2022G |
| 19 | Rayan Hospital         | Corporate accreditation     | -               | Saudi Commission for Health Specialties | 18/07/2019G   | 17/07/2020G |
| 20 | Spinal Hospital        | Corporate accreditation     | -               | Saudi Commission for Health Specialties | 18/07/2019G   | 17/07/2020G |

Source: The Company.

**Table (12-7): Summary of pharmacy licenses**

| # | Entity                                       | License Type                                           | License No.           | Issuer                          | Date of Issue | Expiry Date |
|---|----------------------------------------------|--------------------------------------------------------|-----------------------|---------------------------------|---------------|-------------|
| 1 | Afia Pharmacies (1) – Suweidi Hospital       | License to open a private pharmaceutical establishment | 014-101-030-061-03047 | MOH                             | 10/01/1438H   | 15/10/1442H |
| 2 | Afia Pharmacies (2) – Takhassusi Hospital    | License to open a private pharmacy                     | 014-101-030-061-04190 | MOH                             | 08/02/1440H   | 14/02/1445H |
| 3 | Afia Pharmacies (3) – Rayan Hospital (ICU)   | License to open a private pharmacy                     | 1400003500            | MOH                             | 07/06/1440H   | 13/08/1446H |
| 4 | Afia Pharmacies (4) – Khobar Hospital        | Preliminary license                                    | 3800000961            | MOH                             | 21/01/1440H   | 28/03/1446H |
| 5 | Dubai Hospital <sup>(1)</sup>                | Operation license                                      | CL-PH-0015-15         | Dubai Healthcare City Authority | 03/08/2019G   | 01/08/2020G |
| 6 | Middle East Pharmacies (7) – Qassim Hospital | Final approval license                                 | 6310103006110151      | MOH                             | 06/03/1430H   | 29/04/1445H |
| 7 | MEP (1) – Olaya Medical Complex              | Final approval license                                 | 1410103006100219      | MOH                             | 01/09/1415H   | 17/05/1445H |
| 8 | MEP (2) – Olaya Medical Complex              | License to open a private health establishment         | 141103006101119       | MOH                             | 23/06/1425H   | 15/08/1445H |
| 9 | MEP (3) – Olaya Medical Complex              | License to open a private pharmaceutical establishment | 014-101-030-061-02308 | MOH                             | 10/03/1431H   | 08/08/1441H |



| #  | Entity                      | License Type                                           | License No.           | Issuer                               | Date of Issue | Expiry Date |
|----|-----------------------------|--------------------------------------------------------|-----------------------|--------------------------------------|---------------|-------------|
| 10 | MEP (4) Rayan Hospital      | License to open a private pharmaceutical establishment | 014-101-030-061-02273 | MOH                                  | 20/01/1431H   | 18/07/1441H |
| 11 | MEP (4) Rayan Hospital      | License to open a private pharmaceutical establishment | 014-101-030-061-03118 | MOH                                  | 16/11/1435H   | 15/11/1441H |
| 12 | MEP (5) Takhassusi Hospital | License to open a private pharmaceutical establishment | 014-101-030-061-02562 | MOH                                  | 30/04/1434H   | 25/04/1443H |
| 13 | Pharmachoice                | Health facility license                                | DHA-FL-0081674        | Dubai Healthcare City Authority      | 18/10/2018G   | 18/10/2019G |
| 14 | UMC <sup>(2)</sup>          | Pharmacy license (import)                              | 32000118              | National Health Regulatory Authority | 01/01/2019G   | 01/01/2022G |

Source: The Company.

(1) This license is issued for the internal pharmacy at Dubai Hospital.

(2) The Company operates the UMC in Bahrain under a management and operation agreement (please refer to section 12.9 of this Prospectus “Health Facility Management and Operation Agreements” for further details on this agreement).

**Table (12-8): Summary of CCHI Approvals**

| #  | Entity                                       | License Type     | License No. | Issuer | Date of Issue | Expiry Date |
|----|----------------------------------------------|------------------|-------------|--------|---------------|-------------|
| 1  | Afia Pharmacies (1) – Suweidi Hospital       | Service provider | 11615       | CCHI   | 16/01/2019G   | 15/01/2022G |
| 2  | Afia Pharmacies (2) – Takhassusi Hospital    | Service provider | 11616       | CCHI   | 16/01/2019G   | 15/01/2022G |
| 3  | The Company                                  | Service provider | 17892       | CCHI   | 17/04/2018G   | 16/04/2021G |
| 4  | IVF Center                                   | Service provider | 18431       | CCHI   | 14/08/2016G   | 13/07/2022G |
| 5  | Maternity Hospital                           | Service provider | 1165        | CCHI   | 01/04/2018G   | 31/03/2021G |
| 6  | Middle East Pharmacies (7) – Qassim Hospital | Service provider | 10011       | CCHI   | 25/10/2016G   | 22/09/2022G |
| 7  | MEP (1) – Olaya Medical Complex              | Service provider | 9525        | CCHI   | 15/06/2016G   | 14/05/2022G |
| 8  | MEP (2) – Olaya Medical Complex              | Service provider | 9524        | CCHI   | 15/06/2016G   | 14/05/2022G |
| 9  | MEP (3) Rayan Hospital                       | Service provider | 9522        | CCHI   | 15/06/2016G   | 14/05/2022G |
| 10 | MEP (4-b) Rayan Hospital                     | Service provider | 9527        | CCHI   | 15/06/2016G   | 14/05/2022G |
| 11 | MEP (4-a) Rayan Hospital                     | Service provider | 9526        | CCHI   | 15/06/2016G   | 14/05/2022G |
| 12 | MEP (5) Takhassusi Hospital                  | Service provider | 9523        | CCHI   | 15/06/2016G   | 14/05/2022G |
| 13 | Qassim Hospital                              | Service provider | 1147        | CCHI   | 18/01/2018G   | 17/01/2021G |
| 14 | Rayan Hospital                               | Service provider | 1156        | CCHI   | 22/12/2018G   | 21/12/2021G |
| 15 | Spinal Hospital                              | Service provider | 1171        | CCHI   | 17/04/2018G   | 16/04/2021G |

| #  | Entity                    | License Type     | License No. | Issuer | Date of Issue | Expiry Date |
|----|---------------------------|------------------|-------------|--------|---------------|-------------|
| 16 | Suweidi Hospital          | Service provider | 1270        | CCHI   | 18/10/2016G   | 15/09/2022G |
| 17 | Takhassusi Hospital       | Service provider | 1167        | CCHI   | 01/04/2018G   | 31/03/2021G |
| 18 | Khobar Hospital Branch    | Service provider | 1365        | CCHI   | 05/05/2019G   | 04/05/2020G |
| 19 | Afia Pharmacy             | Service provider | 11917       | CCHI   | 20/06/2019G   | 19/06/2020G |
| 20 | Afia Pharmacy – Al Khobar | Service provider | 12009       | CCHI   | 09/09/2019G   | 08/09/2022G |

Source: The Company.

**Table (12-9): Summary of other Regulatory Licenses**

| #  | Entity                              | License Type                                                                            | License No.    | Issuer                                  | Issue Date  | Expiry date |
|----|-------------------------------------|-----------------------------------------------------------------------------------------|----------------|-----------------------------------------|-------------|-------------|
| 1  | Cloud Solutions                     | Contractor Classification – E-Services: Fifth classification<br>IT Third classification | 19145          | Ministry of Municipal and Rural Affairs | 18/08/1440H | 18/08/1444H |
| 2  | Afia Pharmacies                     | Saudization certificate                                                                 | 20001908011337 | Ministry of Labor and Social Affairs    | 19/12/1440H | 23/03/1441H |
| 3  | Cloud Solutions                     | Saudization certificate                                                                 | 20001907017466 | Ministry of Labor and Social Affairs    | 14/11/1440H | 18/02/1441H |
| 4  | HHC                                 | Saudization certificate                                                                 | 20001908002285 | Ministry of Labor and Social Affairs    | 03/12/1440H | 07/03/1441H |
| 5  | The Company                         | Saudization certificate                                                                 | 20001907001498 | Ministry of Labor and Social Affairs    | 29/10/1440H | 03/02/1441H |
| 6  | Khobar Hospital                     | Saudization certificate                                                                 | 20001908011326 | Ministry of Labor and Social Affairs    | 19/12/1440H | 23/03/1441H |
| 7  | MD Labs                             | Saudization certificate                                                                 | 20001908002350 | Ministry of Labor and Social Affairs    | 03/12/1440H | 07/03/1441H |
| 8  | MEP                                 | Saudization certificate                                                                 | 20001908002295 | Ministry of Labor and Social Affairs    | 03/12/1440H | 07/03/1441H |
| 9  | Maternity Hospital                  | Saudization certificate                                                                 | 20001908002344 | Ministry of Labor and Social Affairs    | 03/12/1440H | 07/03/1441H |
| 10 | Qassim Hospital                     | Saudization certificate                                                                 | 20001908002308 | Ministry of Labor and Social Affairs    | 03/12/1440H | 07/03/1441H |
| 11 | Rayan Hospital                      | Saudization certificate                                                                 | 20001908002294 | Ministry of Labor and Social Affairs    | 03/12/1440H | 07/03/1441H |
| 12 | Rayan for Maintenance and Operation | Saudization certificate                                                                 | 20001908002521 | Ministry of Labor and Social Affairs    | 03/12/1440H | 07/03/1441H |





| #  | Entity                              | License Type            | License No.    | Issuer                               | Issue Date  | Expiry date  |
|----|-------------------------------------|-------------------------|----------------|--------------------------------------|-------------|--------------|
| 13 | Serco Services                      | Saudization certificate | 20001908002659 | Ministry of Labor and Social Affairs | 03/12/1440H | 07/03/1441H  |
| 14 | Spinal Hospital                     | Saudization certificate | 20001908002341 | Ministry of Labor and Social Affairs | 03/12/1440H | 07/03/1441H  |
| 15 | Suweidi Hospital                    | Saudization certificate | 20001908002241 | Ministry of Labor and Social Affairs | 03/12/1440H | 07/03/1441H  |
| 16 | Takhassusi Hospital                 | Saudization certificate | 20001908002319 | Ministry of Labor and Social Affairs | 03/12/1440H | 07/03/1441H  |
| 17 | Ajaji Dental                        | Saudization certificate | 20001908002271 | Ministry of Labor and Social Affairs | 03/12/1440H | 07/03/1441H  |
| 18 | Antab Al Riyadh                     | Saudization certificate | 20001908002249 | Ministry of Labor and Social Affairs | 03/12/1440H | 07/03/1441H  |
| 19 | Khobar Hospital Branch              | Saudization certificate | 20001908011322 | -                                    | 19/12/1440H | 23/03/1441H  |
| 20 | MD Labs                             | GOSI Certificate        | 30181845       | GOSI                                 | 03/01/1441H | 03/02/1441H  |
| 21 | Maternity Hospital                  | GOSI Certificate        | 30180827       | GOSI                                 | 03/01/1441H | 03/02/1441H  |
| 22 | Rayan Hospital                      | GOSI Certificate        | 30198342       | GOSI                                 | 04/01/1441H | 04/02/1441H  |
| 23 | Rayan for Maintenance and Operation | GOSI Certificate        | 230182535      | GOSI                                 | 03/01/1441H | 03/02/1441H  |
| 24 | Serco Services                      | GOSI Certificate        | 30261671       | GOSI                                 | 09/01/1441H | 009/02/1441H |
| 25 | Ajaji Dental                        | GOSI Certificate        | 30254993       | GOSI                                 | 09/01/1441H | 009/02/1441H |
| 26 | Afia Pharmacies                     | GOSI Certificate        | 30189446       | GOSI                                 | 03/01/1441H | 03/02/1441H  |
| 27 | Antab Al Riyadh                     | GOSI Certificate        | 30189378       | GOSI                                 | 03/01/1441H | 03/02/1441H  |
| 28 | Cloud Solutions                     | GOSI Certificate        | 30175105       | GOSI                                 | 02/01/1441H | 02/02/1441H  |
| 29 | HHC                                 | GOSI Certificate        | 30181375       | GOSI                                 | 03/01/1441H | 03/02/1441H  |
| 30 | The Company                         | GOSI Certificate        | 30195532       | GOSI                                 | 04/01/1441H | 04/02/1441H  |
| 31 | Khobar Hospital                     | GOSI Certificate        | 30198462       | GOSI                                 | 04/01/1441H | 04/02/1441H  |
| 32 | MEP                                 | GOSI Certificate        | 30180922       | GOSI                                 | 03/01/1441H | 03/02/1441H  |
| 33 | Qassim Hospital                     | GOSI Certificate        | 30198142       | GOSI                                 | 04/01/1441H | 04/02/1441H  |
| 34 | Qurtoba Hospital                    | GOSI Certificate        | 30181945       | GOSI                                 | 03/01/1441H | 03/02/1441H  |
| 35 | Spinal Hospital                     | GOSI Certificate        | 30197455       | GOSI                                 | 04/01/1441H | 04/02/1441H  |
| 36 | Suweidi Hospital                    | GOSI Certificate        | 30182022       | GOSI                                 | 03/01/1441H | 03/02/1441H  |



| #  | Entity                              | License Type                           | License No.                       | Issuer                                                     | Issue Date  | Expiry date |
|----|-------------------------------------|----------------------------------------|-----------------------------------|------------------------------------------------------------|-------------|-------------|
| 37 | Takhassusi Hospital                 | Warehouse Permit                       | 30197514                          | Government of Sharjah – Department of Economic Development | 04/01/1441H | 04/02/1441H |
| 38 | Dubai Hospital                      | Warehouse Permit                       | Permit No. 723691, License No. 26 | Government of Sharjah – Department of Economic Development | 16/02/2014G | 16/02/2020G |
| 39 | Dubai Hospital                      | Warehouse license                      | Permit No. 750838, License No. 26 | SFDA                                                       | 22/01/2017G | 22/01/2020G |
| 40 | The Company                         | Warehouse license                      | 01393-01-06                       | SFDA                                                       | 12/08/1438H | 08/07/1443H |
| 41 | The Company                         | VAT Tax Group Registration Certificate | 00231-01-06                       | GAZT                                                       | 26/04/1440H | 22/01/1445H |
| 42 | The Company                         | Zakat certificate                      | 1020355085                        | GAZT                                                       | 26/03/1439H | -           |
| 43 | Afia Pharmacies                     | Zakat certificate                      | 1020309056                        | GAZT                                                       | 10/07/1440H | 07/09/1441H |
| 44 | Rayan for Maintenance and Operation | Zakat certificate                      | 1020302977                        | GAZT                                                       | 18/07/1440H | 07/09/1441H |
| 45 | Ajaji Dental                        | Zakat certificate                      | 1020394830                        | GAZT                                                       | 30/08/1440H | 07/09/1441H |
| 46 | Antab Al Riyadh                     | Zakat certificate                      | 1020320198                        | GAZT                                                       | 19/07/1440H | 07/09/1441H |
| 47 | Cloud Solutions Srilanka            | Tax certificate                        | -                                 | -                                                          | 22/06/2017G | -           |
| 48 | Cloud Solutions                     | Zakat certificate                      | 1020353183                        | GAZT                                                       | 17/07/1440H | 07/09/1441H |
| 49 | HHC                                 | Zakat certificate                      | 1020302978                        | GAZT                                                       | 18/07/1440H | 07/09/1441H |
| 50 | Olaya Medical Company               | Zakat certificate                      | 1020309513                        | GAZT                                                       | 19/07/1440H | 07/09/1441H |
| 51 | The Company                         | Zakat certificate                      | 1020355085                        | GAZT                                                       | 11/07/1440H | 07/09/1441H |
| 52 | South West Jeddah Hospital          | Zakat certificate                      | 1030307257                        | GAZT                                                       | 10/07/1440H | 07/09/1441H |
| 53 | Khobar Hospital                     | Zakat certificate                      | 1020321729                        | GAZT                                                       | 20/07/1440H | 07/09/1441H |
| 54 | Maternity Hospital                  | Zakat certificate                      | 1020311878                        | GAZT                                                       | 19/07/1440H | 07/09/1441H |
| 55 | MD Labs                             | Zakat certificate                      | 1020348910                        | GAZT                                                       | 17/07/1440H | 07/09/1441H |
| 56 | MEP                                 | Zakat certificate                      | 1020310952                        | GAZT                                                       | 14/07/1440H | 07/09/1441H |
| 57 | Qassim Hospital                     | Zakat certificate                      | 1020361701                        | GAZT                                                       | 18/07/1440H | 07/09/1441H |
| 58 | Qurtoba Hospital                    | Zakat certificate                      | 1020319034                        | GAZT                                                       | 19/07/1440H | 07/09/1441H |
| 59 | Rayan Hospital                      | Zakat certificate                      | 1020301898                        | GAZT                                                       | 18/07/1440H | 07/09/1441H |
| 60 | Suweidi Hospital                    | Zakat certificate                      | 1020362143                        | GAZT                                                       | 17/07/1440H | 07/09/1441H |



| #  | Entity                                         | License Type                        | License No.     | Issuer                                                     | Issue Date  | Expiry date |
|----|------------------------------------------------|-------------------------------------|-----------------|------------------------------------------------------------|-------------|-------------|
| 61 | Takhassusi Hospital                            | Zakat certificate                   | 1020364240      | GAZT                                                       | 18/07/1440H | 07/09/1441H |
| 62 | North Jeddah Hospital                          | Zakat certificate                   | 1030301757      | GAZT                                                       | 19/07/1440H | 07/09/1441H |
| 63 | North Riyadh Hospital                          | Zakat certificate                   | 1020317499      | GAZT                                                       | 18/07/1440H | 07/09/1441H |
| 64 | ICU Company                                    | Zakat certificate                   | 1020360142      | GAZT                                                       | 26/07/1440H | 07/09/1441H |
| 65 | The Company's branch in the Kingdom of Bahrain | License to register the added value | 220000157600002 | National Bureau for Revenue                                | 24/06/2019G | -           |
| 66 | Cloud Solutions Srilanka                       | License to register the added value | 101071898-7000  | Department of Internal Revenues (Sri Lanka Inland Revenue) | 05/07/2019G | -           |
| 67 | Afia Pharmacies (1)                            | License to conduct a business       | 3800022         | Ministry of Municipal and Rural Affairs                    | 05/01/1438H | 05/01/1442H |
| 68 | Afia Pharmacies (4) - Khobar Hospital          | Profession license                  | 40112488127     | Ministry of Municipal and Rural Affairs                    | 04/11/1440H | 03/11/1441H |
| 69 | Afia Pharmacies (2) - Takhassusi Hospital      | License to conduct a business       | 4000092         | Ministry of Municipal and Rural Affairs                    | 23/01/1440H | 23/01/1442H |
| 70 | Ajaji Dental                                   | License to conduct a business       | 7-446           | Ministry of Municipal and Rural Affairs                    | 04/06/1407H | 04/06/1441H |
| 71 | Antab Al Riyadh                                | License to conduct a business       | 30601           | Ministry of Municipal and Rural Affairs                    | 29/01/1433H | 29/01/1442H |
| 72 | Cloud Solutions                                | License to conduct a business       | 3728            | Ministry of Municipal and Rural Affairs                    | 20/09/1435H | 20/09/1439H |
| 73 | Olaya Medical Company                          | License to conduct a business       | 10876           | Ministry of Municipal and Rural Affairs                    | 07/05/1421H | 07/05/1442H |
| 74 | The Company (medical supplies store)           | License to conduct a business       | 3900482         | Ministry of Municipal and Rural Affairs                    | 13/04/1439H | 13/04/1441H |
| 75 | The Company (cosmetic store)                   | License to conduct a business       | 3900050         | Ministry of Municipal and Rural Affairs                    | 11/01/1439H | 11/01/1444H |
| 76 | The Company (logistics store)                  | License to conduct a business       | 3900049         | Ministry of Municipal and Rural Affairs                    | 11/01/1439H | 11/01/1444H |
| 77 | The Company                                    | License to conduct a business       | 18888           | Ministry of Municipal and Rural Affairs                    | 26/01/1432H | 26/01/1444H |
| 78 | The Company (medical instruments)              | License to conduct a business       | 3900051         | Ministry of Municipal and Rural Affairs                    | 11/01/1439H | 11/01/1444H |



| #  | Entity                                       | License Type                  | License No. | Issuer                                  | Issue Date  | Expiry date |
|----|----------------------------------------------|-------------------------------|-------------|-----------------------------------------|-------------|-------------|
| 79 | The Company                                  | License to conduct a business | 28888       | Ministry of Municipal and Rural Affairs | 24/06/1436H | 24/06/1441H |
| 80 | The Company                                  | License to conduct a business | 532         | Ministry of Municipal and Rural Affairs | 24/09/1434H | 24/09/1442H |
| 81 | The Company                                  | License to conduct a business | 502         | Ministry of Municipal and Rural Affairs | 20/09/1434H | 20/09/1442H |
| 82 | The Company                                  | License to conduct a business | 28889       | Ministry of Municipal and Rural Affairs | 24/06/1436H | 24/06/1441H |
| 83 | IVF Center                                   | License to conduct a business | 497         | Ministry of Municipal and Rural Affairs | 20/09/1434H | 20/09/1439H |
| 84 | Maternity Hospital                           | Professional license          | 498         | Ministry of Municipal and Rural Affairs | 20/09/1434H | 20/09/1439H |
| 85 | MD Labs                                      | License to conduct a business | 1341        | Ministry of Municipal and Rural Affairs | 11/05/1435H | 11/05/1441H |
| 86 | MEP (1) – Olaya Medical Complex              | License to conduct a business | 11668       | Ministry of Municipal and Rural Affairs | 29/07/1422H | 29/07/1441H |
| 87 | MEP (4) Rayan Hospital                       | License to conduct a business | 35593       | Ministry of Municipal and Rural Affairs | 19/03/1437H | 19/03/1441H |
| 88 | Qassim Hospital                              | License to conduct a business | 3909349682  | Ministry of Municipal and Rural Affairs | 02/01/1439H | 02/01/1442H |
| 89 | Rayan Hospital                               | License to conduct a business | 28270       | Ministry of Municipal and Rural Affairs | 04/11/1431H | 04/11/1441H |
| 90 | Spinal Hospital                              | License to conduct a business | 28799       | Ministry of Municipal and Rural Affairs | 27/01/1432H | 27/01/1440H |
| 91 | Sulay Branch                                 | License to conduct a business | 30934       | Ministry of Municipal and Rural Affairs | 30/03/1437H | 30/03/1441H |
| 92 | Sulay Branch                                 | License to conduct a business | 31484       | Ministry of Municipal and Rural Affairs | 19/06/1437H | 19/06/1441H |
| 93 | Suweidi Hospital                             | License to conduct a business | 3701574     | Ministry of Municipal and Rural Affairs | 08/11/1437H | 08/11/1441H |
| 94 | Takhassusi Hospital                          | License to conduct a business | 4000132     | Ministry of Municipal and Rural Affairs | 08/02/1440H | 08/02/1441H |
| 95 | Takhassusi Hospital                          | License to conduct a business | 3413        | Ministry of Municipal and Rural Affairs | 22/11/1436H | 22/11/1441H |
| 96 | Middle East Pharmacies (7) – Qassim Hospital | Civil Defense license         | 3909350049  | Civil Defense                           | 07/03/1439H | 07/03/1441H |



| #   | Entity                                       | License Type          | License No.    | Issuer                                  | Issue Date  | Expiry date |
|-----|----------------------------------------------|-----------------------|----------------|-----------------------------------------|-------------|-------------|
| 97  | Afia Pharmacies (4) – Khobar Hospital        | Civil Defense license | 28839          | Civil Defense                           | 18/03/1432H | 18/03/1441H |
| 98  | Afia Pharmacies (2) – Takhassusi Hospital    | Civil Defense license | 28125          | Civil Defense                           | 11/07/1431H | 11/07/1441H |
| 99  | HHC Company                                  | Civil Defense license | 30602          | Ministry of Municipal and Rural Affairs | 29/01/1433H | 29/01/1444H |
| 100 | Afia Pharmacies (3) – Rayan Hospital         | Civil Defense license | 29308          | Ministry of Municipal and Rural Affairs | 23/04/1432H | 23/04/1441H |
| 101 | The Company                                  | Civil Defense license | 2-0000993-40   | Civil Defense                           | 14/06/1440H | 14/06/1441H |
| 102 | The Company                                  | Civil Defense license | 2-000099362-40 | Civil Defense                           | 18/04/1440H | 18/04/1441H |
| 103 | The Company                                  | Civil Defense license | 2-000043187-40 | Civil Defense                           | 18/04/1440H | 18/04/1441H |
| 104 | The Company                                  | Civil Defense license | 2-000043198-40 | Civil Defense                           | 15/08/1440H | 15/08/1441H |
| 105 | The Company                                  | Civil Defense license | 2-000138804-40 | Civil Defense                           | 29/06/1440H | 29/06/1441H |
| 106 | The Company                                  | Civil Defense license | 2-000109393-40 | Civil Defense                           | 06/06/1440H | 06/06/1441H |
| 107 | The Company                                  | Civil Defense license | 2-0000993-41   | Civil Defense                           | 06/06/1440H | 06/06/1441H |
| 108 | IVF Center                                   | Civil Defense license | -              | Civil Defense                           | 25/06/1424H | 25/06/1425H |
| 109 | Middle East Pharmacies (7) – Qassim Hospital | Civil Defense license | 1231           | Civil Defense                           | 17/08/1440H | 17/08/1441H |
| 110 | Qassim Hospital                              | Civil Defense license | 2              | Civil Defense                           | 11/08/1440H | 11/08/1441H |
| 111 | Spinal Hospital                              | Civil Defense license | 2599 / D S     | Civil Defense                           | 15/02/1438H | 15/02/1439H |
| 112 | Sulay Branch                                 | Civil Defense license | 2-000109379-40 | Civil Defense                           | 28/06/1440H | 28/06/1441H |
| 113 | Sulay Branch                                 | Civil Defense license | 1-000263338-40 | Civil Defense                           | 01/05/1440H | 01/05/1441H |
| 114 | Suweidi Hospital                             | Civil Defense license | 2-000051512-40 | Civil Defense                           | 28/05/1440H | 28/05/1441H |
| 115 | Takhassusi Hospital                          | Civil Defense license | 28             | Civil Defense                           | 20/01/1440H | 22/11/1440H |
| 116 | Khobar Hospital Branch (1)                   | Civil Defense license | 1-000317342-40 | Civil Defense                           | 01/09/1440H | 01/09/1441H |
| 117 | Khobar Hospital Branch (2)                   | Civil Defense license | 1-000317344-40 | Civil Defense                           | 01/09/1440H | 01/09/1441H |
| 118 | Afia Pharmacies (3)                          | Civil Defense license | 1-000366099-40 | Civil Defense                           | 20/11/1440H | 20/11/1441H |

Source: The Company.

**Table (12-10): Summary of the Chamber of Commerce Certificates**

| #  | Entity                                | Certificate No. | Issuer                           | Date of Issue | Expiry Date                |
|----|---------------------------------------|-----------------|----------------------------------|---------------|----------------------------|
| 1  | Afia Pharmacies                       | 383412          | Chamber of Commerce in Riyadh    | 25/12/2016G   | 01/04/2024G                |
| 2  | Dr. Abdulaziz Al Ajaji Dental Complex | 101000225469    | Chamber of Commerce in Riyadh    | 22/05/2017G   | 29/4/2020G                 |
| 3  | Dr. Abdulaziz Al Ajaji Dental Complex | 601011100483    | Chamber of Commerce in Riyadh    | 12/03/1436H   | 27/3/1445H                 |
| 4  | Dr. Abdulaziz Al Ajaji Dental Complex | 101000470544    | Chamber of Commerce in Riyadh    | 20/11/2018G   | 12/10/2023G                |
| 5  | Dr. Abdulaziz Al Ajaji Dental Complex | 101000427526    | Chamber of Commerce in Riyadh    | 01/11/2017G   | 13/09/2022G                |
| 6  | Dr. Abdulaziz Al Ajaji Dental Complex | 101000470543    | Chamber of Commerce in Riyadh    | 20/11/2018G   | 12/10/2023G                |
| 7  | Dr. Abdulaziz Al Ajaji Dental Complex | 101000165786    | Chamber of Commerce in Riyadh    | 22/05/2017G   | 29/04/2020G                |
| 8  | Antab Al Riyadh                       | 263532          | Chamber of Commerce in Riyadh    | 22/11/2011G   | 02/07/2024G                |
| 9  | Cloud Solutions                       | 54107           | Chamber of Commerce in Riyadh    | 16/12/2013G   | 25/03/2024G                |
| 10 | HHC                                   | 263533          | Chamber of Commerce in Riyadh    | 22/11/2011G   | 25/07/2022G                |
| 11 | Olaya Medical Company                 | 101000144668    | Chamber of Commerce in Riyadh    | 25/12/2016G   | 22/10/2019G                |
| 12 | The Company                           | 101000061150    | Chamber of Commerce in Riyadh    | 03/01/2017G   | 10/11/2021G                |
| 13 | Khobar Hospital                       | 188365          | Chamber of Commerce in Riyadh    | 26/09/2007G   | 04/04/2023G                |
| 14 | Maternity Hospital                    | 155653          | Chamber of Commerce in Riyadh    | 27/04/2005G   | 16/09/2022G                |
| 15 | MD Labs                               | 35085           | Chamber of Commerce in Riyadh    | 12/06/2013G   | 02/10/2023G                |
| 16 | MEP                                   | 32682           | Chamber of Commerce in Riyadh    | 02/07/2008G   | 09/01/2024G                |
| 17 | Pharmachoice                          | 811387          | Chamber of Commerce in Dubai     | 23/07/2018G   | 22/07/2020G                |
| 18 | Qassim Hospital                       | 601001130400    | Chamber of Commerce in Qassim    | 03/04/1430H   | 20/03/1445H<br>05/10/2023G |
| 19 | Rayan Maintenance                     | 78367           | Chamber of Commerce in Riyadh    | 06/07/2014G   | 29/03/2022G                |
| 20 | Rayan Hospital                        | 185395          | Chamber of Commerce in Riyadh    | 22/08/2007G   | 02/04/2020G                |
| 21 | Serco Services Company                | 101000191587    | Chamber of Commerce in Riyadh    | 16/04/2018G   | 13/03/2023G                |
| 22 | Spinal Hospital                       | 184426          | Chamber of Commerce in Riyadh    | 13/08/2013G   | 02/03/2022G                |
| 23 | Sulay Branch                          | 101000054110    | Chamber of Commerce in Riyadh    | 25/12/2016G   | 23/09/2019G                |
| 24 | Suweidi Hospital                      | 101000054108    | Chamber of Commerce in Riyadh    | 06/09/2016G   | 24/09/2023G                |
| 25 | Takhassusi Hospital                   | 184427          | Chamber of Commerce in Riyadh    | 13/08/2007G   | 02/03/2022G                |
| 26 | Khobar Hospital Branch                | 240993          | Chambers of Commerce in Asharqia | 11/10/1439H   | 16/08/1444H                |

| #  | Entity           | Certificate No. | Issuer                        | Date of Issue | Expiry Date |
|----|------------------|-----------------|-------------------------------|---------------|-------------|
| 27 | Qurtoba Hospital | 188386          | Chamber of Commerce in Riyadh | 26/09/2007G   | 05/04/2023G |
| 28 | Dubai Hospital   | 106191          | Chamber of Commerce in Dubai  | 09/05/2019G   | 02/04/2020G |

Source: The Company.

## 12.6 Summary of the Company's Bylaws

### Company Name

Dr. Sulaiman Al-Habib Medical Services Group Company (closed joint stock company).

### Company Objectives

The Company's objectives are, in accordance with its bylaws, as follows:

- Establishing, managing and operating hospitals, public and specialized medical complexes, clinics, dispensaries and outpatient surgery centers.
- Establishing, managing and operating support health centers, ambulatory transportation services, medical laboratories, and analysis, as well as radiology centers.
- Import, wholesale and retail trade in medicines, medical and herbal products, cosmetics, medical devices and equipment.
- Owning properties to establish the Company's facilities and investing them in favor of the Company.
- Managing and operating its subsidiaries or others, or participating in the management of other companies in which it has shares.
- Providing guarantees, loans, and funds to its Subsidiaries.
- Possessing the industrial property rights including patents, trademarks, franchise rights and other intangible rights and exploitation and leasing thereof for its Subsidiaries or others.

The Company shall engage in its activities in accordance with the applicable laws, after obtaining the necessary licenses from the competent authorities, if any.

### Shareholding and Ownership in Companies

The Company may individually establish companies (limited liability or closed shareholding). It may own shares and interests in other existing companies or merge with them. It also has the right to establish joint-stock or limited liability companies jointly with others after satisfying the requirements of regulations and instructions in this regard within and outside the Kingdom. The Company may also dispose of such shares and interests, excluding brokerage in such shares or interests.

### Company's Head Office

The Company's head office shall be in Riyadh. The Company may open branches, offices or agencies inside and outside of Saudi Arabia upon the approval of Board of Directors.

### Company's Duration

The term of the Company shall be ninety-nine (99) Gregorian years commencing from the date of issuance of the resolution of HE Minister of Commerce and Investment announcing the Company's conversion. The Company's term may always be extended under the Extraordinary General Assembly's resolution at least one year prior to the expiration of its term.

### Company's Share Capital

The Company's capital is set at three billion, five hundred million Saudi Riyals (SAR 3,500,000,000) divided into three hundred fifty million (350,000,000) nominal shares of equal values of SAR 10 each, all of which are ordinary cash shares.



## Subscription to the Shares

The Shareholders subscribed to the total capital shares of three hundred fifty million (350,000,000) shares valued at three billion, five hundred million Saudi Riyals (SAR 3,500,000,000). They paid such value in full.

## Preferred Shares

The Extraordinary General Meeting of the Company may, based on the rules set by the competent authority, issue preferred shares, or decide to purchase the same or convert ordinary shares into preferred shares or the preferred shares into ordinary shares. The preferred shares do not give their holders the right to vote at Shareholders' general assemblies. However, such shares give their holders the right to get a higher percentage of net profits than the percentage allotted to the holders of ordinary shares after appropriation of the statutory reserve.

## Selling Unpaid Shares

Each Shareholder shall pay the value of a share when due. If the Shareholder fails to pay the value of such share, when it falls due, the Board of Directors may, after notifying such Shareholder by registered mail or announcement via CMA, sell such Shares in a public auction or a stock market, according to the circumstances and in accordance with the regulations specified by the competent authority.

The Company shall recover from the proceeds of the sale such amounts as are due to it and shall refund the balance to the Shareholder. If the proceeds of the sale are insufficient to meet such amounts, the Company may recover the remainder from all Shareholder's funds. However, a defaulting Shareholder may, up to the date fixed to sell such Shares, pay the outstanding value of the Share plus all expenses incurred by the Company.

The Company shall cancel the share sold in accordance with this Article, issue the purchaser a new share bearing the number of the cancelled share, and make a notation to that effect in the shares register along with the name of the new Shareholder.

## Issuance of Shares

The shares shall be nominal Shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to a separate item in the Shareholders' equity. They may not be distributed as dividends to the Shareholders. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

## Shares Trading

Shares that are subscribed for by the Shareholders shall not be traded before the publication of the financial statements for two Financial Years, each being no less than twelve months, from the date of the conversion of the Company. The instruments shall contain information regarding the nature of the Shares, the date on which the Company was converted, and the period during which such instruments may not be traded.

It shall be permissible during such lock-up period to transfer the ownership of shares in accordance with the provisions for the sale of the rights from one Shareholder to another, by one of the heirs of a Shareholder to another party in the event of the death of the Shareholder or, for purposes of enforcement against an insolvent or bankrupt Shareholder, provided that the priority for owning such shares shall be given to the other founders.

The provisions of this Article shall also apply to such shares that are subscribed for by Shareholders in case of an increase of capital prior to the expiry of lock-up period.

## Shareholder Register

The Company's shares shall be traded by registration in the Shareholder Register prepared or contracted to be prepared by the Company, which shall contain the names of the Shareholders, their nationalities, their domicile, their occupations, the serial numbers of the shares, and the paid-up value of such Shares. The Shareholder Register shall include a notation on the respective shares. The transfer of title to a share shall not be effective vis-à-vis the Company or any other party except from the date of such registration in the said register. In case the Company is listed in the capital market, its shares shall be traded according to the regulations of the Capital Market Law.

## Capital Increase

- 1- An extraordinary general meeting may resolve to increase the Company's capital, provided that the paid capital shall have been paid up in full. The Capital may not be paid in full where the unpaid part thereof belongs to shares issued in return for converting debts or financing instruments into shares, while the term prescribed for their conversion has not ended yet.
- 2- In all cases, the Extraordinary General Assembly may allocate any or some of issued shares to employees in the Company and/or its Subsidiaries when the capital or part thereof increases. Shareholders may not exercise preemptive right when the Company issues shares designated for employees.
- 3- A Shareholder, owning the share at the time of issuing the Extraordinary General Assembly decision approving the increase of the capital, shall have the preemptive right to subscribe in the new shares issued for cash shares. Such Shareholders shall be informed of their preemptive right through an announcement in a daily newspaper or a registered mail, including the capital increase decision and subscription's terms, duration and start/end dates.
- 4- The Extraordinary General Assembly may suspend the application of the Shareholders' preemptive right for subscription to capital increase in exchange for cash shares or may give priority to non-Shareholders in cases that it sees appropriate for the interest of the Company.
- 5- The Shareholder may sell or waive preemptive right during a specific period of time from the issuance of the General Assembly's approval to increase capital to the last day of subscription for the new shares that are related to these rights in accordance with controls imposed by the competent authority.
- 6- Subject to the provisions of Paragraph 4 above, the new shares shall be distributed to the preemptive rights' holders applying for subscription in proportion to their preemptive rights out of the total preemptive rights arising from the capital increase, provided that what they obtain shall not exceed what they were requesting from the new shares. The remaining new shares shall be distributed to the preemptive rights' holders who requested more than their shares, in proportion to their preemptive rights out of the total preemptive rights arising from the capital increase, provided that what they obtain shall not exceed what they were requesting from the new shares. Unless otherwise decided by the Extraordinary General Assembly or otherwise provided for in the Capital Market Law, the remainder of the shares shall be offered to others.

## Capital Decrease

Capital may be decreased by a decision of the Extraordinary General Assembly if it exceeds the Company's need or if the Company suffers from losses. Only in the last case, the capital may be decreased to less than the limit stipulated in Article 54 of the Companies Law. Such decision shall be issued only after receiving a special report developed by the Auditor on the reasons for such reduction, the obligations to be fulfilled by the Company and the reduction impact on such obligations.

If the reason for the capital reduction is due to the capital being in excess of the Company's needs, the creditors must be invited to express their objection to such reduction within sixty (60) days from the publication date of reduction decision in a daily newspaper distributed in the region where the Company's Head Office is located. If any creditor has objected and provided the Company with its documents within the time limit set above, the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

## Sukuk and Bonds

In return for loans it obtains, the Company may issue negotiable and indivisible bonds or Sukuks of equal values in accordance with the provisions of the Companies Law and the Capital Market Law.

## Purchase, Selling and Pledge by the Company of its Shares

- 1- The Company may buy its Ordinary and Preferred Shares in accordance with the regulatory controls set by the competent authority. The shares purchased by the Company shall not have votes in the Shareholders' assemblies.
- 2- The Company may purchase its shares to use them as treasury shares in accordance with the purposes and controls set by the competent authority.

- 3- As part of the Employee Stock Program, the Company may purchase its shares in favor of its employees or employees of a subsidiary affiliated wholly or partly to the Company (either directly or indirectly) in accordance with the regulatory controls set by the competent authority.
- 4- The Company may sell its treasury shares in single stage or multiple stages in accordance with the regulations set by the competent authority.
- 5- The Company may pledge its shares to guarantee a debt in accordance with the regulations set by the competent authority.

## Company's Management

The Company is managed by a Board of Directors consisting of nine (9) members to be appointed by the Shareholders' Ordinary General Assembly for a tenure not exceeding three (3) years. As an exception, the Shareholders appointed the first Board of Directors for a tenure of five (5) years commencing as of the date of the Minister of Commerce's resolution declaring the conversion of the Company.

## Expiry of Board Membership

The membership of the Board shall be terminated upon the expiry of the Board's term or upon the termination of Director's membership in the Board in accordance with any applicable law or instructions in the Kingdom. However, the Ordinary General Assembly has the right to dismiss all or some of the Directors at any time, without prejudice to the right of the dismissed Director towards the Company to claim compensation if the dismissal occurs for an unacceptable reason or at an unfavorable time. The Director may retire, provided that this shall be in a timely manner or otherwise he/she shall be responsible before the Company for the damages that follow his/her retirement.

## Board Vacancy

Where the office of a Director becomes vacant, the Board may appoint a temporary director with the experience and adequacy to fill the vacancy. The Ministry and other competent authorities shall be informed within five Business Days from the appointment date, provided that such appointment shall be laid before the first Ordinary General Assembly's meeting. The new director shall complete the unexpired term of his predecessor. If the number of Directors falls below the minimum number prescribed in the Companies' Law or the Bylaws, the remaining Directors shall call for the Ordinary General Assembly meeting within sixty days to elect the required number of Directors.

## Powers of the Board

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with full powers to manage the Company in order to achieve its objectives, except as otherwise stated in the Companies Law or the Bylaws, and do such acts and things that fall within the General Assembly functions. The Board shall be entitled to manage the Company, arrange its affairs inside and outside the Kingdom, and supervise the Company's business, funds and transactions. In addition, the Board shall be entitled to act on behalf of the Company, enter into tenders, receive and pay amounts, acknowledge, demand, initiate and defend litigations, participate in and respond to hearings, accept reconciliation, accept or reject judgments, request arbitration, ask for, reject, and appeal judgments, and receive the outcome of implementation. Moreover, the Board shall have the right to sign all types of contracts, instruments, and documents, including bylaws of the companies in which the Company holds shares along with all amendments, appendixes, and resolutions of amendment thereto and supplements thereof and sign agreements and deeds on behalf of the Company. This may include, but not limited to buying, selling, division and the acceptance thereof, receipt, hand-over, leasing, renting, cashing and paying. It also includes opening, signing, endorsing and receiving commercial papers and making all banking transactions necessary for the activity of the Company and its Subsidiaries including opening, closing, drawing from and depositing at accounts, asking for all kinds of facilities from commercial banks and loans in any amounts and signing thereon. It may also sign the guarantees, request the issuance of guarantees, open credits on behalf of the Company, sign the Treasury and its products, sign guarantees on behalf of the Company to ensure third parties, sign contracts and facilities papers on behalf of the Company and its Subsidiaries, sign and cash checks. It may sign Islamic Murabaha contracts and investment agreements. The Board may make all bank transfers on behalf of the Company, request to open and manage the Internet banking service of all kinds, provide guarantees, loans and financing to the Subsidiaries and open and close the investment portfolios for trading in shareholding companies' shares, all securities, and subscriptions in companies. The Board may appoint and fire staff and employees, apply for visas, attract and

contract with workforce from outside KSA, determine their salaries, issue residence authorization cards (Iqamas), transfer and waive sponsorships, and dispose of assets, properties and real estates. It has also the right to make and accept procurements, pay the price thereof, make and payoff pledges, make and discharge selling, and receive the price of as well as deliver the product.

The Board of Directors may, without obtaining the approval of the Shareholders, at a General Assembly:

- 1- Sell or pledge the Company's assets, real estate properties, Head Office or shops.
- 2- Discharge and release the Company's debtors from their obligations.
- 3- Conclude, maintain or renew a management agreement between the Company and its Subsidiaries or third parties for operation and management of its Subsidiaries or third parties.
- 4- Borrow money for any term and enter into contracts to lend the Company any money needed or provide any other guarantee to replace or fulfill the Company's obligations related to that loan in the Kingdom or anywhere else or enter into any investment.

The Board of Directors may, within the limits of its authorities, deputize one or more of its members or others to carry out specific assignment(s).

### **Remuneration of the Board of Directors**

A Director' remuneration consists of an annual remuneration, a percentage of the profits of no more than 10% of the net profits, attendance allowances, reasonable expenses for Board meeting attendance (including travel costs) and other benefits not exceeding the limits set forth in the Companies Law, Regulations thereof and Bylaws. The Ordinary General Assembly shall determine the Directors' annual remuneration, allowances and expenses of attendance upon a proposal of the Board of Directors. The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all the amounts received by the Directors during the Financial Year in the way of remunerations, expenses and other benefits. This report shall also include the amounts received by the Directors in their capacity as employees or administrators or in consideration for technical, administrative or advisory services to the Company. Moreover, it shall include a statement of the number of the Board meetings and the number of meetings attended by each Director from the date of the last meeting of the General Assembly.

### **Authorities of the Chairman, Vice-Chairman, Managing Director, and Secretary**

The Board of Directors may appoint, from among its directors, a Chairman and a Vice-Chairman. It also may appoint a Managing Director. No director shall combine the position of the Board's Chairman and any executive position of the Company. The Vice-Chairman shall replace, and have all the powers conferred on, the Chairman in his absence.

In particular, the Chairman shall have the following powers:

- 1- Invite the Board of Directors to meet, and chair its meetings, along with the meetings of the Shareholder General Assembly.
- 2- Sign on behalf of the Company, represent it in its relations with other parties and with government entities, companies, individuals, courts, notaries, the Board of Grievances, offices of resolution of securities disputes, arbitration bodies, chambers of commerce and industry, labor courts, Sharia courts of all types and degrees, civil rights, police stations, and any other official or judicial department. To this end, the Chairman shall have the right to plead, defend, litigate, prosecute, claim, reconcile, assign, make declarations, deny, request an oath, the right to pre-emption, and sponsorship, hear and respond to claims, establish evidence, submit defenses, deny handwritings and seals and challenge them for forgery, request and reject the appointment of experts and arbitrators, lawyers, and end all the suits filed by or against the Company, accept, apply for the enforcement of, deny, object to, appeal, and challenge, by way of cassation, judgments, and sign all necessary documents in this regard.
- 3- The Chairman, or his delegate, shall have the power to individually or jointly establish companies of all kinds, or hold shares in existing companies of all kinds in the name of the Company, buy and sell shares in other companies in the name of the Company, pay and receive the price, sign before the notaries and other government agencies the memorandum of association or its amendment decisions, whether by increasing or decreasing its capital, entering new

Shareholders, dismissing Current Shareholders, buying, selling, assigning, liquidating shares or interests, or Management amendments, modifications of the Company's objectives, its nature, or any other amendments to contracts or decisions amending the memorandums of association or bylaws of companies, whatever the type of such amendments. All of the above shall apply to all companies established, or individually or jointly owned by the Company. The Chairman shall also attend meetings and assemblies, including general assemblies, Shareholders' 'assemblies, boards of directors, boards of managers, and discussions and vote on behalf of the Company, or authorize any one at his discretion to attend and vote in the name of the Company, as may be necessary.

- 4- The Chairman, or his delegate, shall have the right to rent, lease, conclude and terminate contracts, pay and receive the rent, buy real estates in the name and for the benefit of the Company, sell, buy and invest in the fixed and movable real estates, assets, properties of the Company, conclude and terminate contracts, make partnerships in favor of the Company, sell and transfer title of the Company's properties to other parties, as well as accept the same, receive and pay the price, mortgage, and redeem mortgage, assign all rights and cases, receive, amend, and request replacement for instruments, sort out and sign on behalf of the Company with notaries and all governmental and private entities..
- 5- Establish, sign, endorse and receive commercial papers, conclude all banking transactions necessary for the Company's activities, including opening, closing, withdrawing and depositing in accounts, request facilities of all kinds from commercial banks and loans in any amounts, sign loan agreements and guarantees, request and issue guarantees, open credits on behalf of the Company, and sign treasury business and its products, sign guarantees on behalf of the Company to guarantee third parties, sign facility contracts and documents on behalf of the Company and its Subsidiaries, sign and cash checks, sign Islamic Murabaha agreements and investment contracts, carry out all bank transfers on behalf of the Company, request opening and management of all types of Internet banking services, provide guarantees, loans and financing to Subsidiaries, open and close investment portfolios, trade in shares of joint stock companies and all securities and subscriptions of companies.
- 6- Appoint and dismiss employees and workers, request visas, recruit and contract with labor from outside the Kingdom and determine their salaries thereof, issue, transfer, and assign residences, approve the Company's internal regulations and policies, decide to open branches inside and outside the Kingdom, request the issuance, modification, renewal and cancellation of licenses, seek issuance of the main and sub-commercial records, indicate any additional changes by deleting, adding, modifying, or highlighting, receive the assets of the commercial records, assign the commercial records, register, assign, and license use of trade names, trademarks and intellectual property, sign with all chambers of commerce and industry in Saudi Arabia and abroad, authorize or dismiss any one he sees in respect of business with chambers of commerce and industry in Saudi Arabia and abroad..
- 7- The Chairman shall, within the scope of the Company's business, carry out any other duties entrusted to him by the Board of Directors or provided for in this Bylaws, and shall have the right to exercise all such powers within and outside the Kingdom.
- 8- The Chairman may delegate or authorize one or more of its members or other parties to carry out a function or certain functions related to the Company's business or the said powers. He may also dismiss and give him the right to delegate others, by virtue of powers of attorney or written authorization.

The Board of Directors shall determine at its discretion the special remuneration received by the Chairman and the Managing Director. The Board of Directors shall appoint a Secretary, whether from amongst its members or otherwise, and shall determine his remuneration. The Secretary shall record and maintain the minutes of the meetings of the Board of Directors, along with decisions issued in such meetings, in addition to other functions entrusted thereto by the Board of Directors. The term of the office of the Chairman, Vice-Chairman, the Managing Director and the Secretary, if a member of the Board, shall not exceed their respective terms of service as members of the Board and may be reappointed. The Board of Directors may dismiss any of them at any time without prejudice to their right to claim compensation from the Company if the dismissal was for an invalid reason or occurred at an improper time.

## President and CEO

The Board of Directors may appoint from among its members or otherwise a CEO of the Company, who shall execute the decisions of the Board, conduct the daily business of the Company and manage its employees under the supervision and control of the Board of Directors. He shall have the powers determined by the Board of Directors. He may delegate or authorize one or more of the Company's employees or third parties to carry out a function or certain functions related to the Company's business or by virtue of powers of attorney or written authorization.

## Board Meetings

The Board shall meet at least three times a year at an invitation of its Chairman. The invitation shall be written and may be served personally, or by mail, fax, or electronic mail. The invitation shall include the date, time, place of the meeting, a statement of the meeting agenda and any relevant papers. Such invitation shall be sent at least three (3) days prior to the scheduled date of the meeting. The Chairman of the Board shall call for meeting if so requested by two Directors.

## Quorum of the Board's Meeting

Board meetings shall be valid only if attended by five Directors. A director may delegate another director to represent him at the Board meetings subject to the following controls:

- 1- A Director may not be represented by more than one director at that meeting.
- 2- A proxy shall be appointed in writing and for a specific meeting.
- 3- A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting under the law.

Each Board Member shall have one vote. The Board's resolutions shall be adopted by majority vote of the present or represented members. In the event of a tie, the Chairman or, in case of his absence, whoever chairs the meeting shall have the casting vote.

The Board may adopt its resolutions in urgent matters by having them circulated in writing to the Directors separately, unless a Director requests in writing a meeting for deliberations thereon. Such resolutions shall be submitted to the Board in its first subsequent meeting.

Directors may participate in Board meetings through video or any other means of communication under the controls determined by the competent authority (if any), provided that every member can hear other Directors participating in the meeting. Every Director shall acknowledge attendance in the meeting and that he/she can hear other Directors participating in the meeting. If a Director does not acknowledge attendance, he/she will not be authorized to speak or vote at the meeting.

## Deliberations of the Board

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the present Board Members and the Secretary. Such minutes shall be entered in a special register signed by the Chairman and the Secretary.

## Conflict of Interests

A Director shall notify the Board of any personal interest he/she may have in the business and contracts that are completed for the Company's account. Such notification shall be recognized in the minutes of the Board meeting. A Director who is an interested party shall not be entitled to vote on the resolution to be adopted in this regard.

## Board Committees

The Board of Directors may form one committee or more to assist in carrying out its duties, or as may be required under the Company's regulations. The decision of the Board forming any of its committees shall include duties, term of service, powers, and mechanisms for the Board's control of such committees.



## Executive Committee

The Board of Directors may form an executive committee from among its members or otherwise. The Board shall appoint from among the members of this Executive Committee a chairman. The Board of Directors shall determine the Committee's functions, authorities, the number of its members and the quorum necessary for its meetings. The Executive Committee shall exercise the powers assigned to it by the Board in accordance with the instructions and directives of the Board. The Executive Committee shall not cancel or amend any of the decisions and rules approved by the Board of Directors.

## General Assemblies

Each subscriber, regardless of the number of his shares, has the right to attend the Conversion Assembly. In addition, each Shareholder shall have the right to attend the Shareholders' General Assemblies, and may appoint another person who is not a Director or a Company's employee to attend the General Assembly.

## Conversion Assembly

The Conversion Assembly shall have the following powers:

- 1- Ascertain that the Company's capital has been subscribed in full and that the minimum capital has been paid in full and in the amount due for the value of each share, as required under the Companies Law.
- 2- Approve the final text of the Company's Bylaws, and may make no material change thereto unless agreed by all Shareholders represented in the meeting.
- 3- Deliberate on the Shareholders' report on the acts and expenses necessitated by the Company's conversion.
- 4- Appoint and determine fees of the Company's first Auditor.

To be validly constituted, the Conversion Assembly must be attended by Subscribers representing at least half of the Company's share capital. Each Subscriber shall have a vote for every share subscribed for or represented by them at such meeting.

## Powers of the Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six (6) months following the end of the Company's Financial Year. Other Ordinary General Assembly meetings may be called for when necessary.

## Powers of the Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to amend the provisions of the Company's Bylaws, other than those matters whose amendment is prohibited by law. In addition, the Extraordinary General Assembly may adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

## Call for Assemblies

Shareholders' public and private assemblies shall be convened by virtue of a call made by the Board in accordance with the Company's Bylaws. The Board shall call for an Ordinary General Assembly, if requested to do so by the Auditor, by Audit Committee or by a number of Shareholders representing at least (5%) of the Company's capital. The Auditor may call for a General Assembly meeting if the Board did not call for such a meeting within (30) days from the date of Auditor's request.

The invitation to the Ordinary General Assembly should be published in a daily newspaper that is distributed in the head office is located at least twenty-one days prior to the meeting date. Nevertheless, an invitation sent by registered mail to all Shareholders within the set time limit shall suffice. A copy of the invitation and agenda are to be sent to the Ministry or the relevant authority during the time frame of publication.



## **Record of Assembly Attendance**

Shareholders wishing to attend a general or special assembly shall register their names at the Company's Head Office up to the time fixed for such assembly, or register with such electronic means as may be determined by the Company in case of electronic voting.

## **Quorum of the Ordinary General Assembly's Meeting**

A meeting of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least 50% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held one hour after the end of the period specified for the first meeting. The invitation for the first meeting shall include the possibility of having a second meeting. Otherwise, an invitation shall be directed for a second meeting to be held within thirty (30) days following the date of the first meeting. The invitation shall be published in the manner prescribed in Article 35 of the Company's Bylaws. In all cases, the second meeting shall be deemed valid irrespective of the number of Shares represented therein.

## **Quorum of the Extraordinary General Assembly's Meeting**

The Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least a half of the Company's capital. If such quorum cannot be attained in the first meeting, a second meeting shall be held one hour after the end of the period specified for the first meeting. The invitation for the first meeting shall include the possibility of having a second meeting. Otherwise, an invitation shall be directed for a second meeting to be held within thirty days following the date of the first meeting. The invitation shall be published in the manner prescribed in Article 35 of the Company's Bylaws. In all cases, the second meeting shall be deemed valid if attended by Shareholders representing at least a quarter of the Capital.

If this quorum is not attained to convene a second meeting, an invitation shall be sent for a third meeting to be held in the same manner provided for in Article 34 of the Bylaws. The third meeting shall be valid regardless of the number of shares represented therein, after the competent authority's approval.

## **Voting at Assemblies**

Each Shareholder shall have a vote for each share he/she represents in the Conversion Assembly, and each Shareholder shall have a vote for each share in the General Assemblies. Cumulative voting shall be used when electing the Board of Directors.

## **Assemblies' Decisions**

Decisions of the Conversion Assembly shall be adopted by an absolute majority of the shares represented therein. Decisions of the Ordinary General Assembly shall be adopted by an absolute majority of the Shares represented at the meeting. Decisions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds of the shares represented at the meeting. However, if the decision to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified under the Company's Bylaws or merging the Company into another company, then such decision shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting.

## **Discussion at Assemblies**

Every Shareholder shall have the right to discuss the matters listed in the General Assemblies' agenda, and to address questions to the Directors and the Auditor with respect thereto. The Directors or the Auditor shall respond to these questions to the extent that does not endanger the Company's interests. If the Shareholder deems the answer to the question unsatisfactory, then he/she may refer the issue to the General Assembly, whose decision in this regard shall be binding.

## **Chairing the Assemblies and Preparing Minutes of Meetings**

The Shareholders' General Assembly meetings shall be chaired by the Board Chairman or, in his absence, by his deputy or, in their absence, any Director deputized by the Board.

Minutes shall be kept for every assembly, showing the number of Shareholders present or represented thereat, the number of shares held by each of them, whether personally or by proxy, the number of votes allotted thereto, the resolutions adopted, the number of approving and dissenting votes, and a comprehensive summary of the debate conducted at the meeting. Following every meeting, the minutes shall be regularly entered in a special book, which shall be signed by the Assembly Chairman, the Secretary, and the canvasser.

### **Audit Committee Formation**

An auditing committee consisting of three to five members, other than executive Directors, whether Shareholders or others, shall be formed by a decision of the Ordinary General Assembly. The committee tasks, work controls and members rewards shall be specified in the decision. If a position of an auditing committee member is vacant, the Board of Directors may appoint an interim member with the required experience and competence in the vacant position. MOH and CMA shall be notified within five Business Days from the appointment date. The appointment shall be presented to the Ordinary General Assembly at its first meeting and the new member shall complete the term of his predecessor.

### **Quorum of the Committee's Meeting**

An Audit Committee meeting shall be valid if attended by a majority of its members. Resolutions shall be adopted by a majority of votes present. In the case of a tie vote, the vote of the chairman of the Audit Committee shall prevail.

### **Duties of the Committees**

The Audit Committee shall have the power to supervise the Company's activities. To this end, the Audit Committee may access the Company's books and records, request information and clarification from Directors or Senior Management, and convene the General Assembly if the Board of Directors obstructs its work or if the Company incurs significant losses or damages.

### **Reports of the Committee**

The Audit Committee shall review the Company's financial statements, reports and notes submitted by the Auditor and give its opinions concerning them, if any. In addition, it shall prepare a report as regards its opinion on the adequacy and efficiency of the Company's internal control system along with other businesses within its scope of work. The Board of Directors shall place sufficient copies of the reports in Company's head office at least twenty-one days prior to the date set for convening the Ordinary General Assembly in order to provide the Shareholders with a copy thereof, if required. The Audit Committee report shall be read at the General Assembly meeting.

### **Auditor Appointment**

The Company shall have one (or more) auditors from among those authorized to operate in the Kingdom of Saudi Arabia. Auditors shall be annually appointed by the Ordinary General Assembly which shall specify their remuneration and term of office. The latter may, at any time, change them, without prejudice to their right for compensation if the change is made at an improper time or without legitimate justification.

### **Auditor Powers**

The Auditor shall at any time have access to the Company's books, records and other documents. It may request details and clarifications it deems necessary to verify the Company's assets, liabilities and others that are within the scope of its work. The Board Chairman shall enable the Auditor to perform its duties. If the Auditor faces any challenges in this regard, it may submit a report to the Board thereon. If the Board does not facilitate the work of the Auditor, it shall request the Board to invite the Ordinary General Assembly to consider the matter.

### **Financial Year**

The Company's Financial Year shall begin on 1 January and end on 31 December each year, provided that the first Financial Year shall start on the date of the Ministerial Resolution approving the Company's conversion and ends on 31 December of the next Gregorian year.

## Financial Documents

- 1- The Board shall develop the Company's financial statements at the end of each Financial Year together with a report of its business and financial position for the ended Financial Year. This report shall include the proposed method for dividend distribution. The Board shall place such documents at the disposition of the Auditor at least forty-five (45) days prior to the date set for convening the General Assembly.
- 2- The Company's Board Chairman, Chief Executive Officer and Chief Financial Officer shall sign the documents referred to in Paragraph 1 of this Article, and copies thereof shall be deposited in the Company's headquarter at the disposal of the Shareholders at least twenty-one (21) days prior to the date set for convening the General Assembly.
- 3- The Board Chairman shall provide the Shareholders with the Company's financial statements, Board report and Auditor report, unless published in a daily newspaper distributed at the Company's headquarter. The Board Chairman shall also send a copy of these documents to the Ministry and the competent authorities at least fifteen (15) prior to the date set for convening the General Assembly.

## Dividend Distribution

The Company's annual net profits shall be distributed as follows:

- 1- Ten percent (10%) of the annual net profits are set aside to form a statutory reserve for the Company. Such allocations to the statutory reserve may be discontinued by the Ordinary General Assembly when the reserve amounts to 30% of the Company's capital.
- 2- The holder of preferred shares shall obtain profits allocated to these shares.
- 3- The Ordinary General Assembly may, at the request of the Board of Directors, set aside a percentage of the net profits to form a contractual reserve to be allocated towards one or more specific purposes.
- 4- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The said assembly may also withhold certain amounts from the net profits for the creation of social organizations for the Company's employees and workmen, or for supporting such organizations as may already be in existence.
- 5- At least 5% of the remaining amount shall be paid as an initial payment to the Shareholders.
- 6- Subject to the provisions set forth in Article 22 of the Company's Bylaws; and Article 76 of the Companies Law, no more than 10% shall be set aside to remunerate the Board of Directors, provided that such remuneration be proportionate to the number of sessions attended by each director.
- 7- The balance shall be distributed among Shareholders as an additional share of the dividends.

Subject to the controls set by the competent authorities, the Company may distribute semi-annual and quarterly dividends.

## Entitlement to Dividend

A Shareholder shall be entitled to its share in dividend in accordance with the General Assembly's resolution issued in this regard. The decision shall indicate the maturity date and the date of distribution. Moreover, the dividends shall be distributed to the Shareholders registered in the Shareholders' registers at the end of the maturity day.

## Distribution of Preferred Shares Dividend

- 1- Shall no dividends be distributed for any Financial Year, dividends for the following years may not be distributed till payment of the percentage specified under Article 114 of the Companies Law to preferred Shareholders for this year.
- 2- If the Company fails to pay the profits' percentage determined in accordance with the provisions of Article 114 of the Companies Law for 3 consecutive years, then the Special Assembly of Shareholders of such shares held in accordance with the provisions of Article 89 of the Companies Law may decide to allow them to attend the meetings of the Company's General

Assembly and to participate in voting or appoint their representatives in the Board of Directors commensurate with the value of their shares in the capital, until the Company can pay all the priority profits allocated to the holders of such shares for the previous years.

### **Disputes: Liability Claim**

Each Shareholder shall have the right to file a liability claim, vested in the Company, against the Directors if they have committed a fault which has caused some particular damage to such Shareholder. However, the Shareholder may file such claim only if the Company's right to file such claim is still valid. The Shareholder shall notify the Company of its intention to file such claim.

### **The Company's Losses**

- 1- If the Company's losses reach half of the paid-up capital at any time during the Financial Year, any Company's official or the Auditor shall, upon becoming aware of that, immediately inform the Board Chairman who shall, upon becoming aware thereof, notify the Directors immediately. The Board shall, within 15 days after being aware of that, invite the Extraordinary General Assembly to convene within forty-five (45) days from the date of becoming aware of the losses to decide either to increase or reduce the capital of the Company in accordance with the provisions of the Companies Law, to the extent that the loss ratio falls below half of the paid up capital, or dissolve the Company before the term specified in its bylaws.
- 2- The Company shall, by virtue of the Companies law, be deemed dissolved if the Extraordinary General Assembly meeting is not held within the defined period specified in Paragraph 1 of this Article, if the meeting is held but fails to reach a resolution for such issue, or if the meeting resolves to increase the Company's capital in accordance with the conditions stipulated in this Article and the increase was not fully subscribed for within ninety (90) days from such resolution.

### **Expiration of the Company**

Upon expiration, the Company shall enter into the stage of liquidation while retaining its legal entity to the extent required for liquidation. Liquidation decisions shall be issued by the Extraordinary General Assembly. Moreover, the liquidation decision shall include the appointment of a liquidator, determination of its powers and fees, restrictions imposed upon its authorities and the time required for liquidation. The period of voluntary liquidation shall not exceed five (5) years and may only be extended by a judicial order. The authority of the Company's Board shall expire upon Dissolution. However, they shall remain in charge of the Company's management and shall be considered as liquidators until a liquidator is appointed. The Shareholders' assemblies shall remain during the dissolution period. Their role shall be limited to exercising their competencies which shall not conflict with the terms of reference of the liquidator.

### **Companies Law**

The Companies Law and its regulations shall apply to all matters not provided for in the Company's Bylaws.

### **Approval of the Bylaws**

All Shareholders have agreed to the Company's Bylaws, and undertake, together with the New Shareholders, to comply therewith.

### **Publication**

The Company's Bylaws shall be deposited and published in accordance with the Companies Law and regulations.

## **12.7 Material Agreements**

The Group has entered into a number of material agreements for its business activities. Below is a summary of the agreements that the Group considers material or significant or which may affect the decision of the Subscribers to invest in the Offer Shares. The Company believes that all these agreements, including material terms and conditions, have been included in this section and there are no other material agreements in connection with the Company's business that have not been disclosed. In addition, the Company did not violate any of the terms and conditions of such agreements. The summary of the agreements and contracts referred to below does not cover



all terms and conditions and cannot be considered a substitute for the terms and conditions contained in those agreements.

It is worth noting that some agreements with the Company's main suppliers contain provisions that prevent the Company from disclosing the details of these agreements. As at the date of this Prospectus, the Company have not obtained the approval of two of its suppliers regarding the disclosure of their agreements in this Prospectus, and therefore information that might be considered confidential regarding these agreements has not been disclosed.

It should be noted that the Company has disclosed all the details related to the material agreements except for revenue sharing agreements with the Company's physicians, as the Group believes that the disclosure of the details of revenue sharing agreements may result in competitive and commercial damage, which will have a material adverse effect on the Group and its future business. The Company has submitted an application to CMA for exemption from compliance with paragraph (14) of Appendix (9) of the Rules on the Offer of Securities and Continuing Obligations regarding the details of revenue sharing agreements with the Company's physicians, which has been approved by CMA.

## A- Material Agreements with Customers

### Framework Agreements between the Company and Insurance Companies

The Company has entered into three key framework agreements with insurance companies (BUPA Arabia for Cooperative Insurance, Mediterranean & Gulf Cooperative Insurance & Reinsurance and the Company for Cooperative Insurance (Tawuniya)) for providing health services to insurance customers in the Group's health facilities. Under these agreements, insurance customers benefit from agreed prices when these customers receive medical care at the Group's health facilities. Insurance companies are entitled to discounts at different rates for the health services offered by the Group. In addition, the Group is entitled to increase the price of health services specified in the price list or modify the list of services by virtue of 30 or 60 days' notice according to each agreement. Insurance companies must settle the claims within a period of 30-45 days from the date of the delivery by the Group of the claim (unless a claim is challenged by the insurance company). All claims are settled on quarterly basis and reconciliation occurs within forty-five (45) days from the end of each Financial Year. The term of the framework insurance agreements ranges from one to four years and is automatically renewed on similar terms unless one of the parties notifies the other party that it intends not to renew an agreement under thirty (30) or sixty (60) days' notice prior to the expiration of the relevant agreement. These agreements are subject to the applicable laws of the Kingdom. The following table summarizes the details of these agreements:

**Table (12-11): Framework Agreements between the Company and Insurance Companies**

| #  | Name of insurance company                        | Agreement Date | Term of Agreement | Status of Agreement   |
|----|--------------------------------------------------|----------------|-------------------|-----------------------|
| 1. | Tawuniya                                         | 19/09/2008G    | Four years        | Automatically renewed |
| 2. | BUPA Arabia for Cooperative Insurance            | 01/10/2008G    | One year          | Automatically renewed |
| 3. | Mediterranean & Gulf Insurance & Reinsurance Co. | 01/01/2009G    | Three years       | Automatically renewed |

Source: The Company.

The volume of annual transactions has not been disclosed as the Group believes that disclosure of such information could result in competitive and commercial damages that will have a material and adverse impact on the Group and its future business.

### Framework Agreements between Dubai Hospital and Insurance Companies

Dubai Hospital has also concluded three key framework agreements with insurance companies (National Health Insurance Company, NEXTCARE Management LLC and another company operating in insurance business and which has not given its consent regarding the disclosure of its agreement) to provide medical services to their customers at Dubai Hospital. Under these agreements, insurance customers benefit from the agreed prices between Dubai Hospital and insurance companies upon receiving healthcare at Dubai Hospital. Insurance companies must settle the claims within a specified period from the date of receiving the Group's claim (unless the claim is disputed by the insurance company). All claims are settled quarterly and at the end of each contractual year. The term of the agreements ranges between one (1) year to two (2) years from the date of their conclusion, and is automatically renewed unless one of the parties gives notice, to the other party, of its intention not to renew the same. Either

party has the right to terminate the agreement in case the other party made a material violation thereto. The agreement is governed by the applicable laws and regulations of the UAE.

**Table (12-12): Framework Agreements between Dubai Hospital and Insurance Companies**

| #  | Name of insurance company                     | Agreement Date | Term of Agreement | Status of Agreement   |
|----|-----------------------------------------------|----------------|-------------------|-----------------------|
| 1. | National Health Insurance Company             | 01/03/2015G    | One year          | Automatically renewed |
| 2. | NEXTCARE Management LLC                       | 01/09/2018G    | One year          | Automatically renewed |
| 3. | A company operating in the field of insurance | 15/03/2016G    | Two years         | Automatically renewed |

Source: The Company.

The volume of annual transactions has not been disclosed as the Group believes that disclosure of such information could result in competitive and commercial damages that will have a material and adverse impact on the Group and its future business.

## B- Strategic Agreements with Companies

### Agreement with Medtronic Saudi Arabia

On 22/06/2018G, the Company has entered into a strategic cooperation agreement with Medtronic Saudi Arabia ("Medtronic") (which was signed by the Company on 29/11/2018G and by Medtronic on 04/12/2018G) to provide, develop and establish catheterization centers (including cardiovascular equipment, devices and information systems) in several hospitals of the Group, as well as provide consulting and training services for fees agreed upon by the parties. The fees paid by the Company under this agreement to Medtronic have amounted to SAR 3,893,535 since the date the Agreement was concluded. The term of the agreement is seven (7) years. Either party may terminate the same by a written notice of sixty (60) days. Medtronic may also terminate the agreement by 30 days' notice if the Group has committed any material breach and has not remedied such breach within sixty (60) days from the date a notification is delivered by Medtronic. Any dispute not settled amicably shall be settled by arbitration under the rules of the Saudi Center for Commercial Arbitration.

### Agreement with Saudi American General Electric

As a licensor, the Cloud Solutions concluded a Master Software License Agreement with the Saudi American General Electric ("GE") on 03/05/2017G for the provision of software solutions and services to MOH as a subcontractor in accordance with the main contract concluded with MOH to provide a health information system. Cloud Solutions shall provide General Electric with patient health information system and support services (e.g. technical support, maintenance and software) and other professional services related to software implementation and application, and development of interfaces for GE (including customization and automation). Fees paid to Cloud Solutions under this agreement amounted to SAR 2,356,132. The term of the agreement is ten (10) years, and GE has the right to renew the agreement at its discretion. GE has the right to terminate the agreement if the Cloud Solutions is in breach of its obligations or commits a violation and has not remedied the same within thirty (30) days. In addition, GE may terminate the agreement immediately if the Cloud Solutions commits a material breach, if there is a material adverse change to its business or if the Cloud Solutions comes under the ownership of a GE competitor. The agreement is governed by the laws and regulations of the State of New York. Any disputes that are not settled amicably shall be resolved by arbitration under the New York State Civil Procedure Code and the US Federal Arbitration Act.

### Supply Agreement with Medical Supplies & Services Company Limited (Mediserv)

The Company entered into a supply agreement with Mediserv on 02/10/2018G regarding the supply of medical and non-medical equipment and materials to the Group's laboratories for a set price for each successful examination. The term of the Agreement is five Gregorian years starting from 01/10/2018G and ending on 30/09/2023G, and may be renewed by a new and written agreement between the parties. The Company pays invoices which are submitted within 120 days from the date the Company has endorsed the invoices submitted by Mediserv. The value of transactions under this Agreement have amounted to SAR 4,816,216 since the date of the Agreement. The Company has the right to terminate this Agreement by a notification to be sent to Mediserv if: (1) Mediserv has violated any of the terms of the Agreement, neglected or failed to fulfill one of its obligations without remedy within five (5) days from the date of notification; (2) Mediserv has become bankrupt or insolvent, or is proved to be



unable to supply or to be a partner or a member of a company and has been liquidated or dissolved; (3) Mediserv was unable to obtain any license for the purpose of supplying the materials from the country of origin or registering them in the Kingdom of Saudi Arabia within ten days or in case the delay penalty exceeds SAR 100,000 or 10% of the annual value of the agreement; or (4) Mediserv assigned this Agreement or sub-contracted works thereunder without the prior written consent of the Company. In the event of termination of this Agreement in accordance with the foregoing, the Company shall have the option to purchase the devices and/or equipment at the book value less the amount of depreciation specified in the Agreement for each year and calculated proportionally, and require the supplier to supply the materials at the agreed price. Otherwise, the Company may require the Supplier to withdraw the devices and/or equipment within thirty (30) days from the date of notification of the withdrawal or on the date specified in the notification. This Agreement shall be governed by the applicable laws of the Kingdom.

### C- Medical Equipment Maintenance Agreements

The Group entered into two agreements for the maintenance of medical equipment with GE Healthcare (Dubai Branch) and GE Medical Services (collectively, “**GE Healthcare**”). Under these agreements, GE Healthcare provides the following services: (1) regulatory adjustments and updates related to safety, (2) planned and corrective maintenance and (3) remote support services in accordance with the previously agreed amount (as shown in the table below). The amounts due under the agreements are paid periodically according to the schedule of payment attached to the agreements. The agreement may be terminated (1) by agreement of the parties in writing, (2) by written notice of any material breach that has not been remedied within thirty (30) days, (3) in case of a party being insolvent, or (4) by Dubai Hospital under thirty (30) days’ notice. GE Healthcare shall not be liable for any indirect losses arising from the services it provides under these agreements. In any case, GE Healthcare’s liability may not exceed the total annual value of the payable under the agreement. The agreement with GE Healthcare (Dubai Branch) is governed by the UAE’s laws and regulations. The agreement made with GE Medical Services is governed by the applicable laws in the Kingdom.

The following table shows the key details of these agreements:

**Table (12-13): Medical Equipment Maintenance Agreements**

| # | Parties                                                | Product / services provided                                                                                                                                       | Date        | Expiration date of the Agreement |
|---|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------------------------|
| 1 | (1) The Group<br>(2) GE Medical Services               | (1) Regulatory adjustments and updates related to safety.<br>(2) Planned and corrective maintenance.<br>(3) Remote support services.<br>(4) Call center services. | 01/04/2019G | 31/03/2022G                      |
| 2 | (1) Dubai Hospital<br>(2) GE Helathcare (Dubai Branch) | (1) Regulatory adjustments and updates related to safety.<br>(2) Planned and corrective maintenance.<br>(3) Remote support services.                              | 01/10/2016G | 31/12/2019G                      |

Source: The Company.

The value of the above agreements has not been disclosed. The Group believes that the disclosure of such information could cause competitive and commercial harm to the Group and would have a material adverse effect on the Group and its future business.

### D- Waste and Medical Waste Agreements

The Group has concluded thirteen (13) agreements with three (3) different companies for the management and treatment of hazardous and medical waste. Ten (10) agreements were signed with Saudi Gulf Environmental Protection Company (“**SEPCO**”), two (2) agreements were signed with Averda Environmental Services LLC. (“**Averda**”) and one (1) agreement was signed with the Medical Prevention Services Company (“**Wekaya**”). The medical waste management companies dispose of medical and biological waste and hazardous waste in accordance with relevant standards and regulations in this regard to ensure best local and international practices during the effective term of the agreement in consideration of monthly or periodic payments according to the services provided. These agreements are subject to the applicable laws in the Kingdom. However, the agreement made with Averda Environmental Services LLC is subject to the UAE’s laws and regulations.



The following table shows the key details of these agreements:

**Table (12-14): Management and Treatment of Hazardous and Medical Waste Agreement**

| # | Parties                                | Services Provided                                                                                                                                                                                                                                                                     | Date        | Value of Agreement                                                                                                                                                                                                                                    | Term of Agreement | Status of Agreement |
|---|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|
| 1 | (1) SEPCO<br>(2) Company               | SEPCO provides hazardous waste management services to the Second Party with respect to the warehouse located in Sulay, Riyadh.                                                                                                                                                        | 04/09/2018G | Transferring and processing each of the following:<br>- Completed pharmaceuticals (SAR 10 per kilo).<br>- Completed medical supplies (SAR 10 per kilo).<br>Completed chemicals (SAR 15 per kilo).                                                     | One year          | Being determined    |
| 2 | (1) Averda<br>(2) Dubai Hospital       | Averda provides the following services to Dubai Hospital: (1) Recyclable waste collection services, (2) medical waste management services at a capacity of 60 liters, (3) food waste management services (1.1 CMB eurobin), and (4) waste recycling services with boxes of 240 liters | 12/08/2018G | Averda provides the following services to Dubai Hospital (on request): Medical waste disposal of 60 liters (AED 6, twice a week).<br>Food waste disposal of 1.1 CMB eurobin (AED 11 per day).<br>Recycling of waste boxes of 240 liters (on request). | Two years         | Effective           |
| 3 | (1) SEPCO<br>(2) Company               | SEPCO provides medical waste management services to clinics in Olaya                                                                                                                                                                                                                  | 02/01/2019G | SAR 8,000 / month                                                                                                                                                                                                                                     | One year          | Effective           |
| 4 | (1) SEPCO<br>(2) Olaya Medical Company | SEPCO provides medical waste management services to clinics at the relevant medical center in Olaya                                                                                                                                                                                   | 02/01/2019G | SAR 6,000 / month                                                                                                                                                                                                                                     | One year          | Effective           |
| 5 | (1) Wekaya<br>(2) Khobar Hospital      | Provide the hospital with safe waste management services for medical and biological materials                                                                                                                                                                                         | 25/03/2019G | Disposal of medical waste: SAR 1.5 per kg.<br>Disposal of chemical waste: SAR 8 per kg.<br>Human organs (pathology): SAR 350 per operation (up to 50 kg).                                                                                             | Three years       | Effective           |
| 6 | (1) SEPCO<br>(2) MD Labs               | Waste management services for Olaya Clinics                                                                                                                                                                                                                                           | 13/03/2019G | SAR 1,500 / month                                                                                                                                                                                                                                     | One year          | Effective           |
| 7 | (1) SEPCO<br>(2) Maternity Hospital    | Waste management services for Maternity Hospital                                                                                                                                                                                                                                      | 02/01/2019G | SAR 8,000 / month                                                                                                                                                                                                                                     | One year          | Effective           |
| 8 | (1) SEPCO<br>(2) Qassim Hospital       | Medical waste management services for Qassim Hospital                                                                                                                                                                                                                                 | 28/04/2019G | SAR 25,360 / month                                                                                                                                                                                                                                    | One year          | Effective           |



| #  | Parties                              | Services Provided                                            | Date        | Value of Agreement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Term of Agreement | Status of Agreement |
|----|--------------------------------------|--------------------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|
| 9  | (1) SEPCO<br>(2) Rayan Hospital      | Medical waste management services for Rayan Hospital         | 28/04/2019G | SAR 34,200 / month                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | One year          | Effective           |
| 10 | (1) SEPCO<br>(2) Spinal Hospital     | Medical waste management services for Spinal Hospital        | 02/01/2019G | SAR 6,300 / month                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | One year          | Effective           |
| 11 | (1) SEPCO<br>(2) Suweidi Hospital    | Medical waste management services for Suweidi Hospital       | 30/05/2018G | SAR 14,000 / month                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | One year          | Effective           |
| 12 | (1) SEPCO<br>(2) Takhassusi Hospital | Medical waste management services for Takhassusi Hospital    | 28/04/2019G | SAR 31,850 / month                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | One year          | Effective           |
| 13 | (1) Averda<br>(2) Dubai Hospital     | Provides medical waste management services to Dubai Hospital | 06/01/2019G | Building 57:<br>Medical waste disposal of 110 liters (AED 6, six times a week).<br>Hazardous waste disposal (10 CBM) (AED 450 on request only).<br>Leasing of a large recycling box of (8 m3) (one box per month).<br>Services of dealing with large volumes (AED 17 on request only).<br>General waste disposal (1.1 CBM Eurobin) (AED 11 per day).<br>Collection of recyclable materials (on request).<br>Building 27<br>Medical waste disposal of 1100 liters (AED 6 – twice a week).<br>Building 55<br>Medical waste disposal of 1100 liters (AED 6 – twice a week).<br>General waste disposal (1.1 CBM Eurobin) (AED 11 per day). | Two years         | Effective           |

Source: The Company.

#### E- Marketing Agreements Concluded with Arriyadh Development Authority

On 14/01/2019G, the Group entered into a marketing agreement with Arriyadh Development Authority (“**ADA**”) regarding the granting of exclusive naming rights for Riyadh Train Project (Station B-12) in Riyadh. The Group will pay a certain amount to ADA for such rights through annual payments for ten (10) years. The term of agreement is ten (10) years. The agreement is governed by the KSA’s laws. Disputes arising therefrom are referred to the competent courts of the Kingdom. The value of this agreement was not disclosed as the Group has not obtained the approval of Riyadh Development Authority on such disclosure.

#### F- A Partnership Agreement between the Company and Mohammad Ali Al Jarfan

A partnership agreement was signed with the MEP and Afia Pharmacies (collectively “**Al-Habib Pharmacies**”) on 24/03/2014G and 01/01/2018G respectively between the Company and Mohammad Ali Al Jarfan (a Saudi licensed pharmacist), whereby Mohammed Ali Al-Jarfan and the Company own 1% and 99% of these companies, respectively. Under the agreements, Mohammad Ali Al Jarfan assigned his beneficial rights related to his share in Al-Habib Pharmacies to the Company so that the Company’s beneficial ownership is 100% for an annual amount specified in the contract and paid in quarterly payments (the value of the agreed fees has not been disclosed as the Group believes that disclosure of this information can lead to competitive and commercial harm; therefore, it will have a material adverse effect on the Group and its future business). In addition, Mohammad Ali Jarfan has granted the Company the right to acquire his share at any time in the future pursuant to a purchase and assignment contract.

#### G- Revenue Sharing Agreements

The Company has entered into revenue-sharing agreements with a number of physicians who, pursuant to these agreements, use the Group’s medical clinics and provide medical services to patients. Through these agreements, there is a provision of spaces to be used for clinics and other support services, such as appointments, reception, nursing, accounting, and other basic managerial services, including cleaning, maintenance and operations. The agreements also set out the rights and obligations of the parties, including the number of hours or days the physician spends in the clinic, and the revenue-sharing mechanism, which varies from one physician to another. The term of these agreements varies between one (1) or more years, and are automatically renewed, unless one party sends notice of termination to the other party during a period varying between 90 days to six months prior to the termination of the agreement (depending on the relevant agreement). Either of the two parties may terminate such agreement if the other party breaches its terms or commits an act that could harm the other party upon 30 days’ notice before termination of the agreement. The agreement is subject to the laws of KSA.

#### H- Lease Contract concerning Establishing and Operating Qassim Hospital between Buraidah Municipality and Qassim Hospital

Lease contract concerning establishing and operating Qassim Hospital was entered into on 05/01/2004G between Buraidah Municipality (“**Lessor**”) and Qassim Hospital (“**Lessee**”). The contract term is twenty (20) years starting from 05/01/2004G and ending on 01/06/2023G. The agreement does not include any condition related to its renewal. The contract expires either at the end of its term or pursuant to a request of the lessor to return the land in consideration for indemnity provided that the purpose for terminating the lease is for planning or is due to the public good. The annual rent is eighty thousand Saudi Riyals (SAR 80,000). The lessor shall have the right to terminate the contract if: (1) the lessee fails to pay the lease amount within thirty (30) days from the date on which amounts are due without any acceptable excuse for the lessor; (2) the lessee breaches the contract conditions; (3) the lessee withdraws from works or breaches them; or (4) the lessee shows failure or default in operating the hospital. This contract is subject to the applicable laws of the Kingdom.

#### I- The Business Relationship between the Group and its Key Suppliers

The Group has concluded (23) material framework agreement with its suppliers (including: (1) two agreements with subsidiaries of Abdul Raouf Ibrahim Batterjee & Bros Co.; (2) four agreements with subsidiaries of Cigalah Group; (3) four agreements with Zimmo Trading Company Limited; (4) four agreements with Farouk and Maamoun Tamer and Co; (5) two agreements with subsidiaries of Jamjoom Group; and (6) seven agreements with other suppliers for regard to the supply of pharmaceutical, medical, cosmetic products and medical supplies on similar terms as the Group sends purchase orders to its suppliers to meet their needs at pre-agreed prices or prices to be agreed upon regularly according to purchase orders. Purchase orders provide for the period in which the Group must pay the amounts owed under such purchase orders. These agreements and their purchase orders are

subject to the applicable laws of the Kingdom. The following table presents the key details of these agreements:

**Table (12-15): Key details of framework agreements with key suppliers**

| No.                                                                                 | Parties                                                 | Product / services provided          | Date                                    | Term of Agreement         | Agreement status | Value of transactions in FY 2016G (SAR) | Value of transactions in FY 2017G (SAR) | Value of transactions in FY 2018G (SAR) | Value of transactions for the three-month period ended 31/03/2019G |
|-------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------|-----------------------------------------|---------------------------|------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------------------------|
| <b>Agreements with subsidiaries of Abdul Raouf Ibrahim Batterjee &amp; Bros Co.</b> |                                                         |                                      |                                         |                           |                  |                                         |                                         |                                         |                                                                    |
| 1                                                                                   | (1) MEP<br>(2) Abdul Raouf Ibrahim Batterjee & Bros Co. | Promotion of pharmaceutical products | 01/01/2019G                             | Not determined            | Effective        | 6,798,054.36                            | 4,697,849.20                            | 8,244,103.47                            | 1,747,898.15                                                       |
| 2                                                                                   | Hyproca Nutrition Middle East<br>(2) MEP                | Pharmaceutical products and offers   | MEP definitive signature on: 27/2/2019G | Not determined            | Effective        |                                         |                                         |                                         |                                                                    |
| <b>Agreements with subsidiaries of Jamjoom Group</b>                                |                                                         |                                      |                                         |                           |                  |                                         |                                         |                                         |                                                                    |
| 3                                                                                   | (1) Jamjoom Medicine Store<br>(2) MEP                   | Pharmaceutical products and offers   | MEP definitive signature on: 8/4/2019G  | 31/12/2019G               | Effective        | 2,732,948.22                            | 3,090,708.02                            | 3,198,777.91                            | 336,733.23                                                         |
| 4                                                                                   | Aspire Health<br>(2) MEP                                | Pharmaceutical products and offers   | MEP definitive signature on: 3/3/2019G  | Not determined            | Effective        |                                         |                                         |                                         |                                                                    |
| <b>Agreements with Zimmo Trading Company Limited</b>                                |                                                         |                                      |                                         |                           |                  |                                         |                                         |                                         |                                                                    |
| 5                                                                                   | (1) Zimmo Trading Company Limited<br>(2) MEP            | Pharmaceutical products and offers   | MEP definitive signature on: 27/2/2019G | 31/12/2019G               | Effective        | 14,270,974.51                           | 9,173,014.65                            | 18,376,656.36                           | 7,331,649.96                                                       |
| 6                                                                                   | (1) Zimmo Trading Company Limited<br>(2) MEP            | Pharmaceutical products and offers   | MEP definitive signature on: 27/2/2019G | 01/01/2019G               | Effective        |                                         |                                         |                                         |                                                                    |
| 7                                                                                   | (1) Zimmo Trading Company Limited<br>(2) MEP            | Pharmaceutical products and offers   | MEP definitive signature on: 26/3/2019G | 01/01/2019G - 31/12/2019G | Effective        |                                         |                                         |                                         |                                                                    |

| No.                                                     | Parties                                                 | Product / services provided                                                                                                     | Date                                    | Term of Agreement               | Agreement status | Value of transactions in FY 2016G (SAR) | Value of transactions in FY 2017G (SAR) | Value of transactions in FY 2018G (SAR) | Value of transactions for the three-month period ended 31/03/2019G |
|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------|------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------------------------|
| 8                                                       | (1) Zimmo Trading Company Limited<br>(2) MEP            | Pharmaceutical products and offers                                                                                              | MEP definitive signature on: 8/4/2019G. | 31/12/2019G                     | Effective        |                                         |                                         |                                         |                                                                    |
| <b>Agreements with Farouk and Maamoun Tamer and Co.</b> |                                                         |                                                                                                                                 |                                         |                                 |                  |                                         |                                         |                                         |                                                                    |
| 9                                                       | (1) HMC Olaya<br>(2) Farouk and Maamoun Tamer and Co.   | Supply, installation, calibration, testing and commissioning of equipment for the Group.                                        | 22/09/2014G.                            | 5 years                         | Effective        | 125,684,706.58                          | 143,824,430.59                          | 155,591,776.72                          | 23,027,776.63                                                      |
| 10                                                      | (1) The Company<br>(2) Farouk and Maamoun Tamer and Co. | Purchase and supply of consumer laboratory materials in accordance with the purchase orders issued by the Group's Subsidiaries. | 13/12/2015G.                            | One year, renewed automatically | Effective        |                                         |                                         |                                         |                                                                    |
| 11                                                      | (1) The Company<br>(2) Farouk and Maamoun Tamer and Co. | Farouk and Maamoun Tamer and Co. must provide medical consumables to the Group and its Subsidiaries.                            | 8/01/2018G.                             | 01/12/2016G<br>-<br>30/11/2019G | Effective        |                                         |                                         |                                         |                                                                    |

| No.                                                  | Parties                                                                              | Product / services provided          | Date                                                                               | Term of Agreement                                 | Agreement status | Value of transactions in FY 2016G (SAR) | Value of transactions in FY 2017G (SAR) | Value of transactions in FY 2018G (SAR) | Value of transactions for the three-month period ended 31/03/2019G |
|------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------|---------------------------------------------------|------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------------------------|
| 12                                                   | (1) The Company<br>(2) Farouk and Maamoun Tamer and Co.                              | Supply of materials                  | 06/03/2019G.                                                                       | 5 years                                           | Effective        |                                         |                                         |                                         |                                                                    |
| <b>Agreements with subsidiaries of Cigalah Group</b> |                                                                                      |                                      |                                                                                    |                                                   |                  |                                         |                                         |                                         |                                                                    |
| 13                                                   | (1) The Company<br>(2) Cigalah Group owned by Yasser Yousef Mohammed Naghi           | Supply of materials                  | 14/01/2018G.                                                                       | Three years as of 02/04/2017G<br>-<br>01/04/2020G | Effective        | 45,666,098                              | 62,910,124                              | 76,142,723                              | 18,408,322                                                         |
| 14                                                   | (1) A company engaged in supplying pharmaceutical supplies(1)<br>(2) MEP             | Promotion of pharmaceutical products | 05/02/2018G                                                                        | Not determined                                    | Effective        |                                         |                                         |                                         |                                                                    |
| 15                                                   | (1) MEP<br>(2) BioTech Gulf                                                          | Promotion of pharmaceutical products | 01/01/2019G                                                                        | 31/12/2019G                                       | Effective        |                                         |                                         |                                         |                                                                    |
| 16                                                   | (1) MEP<br>(2) Hash Pharma                                                           | Pharmaceutical products and offers   | Hash Pharma signature date: 27/2/2019G.<br>MEP definitive signature on: 27/2/2019G | 31/12/2019G                                       | Effective        |                                         |                                         |                                         |                                                                    |
| <b>Agreements with other suppliers</b>               |                                                                                      |                                      |                                                                                    |                                                   |                  |                                         |                                         |                                         |                                                                    |
| 17                                                   | (1) A company engaged in supplying pharmaceutical supplies <sup>(1)</sup><br>(2) MEP | Pharmaceutical products and offers   | MEP definitive signature on: 27/3/2019G                                            | 01/01/2019G<br>-<br>31/12/2019G                   | Effective        | 53,722,872                              | 58,303,629                              | 74,004,804                              | 23,505,571                                                         |

| No. | Parties                                          | Product / services provided          | Date                                                                                                     | Term of Agreement                | Agreement status | Value of transactions in FY 2016G (SAR) | Value of transactions in FY 2017G (SAR) | Value of transactions in FY 2018G (SAR) | Value of transactions for the three-month period ended 31/03/2019G |
|-----|--------------------------------------------------|--------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------|------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------------------------|
| 18  | (1) MEP<br>(2) Netaq Al-Jildiya Company          | Promotion of pharmaceutical products | MEP definitive signature on: 25/3/2019G.                                                                 | One-year from the signature date | Effective        | 3,285,707.26                            | 3,168,766.80                            | 2,028,899.41                            | 599,704.68                                                         |
| 19  | (1) MEP<br>(2) Gulf Trading Corporation Limited  | Pharmaceutical products and offers   | Gulf Trading Corporation Limited signature date: 14/4/2019G.<br>MEP definitive signature on: 10/3/2019G. | 01/01/2019G<br>-<br>31/12/2019G  | Effective        | 1,008,543.25                            | 1,146,500.37                            | 1,070,257.58                            | 33,878.10                                                          |
| 20  | (1) Saudi Innova Pharmacies Warehouse<br>(2) MEP | Pharmaceutical products and offers   | MEP definitive signature on: 6/3/2019G                                                                   | 31/12/2019G                      | Effective        | 2,086,386.28                            | 613,713.191                             | 456,060.66                              | 213,281.40                                                         |
| 21  | (1) Middle East Distribution Co. Ltd.<br>(2) MEP | Pharmaceutical products and offers   | MEP definitive signature on: 27/2/2019G                                                                  | 01/01/2019G<br>-<br>31/12/2019G  | Effective        | 1,955,650.84                            | 1,984,261.67                            | 3,831,295.22                            | 1,305,159.46                                                       |
| 22  | (1) Saudi Nazih<br>(2) MEP                       | Pharmaceutical products and offers   | MEP definitive signature on: 17/3/2019G                                                                  | Not determined                   | Effective        | 1,008,612.94                            | 539,178.00                              | 679,702.74                              | 319,182.17                                                         |
| 23  | (1) General Trading Company<br>(2) MEP           | Pharmaceutical products and offers   | MEP definitive signature on: 27/2/2019G                                                                  | 01/01/2019G<br>-<br>31/12/2019G  | Effective        | 629,841.94                              | 535,616.80                              | 680,616.17                              | 9,132.50                                                           |

Source: Company.

(1) No agreement has been obtained regarding the disclosure of this Agreement





## 12.8 Construction Contracts for Buildings and Facilities of the Group

The Group has entered into seven general contracting agreements with companies specialized in drilling, glazing, supporting works, construction or electrical works. Payments to the contractor under these contracts are scheduled as follows: (i) an advance payment ranging from 10% to 50% of the total value of the relevant contract; (ii) periodic payments by virtue of invoices submitted by the contractor after the same being reviewed and accepted by the Group, and (iii) a final payment of 5% to 15% of the contract value, to be made after issuance of the final acceptance certificate and the expiry of the agreed guarantee period. The Group is entitled to terminate these contracts for any of the following reasons: (1) bankruptcy or insolvency of the contractor (2) delay in commencing the works, (3) breach by the Contractor of the provisions of the relevant contract, (4) assignment of the contract or subcontracting of the works by the contractor without the prior approval of the Group, (5) occurrence of any force majeure event, or (6) the contractor's withdrawal. Any dispute arising out of these contracts shall be referred to arbitration in the Kingdom or before the competent courts in Riyadh. The following table summarizes the material details of these contracts:

**Table (12-16): Construction Contracts for Buildings and Facilities of the Group**

| # | Owner                      | Contractor                                 | Subject of Contract                                                                     | Date        | Implementation Period                           | Status of Contract                                 | Value (SAR)   |
|---|----------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------|-------------|-------------------------------------------------|----------------------------------------------------|---------------|
| 1 | Olaya Medical Company      | Mazeed AlShaibani General Contracting Est  | Digging works                                                                           | 07/03/2018G | 6 months for implementation                     | The works, subject of the contract, were executed. | 8,550,000     |
| 2 | Khobar Hospital            | Sultana Industrial Complex Company         | Doors and wood-related works                                                            | 27/11/2017G | 12 months                                       | The works, subject of the contract, were executed. | 11,557,448.39 |
| 3 | South West Jeddah Hospital | HSSG Foundation Contracting                | Site Preparation works                                                                  | 18/06/2018G | 8 months                                        | Being implemented                                  | 57,225,000    |
| 4 | Khobar Hospital            | Saudi Lighting Company Ltd.                | Lighting systems                                                                        | 20/12/2017G | 5 months                                        | The works, subject of the contract, were executed. | 20,593,958.10 |
| 5 | Khobar Hospital            | Abdullatif Al-Arfaj & Brothers Holding Co. | Mechanical, electrical, plumbing, air conditioning, firefighting and fire alarm systems | 11/07/2017G | 13 and a half months                            | The works, subject of the contract, were executed. | 313,385,036   |
| 6 | Rayan Hospital             | United Standards Co.                       | Construction works                                                                      | 08/08/2018G | 6 months                                        | The works, subject of the contract, were executed. | 11,900,000    |
| 7 | Khobar Hospital            | KONE Areeco Ltd                            | Installation and maintenance of elevators and escalators                                | 11/07/2017G | 14 months                                       | The works, subject of the contract, were executed. | 18,870,000    |
| 8 | South West Jeddah Hospital | United Standards Co                        | Structural building work                                                                | 1/1/2020G   | 18 months after receiving the site              | The work subject of the contract has not started   | 194,342,111   |
| 9 | North Riyadh Hospital      | Masah Contracting Company                  | Structural building work                                                                | 12/12/2019G | 20 months from the date of signing the contract | Under execution                                    | 348,876,589   |

Source: The Company.

## 12.9 Agreements on Management and Operation of Health Facilities

### A- Agreement for the Management and Operation of the University Medical Center in King Abdullah Medical City in Bahrain between the Company and Arabian Gulf University

A management and operation agreement was entered into on 28/09/2011G between the Company and Arabian Gulf University (“AGU”) with respect to the UMC in King Abdullah Medical City in Bahrain. Under this agreement, the Company exclusively manages and operates the hospital and the medical center affiliated with (“UMC”). The Company has several powers under the agreement, including the following: (i) selecting tools; providing expertise, technical business and management services; and providing medical supplies; (ii) representing the UMC before all official bodies and third parties (including banks and clients); (iii) having full power to financially manage the UMC; and (iv) adopting policies regarding the recruitment and employment of staff (including salaries, bonuses and other benefits). In return, AGU pays management fees as a percentage of total annual revenues of the UMC (the value of the agreed fees has not been disclosed as the Group believes that disclosure of this information can lead to competitive and commercial harm; therefore, it will have a material adverse effect on the Group and its future business). The term of this agreement is ten (10) years from the date of the commencement of UMC operations (which is 06/11/2012G). The agreement is automatically renewed for the same term unless either party submits a notice to the other party that it does not intend to renew the agreement six (6) months prior to the end of the contract term. Either party may terminate the Agreement if the other party commits a material breach and fails to remedy such breach within fifteen (15) days as of the date of notice of such breach. The Company may not refuse to perform its obligations under the Agreement unless AGU fails to perform its respective obligations for more than six (6) months as of the date of maturity of the last outstanding payment under the Agreement. This Agreement shall be subject to the laws of Bahrain.

On 01/04/2015G, an annex to this agreement was entered into to expand the scope of services the Company provides to UMC, including (1) establishment of an intensive care ward, emergency services ward, a dental care clinic, and physiotherapy ward; and (2) expansion of the sterilization services ward along with its extensions, as well as management of Al Jawhara Fertility Hospital. The term of this annex is the period still remaining of the management and operation agreement, and it may be extended for additional terms with the written consent of both parties.

### B- Contracts for ICU Management and Operation and Provision of Home Care to Government Entities

The Company has entered into seven different government agreements regarding the management and operation of intensive care units in government hospitals and provision of home care services. Contracts are concluded with government entities pursuant to the model operation and maintenance contract whose conditions are specified under the Government Tenders and Procurement Law (issued by Royal Decree No. M/58 dated 04/09/1427H). Payments owed to the Company are made on a periodic basis. During the execution of the contract, the government entity may increase the volume of business and services by no more than ten percent (10%) of the total value of the Company’s obligations and may reduce such obligations by no more than twenty percent (20%) of the total value of the Company’s obligations. The government entity may withdraw the work from the Company and seize the site where:

- 1- The Company delays in commencing the work, defaults in its performance, shows slow progress or stops its work to the extent that the relevant entity believes that it cannot be completed according to the schedule of works.
- 2- The Company withdraws from, leaves or subcontracts the work to another party without a prior permission of the concerned entity.
- 3- The Company breaches a contract term, or refuses to implement any of its contractual obligations and does not remedy the same within fifteen days from the date it is requested for such remedy.
- 4- The Company gives, or causes to be given, any gift, advance, reward or promise to provide the same to any government employee or officers or any other person related to the contracted work.
- 5- The Company is subject to bankruptcy or insolvency.

These contracts shall be governed by applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the Board of Grievances. The following table shows the material details of these contracts:

**Table (12-17): Contracts for ICU Management and Operation and Provision of Home Care to Government Entities**

| # | Governmental Entity                                            | Purpose                                                               | Contract Execution Date                    | Contract Value (SAR) | Term of Contract |
|---|----------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------|----------------------|------------------|
| 1 | MOH's VRO                                                      | Medical operation of adult ICU in East Jeddah Hospital (20 beds)      | 08/09/1440H (corresponding to 13/05/2019G) | 55,301,943.00        | 36 Months        |
| 2 | MOH's VRO                                                      | Medical operation of adult ICU in Uhod General Hospital (20 beds)     | 08/09/1440H (corresponding to 13/05/2019G) | 55,301,943.00        | 36 Months        |
| 3 | MOH's VRO                                                      | Medical operation of adult ICU in Buraidah Central Hospital (20 beds) | 08/09/1440H (corresponding to 13/05/2019G) | 55,301,943.00        | 36 Months        |
| 4 | MOH's VRO                                                      | Medical operation of adult ICU in Qatif Central Hospital (20 beds)    | 08/09/1440H (corresponding to 13/05/2019G) | 55,301,943.00        | 36 Months        |
| 5 | MOH's VRO                                                      | Medical operation of NICU in Al Kharj (39 beds)                       | 08/09/1440H (corresponding to 13/05/2019G) | 104,061,873.00       | 36 Months        |
| 6 | MOH's VRO                                                      | Medical operation of NICU in Buraidah (20 beds)                       | 08/09/1440H (corresponding to 13/05/2019G) | 55,301,943.00        | 36 Months        |
| 7 | General Directorate of Medical Services – Ministry of Interior | Home care services                                                    | 16/04/1440H                                | 27,000,000           | 36 months        |

Source: The Company.

## 12.10 Ministry of Finance Loan Agreements

The Group has entered into seven interest-free loan agreements with the Ministry of Finance on terms similar to all such agreements. The total amount of loans granted by the Ministry of Finance amounted to

SAR 627.25 million. The outstanding balance is SAR 441.09 million as of 31/03/2019G. Except for loan agreement relating to Suweidi Hospital, the annual payment schedules relating to these loans shall tied to the amount that has been utilized from the total loan at the end of the implementation period of the financed project. Repayments are divided into 16 equal installments repayment commencing after the completion of the relevant project, provided that the first installment should be repaid within a period not exceeding four (4) years from the date of the relevant agreement. As for the loan relating to Suweidi Hospital, the annual installment is tied to the amount that has been used from the total loan at the end of the implementation period, which is three (3) years from the date of signing the Agreement. Repayment period commences five (5) years after the date of the Agreement and comprises of twenty equal installments paid on an annual basis.

The loan agreements have been entered into with the Ministry of Finance to fund the various projects of the Group, including the IVF Center at Olaya Medical Complex, Maternity Hospital, Takhassusi Hospital, Spinal Hospital, Rayan Hospital, Qassim Hospital and Suweidi Hospital. Except with respect to the agreement relating to Qassim Hospital, real estate, and any constructions that have been or will be established on the project property have been mortgaged for favor of the Ministry of Finance. As the Group does not own the land on which Qassim Hospital was built (it is leased from Qassim Municipality), a bank guarantee amounting to the loan value was provided for the Ministry of Finance through the Group's credit facilities with National Commercial Bank.

The following are details of the MOF loan agreements:

**Table (12-18): Ministry of Finance Loan Agreements**

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Project</b>             | Suweidi Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Signing Party</b>       | Suweidi Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Date of signature</b>   | 24/08/2015G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Value</b>               | Loan of a value of SAR 200 million. As of 31/03/2019G, the amount due is SAR 200,000,000 (after repaying an amount of the original loan as per the repayment schedule)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Purpose of the loan</b> | <ul style="list-style-type: none"> <li>• Financing establishment of Suweidi Hospital as follows:</li> <li>• Buildings and Constructions: SAR 149.7 million</li> <li>• Medical equipment: SAR 45.8 million</li> <li>• Furniture: SAR 4.5 million</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Facility Term</b>       | The loan is disbursed in payments set by the Ministry of Finance based on the construction and fixtures that have been completed. Suweidi Hospital commits to complete the project within three (3) years from the date of signing the contract. The Ministry of Finance may extend the term for completion of the project by a maximum of one and a half year, if it became apparent that the delay resulted from force majeure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Repayment Period</b>    | The annual installment shall be set in accordance with the amount that has been used from the total loan at the end of the implementation period, which is three (3) years from the date of signing the Agreement. Repayment period commences five (5) years after the date of the Agreement and comprises of twenty (20) equal installments paid annually.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Guarantees</b>          | The land on which the project is to be established has been used as a guarantee, as well as any buildings, medical equipment, furniture, and fixtures that have been or will be erected thereon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Conditions</b>          | <ul style="list-style-type: none"> <li>• Suweidi Hospital commits to start implementation of the project within one year from the agreement date.</li> <li>• Appointing an engineering consulting firm to oversee the project implementation, whether individually or in association with a foreign engineering consulting firm.</li> <li>• Appointing a Saudi chartered financial accountant to review the project's accounts.</li> <li>• Opening an independent bank account under the project's name with one of the local banks.</li> <li>• Observing and implementing all MOH requirements, the Ministry of Finance and other concerned government authorities in terms of technical, financial, accounting, administrative and other aspects related to the implementation and operation of the project.</li> <li>• Committing to not expand the project on its own account, without prior written consent from the Ministry of Finance, as this may affect the Group's ability to repay the loan facility.</li> <li>• If any breach mentioned in the agreement took place (such as if any of the facts on which the Ministry of Finance relied in providing the loan was deemed incorrect, or if Suweidi Hospital failed to pay the installments on time, or declared bankruptcy or insolvency, or discontinued the implementation of the project, or disposed of the project, resulting in transfer of ownership, or leased the project to third parties without prior consent of the Ministry of Finance, or in case the project license is canceled), the full loan installments shall be payable immediately, and the Ministry of Finance may request to sell the guaranteed assets, or seize them, to fulfil the State's rights, the movable or immovable assets of Suweidi Hospital in compliance with Sharia laws.</li> </ul> |



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| <b>Project</b>             | Maternity Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Signing Party</b>       | Maternity Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Date of signature</b>   | 04/03/2008G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Value</b>               | Loan of a value of SAR 20.8 million. As of 31/03/2019G, the amount due is SAR 10,415,500 (after repaying an amount of the original loan as per the repayment schedule)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Purpose of the loan</b> | <p>Financing the establishment of Maternity Hospital (sixty beds) as follows:</p> <ul style="list-style-type: none"> <li>• Construction work: SAR 5.4 million</li> <li>• Architectural works: SAR 5.2 million</li> <li>• Mechanical works: SAR 2.0 million</li> <li>• Electrical works: SAR 1.8 million</li> <li>• Sanitation works: SAR 1.2 million</li> <li>• Medical equipment, devices and furniture: SAR 5.0 million</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Facility Term</b>       | The loan is disbursed in payments set by the Ministry of Finance based on the construction and fixtures that have been completed according to the prevailing market prices. Maternity Hospital commits to complete the project within (3) three years from the date of signing the contract. The Ministry of Finance may extend the term for completion of the project by a maximum of one and a half year, if it became apparent that the delay resulted from force majeure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Repayment Period</b>    | The annual installment shall be set in accordance with the amount that has been used from the total loan at the end of the implementation period, which is three (3) years from the date of signing the Agreement. Repayment period commences four (4) years after the date of the Agreement and comprises of sixteen (16) equal installments paid annually.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Guarantees</b>          | The land on which the project is to be established has been used as a guarantee as well as any buildings, medical equipment, furniture, and fixtures that have been or will be erected thereon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Conditions</b>          | <ul style="list-style-type: none"> <li>• Maternity Hospital commits to start implementation of the project within eight (8) months from the agreement date.</li> <li>• Appointing an engineering consulting firm to oversee the project implementation, whether individually or in association with a foreign engineering consulting firm.</li> <li>• Appointing a Saudi chartered financial accountant to review the project's accounts.</li> <li>• Opening an independent bank account under the project's name with one of the local banks.</li> <li>• Submitting semi-annual reports indicating the project progress.</li> <li>• Observing and implementing all MOH requirements, the Ministry of Finance and other concerned government authorities in terms of technical, financial, accounting, administrative and other aspects related to the implementation and operation of the project.</li> <li>• Maternity Hospital commits to not expand the project on its own account, without prior written consent from the Ministry of Finance, as this may affect the Group's ability to repay the loan facility.</li> </ul> <p>If any breach mentioned in the agreement took place (such as if any of the facts on which the Ministry of Finance relied in providing the loan was deemed incorrect, or if Maternity Hospital failed to pay the installments on time, or declared bankruptcy or insolvency, or discontinued the implementation of the project, or disposed of the project, resulting in transfer of ownership, or leased the project to third parties without prior consent of the Ministry of Finance, or in case the project license is canceled), the full loan installments shall be payable immediately, and the Ministry of Finance may request to sell the guaranteed assets, or seize them, to fulfil the State's rights, the movable or immovable assets of Maternity Hospital in compliance with Sharia laws.</p> |



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| <b>Project</b>             | Takhassusi Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Signing Party</b>       | Takhassusi Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Date of signature</b>   | 01/06/2010G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Value</b>               | Loan of a value of SAR 75.3 million. As of 31/03/2019G, the amount due is SAR 47,031,250 (after repaying an amount of the original loan as per the repayment schedule)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Purpose of the loan</b> | Financing the establishment of Takhassusi Hospital as follows: <ul style="list-style-type: none"> <li>• Buildings and Constructions: SAR 49.0 million</li> <li>• Medical Equipment and Furniture: SAR 26.25 million</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Facility Term</b>       | The loan is disbursed in payments set by the Ministry of Finance based on the construction and fixtures that have been completed. Takhassusi Hospital commits to complete the project within three (3) years from the date of signing the contract. The Ministry of Finance may extend the term for completion of the project by a maximum of one and a half year, if it became apparent that the delay resulted from force majeure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Repayment Period</b>    | The annual installment shall be set in accordance with the amount that has been used from the total loan at the end of the implementation period, which is three (3) years from the date of signing the Agreement. Repayment period commences four (4) years after the date of the Agreement and comprises of sixteen (16) equal installments paid annually.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Guarantees</b>          | The land on which the project is to be established has been used as a guarantee as well as any buildings, medical equipment, furniture, and fixtures that have been or will be erected thereon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Conditions</b>          | <ul style="list-style-type: none"> <li>• Takhassusi Hospital commits to implement the project within one (1) year from the date the agreement is signed.</li> <li>• Appointing an engineering consulting firm to oversee the project implementation, whether individually or in association with a foreign engineering consulting firm.</li> <li>• Appointing a Saudi chartered financial accountant to review the project's accounts.</li> <li>• Opening an independent bank account under the project's name with one of the local banks.</li> <li>• Observing and implementing all MOH requirements, the Ministry of Finance and other concerned government authorities in terms of technical, financial, accounting, administrative and other aspects related to the implementation and operation of the project.</li> <li>• Takhassusi Hospital commits to not expand the project on its own account, without prior written consent from the Ministry of Finance, as this may affect the Group's ability to repay the loan facility.</li> </ul> <p>If any breach mentioned in the agreement took place (such as if any of the facts on which the Ministry of Finance relied in providing the loan was deemed incorrect, or if Takhassusi Hospital failed to pay the installments on time, or declared bankruptcy or insolvency, or discontinued the implementation of the project, or disposed of the project, resulting in transfer of ownership, or leased the project to third parties without prior consent of the Ministry of Finance, or in case the project license is canceled), the full loan installments shall be payable immediately, and the Ministry of Finance may request to sell the guaranteed assets, or seize them, to fulfil the State's rights, the movable or immovable assets of Takhassusi Hospital in compliance with Sharia laws.</p> |



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| <b>Project</b>             | Spinal Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Signing Party</b>       | Spinal Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Date of signature</b>   | 01/06/2010G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Value</b>               | Loan of a value of SAR 37.1 million. As of 31/03/2019G, the amount due is SAR 23,176,875 (after repaying an amount of the original loan as per the repayment schedule)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Purpose of the loan</b> | Financing the establishment of Spinal Hospital as follows: <ul style="list-style-type: none"> <li>• Buildings and Constructions: SAR 22.25 million</li> <li>• Medical Equipment and Furniture: SAR 14.8 million</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Facility Term</b>       | The loan is disbursed in payments set by the Ministry of Finance based on the construction and fixtures that have been completed. Spinal Hospital commits to complete the project within three (3) years from the date of signing the contract. The Ministry of Finance may extend the term for completion of the project by a maximum of one and a half year, if it became apparent that the delay resulted from force majeure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Repayment Period</b>    | The annual installment shall be set in accordance with the amount that has been used from the total loan at the end of the implementation period, which is three (3) years from the date of signing the Agreement. Repayment period commences four (4) years after the date of the Agreement and comprises of sixteen (16) equal installments paid annually.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Guarantees</b>          | The land on which the project is to be established has been used as a guarantee as well as any buildings, medical equipment, furniture, and fixtures that have been or will be erected thereon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Conditions</b>          | <ul style="list-style-type: none"> <li>• Spinal Hospital commits to start implementation of the project within eight months from the agreement date.</li> <li>• Appointing an engineering consulting firm to oversee the project implementation, whether individually or in association with a foreign engineering consulting firm.</li> <li>• Appointing a Saudi chartered financial accountant to review the project's accounts.</li> <li>• Opening an independent bank account under the project's name with one of the local banks.</li> <li>• Observing and implementing all MOH requirements, the Ministry of Finance and other concerned government authorities in terms of technical, financial, accounting, administrative and other aspects related to the implementation and operation of the project.</li> <li>• Spinal Hospital commits to not expand the project on its own account, without prior written consent from the Ministry of Finance, as this may affect the Group's ability to repay the loan facility.</li> </ul> <p>If any breach mentioned in the agreement took place (such as if any of the facts on which the Ministry of Finance relied in providing the loan was deemed incorrect, or if Spinal Hospital failed to pay the installments on time, or declared bankruptcy or insolvency, or discontinued the implementation of the project, or disposed of the project, resulting in transfer of ownership, or leased the project to third parties without prior consent of the Ministry of Finance, or in case the project license is canceled), the full loan installments shall be payable immediately, and the Ministry of Finance may request to sell the guaranteed assets, or seize them, to fulfil the State's rights, the movable or immovable assets of Spinal Hospital in compliance with Sharia laws.</p> |





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| <b>Project</b>             | Qassim Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Signing Party</b>       | Qassim Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Date of signature</b>   | 22/06/2008G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Value</b>               | Loan of a value of SAR 44.1 million. As of 31/03/2019G, the amount due is SAR 22,045,250 (after repaying an amount of the original loan as per the repayment schedule)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Purpose of the loan</b> | Financing the establishment of Qassim Hospital as follows: <ul style="list-style-type: none"> <li>• Buildings and Constructions: SAR 23.6 million</li> <li>• Medical Equipment and Furniture: SAR 20.45 million</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Facility Term</b>       | The loan is disbursed in payments set by the Ministry of Finance based on the construction and fixtures that have been completed. Qassim Hospital commits to complete the project within three (3) years from the date of signing the contract. The Ministry of Finance may extend the term for completion of the project by a maximum of one and a half year, if it became apparent that the delay resulted from force majeure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Repayment Period</b>    | The annual installment shall be set in accordance with the amount that has been used from the total loan at the end of the implementation period, which is three (3) years from the date of signing the Agreement. Repayment period commences four (4) years after the date of the Loan Agreement and comprises of sixteen (16) equal installments paid annually loan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Guarantees</b>          | Bank guarantee from the National Commercial Bank of SAR 35.82 million                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Conditions</b>          | <ul style="list-style-type: none"> <li>• Qassim Hospital commits to start implementation of the project within eight (8) months from the agreement date.</li> <li>• Appointing an engineering consulting firm to oversee the project implementation, whether individually or in association with a foreign engineering consulting firm.</li> <li>• Appointing a Saudi chartered financial accountant to review the project's accounts.</li> <li>• Opening an independent bank account under the project's name with one of the local banks.</li> <li>• Observing and implementing all MOH requirements, the Ministry of Finance and other concerned government authorities in terms of technical, financial, accounting, administrative and other aspects related to the implementation and operation of the project.</li> <li>• Qassim Hospital commits to not expand the project on its own account, without prior written consent from the Ministry of Finance, as this may affect the Group's ability to repay the loan facility.</li> </ul> <p>If any breach mentioned in the agreement took place (such as if any of the facts on which the Ministry of Finance relied in providing the loan was deemed incorrect, or if Qassim Hospital failed to pay the installments on time, or declared bankruptcy or insolvency, or discontinued the implementation of the project, or disposed of the project, resulting in transfer of ownership, or leased the project to third parties without prior consent of the Ministry of Finance, or in case the project license is canceled), the full loan installments shall be payable immediately, and the Ministry of Finance may request to sell the guaranteed assets, or seize, to fulfil the State's rights, the movable or immovable assets of Qassim Hospital in compliance with Sharia laws.</p> |



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| <b>Project</b>             | Rayan Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Signing Party</b>       | Rayan Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Date of signature</b>   | 06/12/2008G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Value</b>               | Loan of a value of SAR 50.0 million. As of 31/03/2019G, the amount due is SAR 28,125,000 (after repaying an amount of the original loan as per the repayment schedule)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Purpose of the loan</b> | Financing the establishment of Rayan Hospital as follows: <ul style="list-style-type: none"> <li>• Buildings and Constructions: SAR 38.4 million</li> <li>• Medical Equipment and Furniture: SAR 11.6 million</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Facility Term</b>       | The loan is disbursed in payments set by the Ministry of Finance based on the construction and fixtures that have been completed. Rayan Hospital commits to complete the project within three (3) years from the date of signing the contract. The Ministry of Finance may extend the term for completion of the project by a maximum of one and a half year, if it became apparent that the delay resulted from force majeure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Repayment Period</b>    | The annual installment shall be set in accordance with the amount that has been used from the total loan at the end of the implementation period, which is three (3) years from the date of signing the Agreement. Repayment period commences four (4) years after the date of the Agreement and comprises of sixteen (16) equal installments paid annually loan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Guarantees</b>          | The land on which the project is to be established has been used as a guarantee, as well as any buildings, medical equipment, furniture, and fixtures that have been or will be erected thereon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Conditions</b>          | <ul style="list-style-type: none"> <li>• Rayan Hospital commits to start implementation of the project within eight (8) months from the agreement date.</li> <li>• Appointing an engineering consulting firm to oversee the project implementation, whether individually or in association with a foreign engineering consulting firm.</li> <li>• Appointing a Saudi chartered financial accountant to review the project's accounts.</li> <li>• Opening an independent bank account under the project's name with one of the local banks.</li> <li>• Observing and implementing all MOH requirements, the Ministry of Finance and other concerned government authorities in terms of technical, financial, accounting, administrative and other aspects related to the implementation and operation of the project.</li> <li>• Rayan Hospital commits to not expand the project on its own account, without prior written consent from the Ministry of Finance, as this may affect the Group's ability to repay the loan facility.</li> </ul> <p>If any breach mentioned in the agreement took place (such as if any of the facts on which the Ministry of Finance relied in providing the loan was deemed incorrect, or if Rayan Hospital failed to pay the installments on time, or declared bankruptcy or insolvency, or discontinued the implementation of the project, or disposed of the project, resulting in transfer of ownership, or leased the project to third parties without prior consent of the Ministry of Finance, or in case the project license is canceled), the full loan installments shall be payable immediately, and the Ministry of Finance may request to sell the guaranteed assets, or seize them, to fulfil the State's rights, the movable or immovable assets of Rayan Hospital in compliance with Sharia laws.</p> |



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| <b>Project</b>             | Khobar Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Signing Party</b>       | Khobar Hospital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Date of signature</b>   | 10/07/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Value</b>               | Loan of a value of SAR 200.0 million. As of 31/03/2019G, the amount due is SAR 110,294,400 (Ministry of Finance has paid only SAR 110,294,400)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Purpose of the loan</b> | <p>Financing establishment of Khobar Hospital as follows:</p> <ul style="list-style-type: none"> <li>• Hospital buildings: SAR 134,464,000</li> <li>• Main site works: SAR 2,032,000</li> <li>• Elevators: SAR 3,636,000</li> <li>• Air conditioner: SAR 16,322,000</li> <li>• Medical equipment and supplies: SAR 39,087,000</li> <li>• Furniture: SAR 3,909,000</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Facility Term</b>       | The loan is disbursed in payments set by the Ministry of Finance based on the construction and fixtures that have been completed. Khobar Hospital commits to complete the project within three (3) years from the date of signing the contract. The Ministry of Finance may extend the term for completion of the project by a maximum of one and a half year, if it became apparent that the delay resulted from force majeure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Repayment Period</b>    | The annual installment shall be set in accordance with the amount that has been used from the total loan at the end of the implementation period, which is three (3) years from the date of signing the Agreement. Repayment period commences five (5) years after the date of the Agreement and comprises of twenty (20) equal installments paid annually.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Guarantees</b>          | The land on which the project is to be established has been used as a guarantee, as well as any buildings, medical equipment, furniture, and fixtures that have been or will be erected thereon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Conditions</b>          | <ul style="list-style-type: none"> <li>• Khobar Hospital commits to start implementation of the project within one year from the agreement date.</li> <li>• Submitting an agreement executed with a contractor and appointing a consulting engineering firm to oversee the implementation of the project.</li> <li>• Appointing a Saudi chartered financial accountant to review the project's accounts.</li> <li>• Opening an independent bank account under the project's name with one of the local banks.</li> <li>• Providing the Ministry with a semi-annual report that includes project work progress and items completed until implementation completion</li> <li>• Observing and implementing all MOH requirements, the Ministry of Finance and other concerned government authorities in terms of technical, financial, accounting, administrative and other aspects related to the implementation and operation of the project.</li> </ul> <p>If any breach mentioned in the agreement took place (such as if any of the facts on which the Ministry of Finance relied in providing the loan was deemed incorrect, or if Khobar Hospital failed to pay the installments on time, or declared bankruptcy or insolvency, or discontinued the implementation of the project, or disposed of the project, resulting in transfer of ownership, or leased the project to third parties without prior consent of the Ministry of Finance, or in case the project license is canceled), the full loan installments shall be payable immediately, and the Ministry of Finance may request to sell the guaranteed assets, or seize them, to fulfil the State's rights, the movable or immovable assets of Khobar Hospital in compliance with Sharia laws.</p> |

Source: The Company.



## 12.11 Finance Agreements with Commercial Banks

The Group has entered four (4) financing agreements with commercial banks to finance its business activities. Below is a summary of the agreements that the Company considers material or significant or which may affect the decision of the Subscribers to invest in the Offer Shares. The summary of the agreements and contracts described below includes the material, not all, provisions of these agreements. The summary cannot be considered as an alternative to the terms and conditions of those agreements. As of 31/3/2019G, the total value of the financing agreements with commercial banks amounted to SAR 2.26 billion.

Some financing agreements concluded by the Company contain provisions requiring prior notice to the financiers in the event of any change in the Company's control or structure of ownership or in event of the Company's shares being offered for public subscription, as well as provisions requiring financiers' approval prior to occurrence of any of the aforementioned event.

The following table summarizes the banking financing agreements with commercial banks:

**Table (12-19): Banking Financing Agreements with commercial banks**

| # | Bank Name                 | Agreement Date                             | Maximum Financing (SAR) |
|---|---------------------------|--------------------------------------------|-------------------------|
| 1 | National Commercial Bank  | 09/01/1440H (corresponding to 19/09/2018G) | 459,636,596.37          |
| 2 | National Commercial Bank  | 12/07/1439H (corresponding to 29/03/2018G) | 1,105,000,000           |
| 3 | SAMBA Financial Group     | 29/04/1439H (corresponding to 16/01/2018G) | 165,000,000             |
| 4 | Saudi British Bank (SABB) | 30/08/1440H (corresponding to 05/05/2019G) | 533,330,000             |

Source: The Company.

The following is the summary of the financing agreements concluded by the Company and some local banks:

### A- Banking Facilities Agreement between the Company and National Commercial Bank

The Company entered into a banking facilities agreement with the National Commercial Bank on 09/01/1440H (corresponding to 19/09/2018G) for a facility of SAR 459,636,596.37. The Company is in process of renewing the agreement.

**Table (12-20): Conditions of the Facility Agreement with the National Commercial Bank on 09/01/1440H (corresponding to 19/09/2018G)**

|                                               |                      |                                                                                          |
|-----------------------------------------------|----------------------|------------------------------------------------------------------------------------------|
| <b>Total Facilities</b>                       | SAR 459,636,596.37   |                                                                                          |
| <b>Date of the agreement</b>                  | 19/09/2018G          |                                                                                          |
| <b>1- Murabaha import documentary credits</b> | Maximum Facility     | SAR 25,000,000                                                                           |
| <b>a- Murabaha import documentary credits</b> | Sub-limit            | SAR 25,000,000                                                                           |
|                                               | Term of Finance      | 180 days (provided that the term of credit financing and delay does not exceed 360 days) |
|                                               | Maximum Delay        | 180 days (not exceeding 360 days)                                                        |
|                                               | Purpose              | Supporting purchase of consumables from local and international suppliers                |
| <b>b- Commercial Facility</b>                 | Sub-limit            | SAR 25,000,000                                                                           |
|                                               | Term of Finance      | 360 days                                                                                 |
|                                               | Method of Repayment: | Lump sum by the expiry of finance term                                                   |
|                                               | Purpose              | Supporting purchase of consumables from local and international suppliers                |

|                                                                |                      |                                                                                                                    |
|----------------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------|
| c- Commercial Facility                                         | Sub-limit            | SAR 25,000.000                                                                                                     |
|                                                                | Term of Finance      | 330 days                                                                                                           |
|                                                                | Method of Repayment: | Lump sum by the expiry of finance term                                                                             |
|                                                                | Purpose              | Financing outstanding conventional documentary credits                                                             |
| d- Sight documentary credits                                   | Sub-limit            | SAR 25,000,000                                                                                                     |
|                                                                | Term of Finance      | 180 days                                                                                                           |
|                                                                | Method of Repayment: | Lump sum by the expiry of finance term through a commercial facility                                               |
|                                                                | Purpose              | Opening sight documentary credits to support the purchase of consumables from local and international suppliers    |
| e- Deferred documentary credits                                | Sub-limit            | SAR 25,000,000                                                                                                     |
|                                                                | Term of Finance      | 180 days (provided that the term of credit financing and delay does not exceed 360 days)                           |
|                                                                | Maximum Delay        | 180 days (not exceeding 360 days)                                                                                  |
|                                                                | Method of Repayment: | Lump sum by the expiry of finance term                                                                             |
|                                                                | Purpose              | Opening deferred documentary credits to support the purchase of consumables from local and international suppliers |
| 2- Murabaha import documentary credits (on sight and deferred) | Common limit         | SAR 125,000,000                                                                                                    |
|                                                                | Term of Finance      | 180 days (provided that the term of credit financing and delay does not exceed 360 days)                           |
|                                                                | Maximum Delay        | 180 days (not exceeding 360 days)                                                                                  |
|                                                                | Purpose              | Purchase of medical equipment, furniture and fittings from local and international suppliers                       |
| a- 1. Sight documentary credits                                | Partial limit        | SAR 125,000,000                                                                                                    |
|                                                                | Term of Finance      | 180 days                                                                                                           |
|                                                                | Method of Repayment: | Lump sum by the expiry of finance term through a commercial facility                                               |
|                                                                | Purpose              | Opening sight documentary credits to support the purchase of consumables from local and international suppliers    |
| b- Deferred documentary credits                                | Partial limit        | SAR 125,000,000                                                                                                    |
|                                                                | Term of Finance      | 180 days (provided that the term of credit financing and delay does not exceed 360 days)                           |
|                                                                | Maximum Delay        | 180 days                                                                                                           |
|                                                                | Method of Repayment: | Lump sum by the expiry of finance term through a commercial facility                                               |
|                                                                | Purpose              | Opening deferred documentary credits to support the purchase of consumables from local and international suppliers |
| c- Commercial Facility                                         | Partial limit        | SAR 125,000,000                                                                                                    |
|                                                                | Term of Finance      | 59 months (terms of Murabaha and facility shall not, collectively, exceed 5 years)                                 |
|                                                                | Method of Repayment: | 20 equal quarterly installments. As of the first day of credit financing                                           |
|                                                                | Purpose              | Financing documentary credits payable and Murabaha under the limit of Murabaha import documentary credits          |



|                                    |                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                       |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| 3- Letters of guarantee            | Maximum Facility                                                                                                                                                                                                                                                                                                                                              | SAR 47,275,000; this amount will be increased to SAR 70,000,000, subject to the payment of stand-by letter of credit. |
|                                    | Term                                                                                                                                                                                                                                                                                                                                                          | From 6 months to 4 years depending on the type of the guarantee                                                       |
|                                    | Purpose                                                                                                                                                                                                                                                                                                                                                       | Issuance of letters of guarantee for government and semi-government entities                                          |
| 4- Profit margin swap              | Maximum Facility                                                                                                                                                                                                                                                                                                                                              | SAR 5,000,000                                                                                                         |
|                                    | Pricing                                                                                                                                                                                                                                                                                                                                                       | National Commercial Bank treasury price                                                                               |
|                                    | Term                                                                                                                                                                                                                                                                                                                                                          | Two years                                                                                                             |
|                                    | Purpose                                                                                                                                                                                                                                                                                                                                                       | Meeting the needs of the Company's foreign exchange.                                                                  |
| 5- Profit margin swap              | Maximum Facility                                                                                                                                                                                                                                                                                                                                              | SAR 15,000,000                                                                                                        |
|                                    | Term                                                                                                                                                                                                                                                                                                                                                          | 4.5 years                                                                                                             |
|                                    | Purpose                                                                                                                                                                                                                                                                                                                                                       | Hedging against changes in SAIBOR rates                                                                               |
| 6- Commercial Facility             | Sub-limit                                                                                                                                                                                                                                                                                                                                                     | SAR 219,636,596.37                                                                                                    |
|                                    | Term of Finance                                                                                                                                                                                                                                                                                                                                               | 6 years to 30/06/2021G                                                                                                |
|                                    | Method of Repayment:                                                                                                                                                                                                                                                                                                                                          | Repayment is made in 19 equal quarterly installments. The profit margin is paid on a monthly basis                    |
|                                    | Purpose                                                                                                                                                                                                                                                                                                                                                       | Financing Suweidi Hospital Project                                                                                    |
| Guarantees                         | 1- A bill of order of SAR 459,636,596.37 issued by the Company                                                                                                                                                                                                                                                                                                |                                                                                                                       |
| Conditions                         | 1- Submitting financial statements within 90 days of each half year end and end of year financial statements within 120 days of the year end<br>2- Depositing Suweidi Hospital revenues with the National Commercial Bank account<br>3- Maintaining total Tangible Equity above SAR 3 billion<br>4- Loan service coverage ratio shall not be less than 1.25:1 |                                                                                                                       |
| The Governing Law and Jurisdiction | The agreement of facilities is subject to the applicable laws of the Kingdom.<br>In case of litigation, SAMA's Banking Disputes Resolution Committee shall have jurisdiction.                                                                                                                                                                                 |                                                                                                                       |

Source: The Company.

## B- Banking Facilities Agreement between Khobar Hospital and National Commercial Bank

Khobar Hospital has entered into a banking facilities agreement with the National Commercial Bank on 12/07/1439H (corresponding to 29/03/2018G) to obtain facilities of SAR 1,105,000,000.

**Table (12-21): Conditions of the facility agreement between Khobar Hospital and the National Commercial Bank on 12/07/1439H (corresponding to 29/03/2018G)**

|                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                   |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Total Facilities                                            | SAR 1,105,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                   |
| Date of agreement                                           | 29/03/2018G                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                   |
| 1- Profit margin swap                                       | Maximum Facility                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | SAR 52,000,000                                                                                                                    |
|                                                             | Term                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 7 years                                                                                                                           |
| 2- Special facilities for financing Khobar Hospital project | Maximum Facility                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | SAR 1,053,000,000                                                                                                                 |
| a- Commercial Facility                                      | Common limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | SAR 1,053,000,000                                                                                                                 |
|                                                             | Grace period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 31/12/2021G                                                                                                                       |
|                                                             | Availability Period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 30/06/2019G                                                                                                                       |
|                                                             | Maturity Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 31/12/2026G                                                                                                                       |
|                                                             | Method of Repayment:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 28 equal quarterly instalments                                                                                                    |
|                                                             | Purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Financing Khobar Hospital Project                                                                                                 |
| b- Deferred import credits                                  | Common limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | SAR 1,053,000,000                                                                                                                 |
|                                                             | Term of Finance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 180 days                                                                                                                          |
|                                                             | Maximum Delay                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 180 days                                                                                                                          |
|                                                             | Purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Supporting the purchase and import of machinery and equipment necessary to complete the project from local and external suppliers |
| c- Sight import credits                                     | Common limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | SAR 1,053,000,000                                                                                                                 |
|                                                             | Term of Finance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 180 days                                                                                                                          |
|                                                             | Purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Supporting the purchase and import of machinery and equipment necessary to complete the project from local and external suppliers |
| Guarantees                                                  | 1- A bill of order of SAR 1,053,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                   |
|                                                             | 2- Guarantee of equity by the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                   |
| Financial undertakings                                      | 1- The ratio of total liabilities to the net rights of the Shareholders shall not exceed 2.5:1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                   |
|                                                             | 2- Loan service coverage ratio than 1.3:1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                   |
| Conditions                                                  | 1- No new borrowing is allowed during term of commercial facility without a prior written consent<br>2- Depositing Khobar Hospital revenues with the National Commercial Bank account<br>3- Appointing a consultant for the project as approved by the National Commercial Bank during the construction period<br>4- Providing the National Commercial Bank with the annual and / or quarterly financial statements (as the case may be) no later than 60 days from the date of maturity of the budget term. Any increase in costs for project construction will be covered from the hospital's own sources<br>5- Assigning the Company to manage, operate and build the hospital<br>6- No change in the ownership of Khobar Hospital<br>7- Making an insurance policy in favor of the Bank of at least 100% of National Commercial Bank's exposure at all times |                                                                                                                                   |





|                                    |                                                                                                                                                                               |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Conditions (Continued)             | 8- No mortgage or sale of project properties<br>9- Registration of a secondary mortgage to the Bond No. 330203003927                                                          |
| The Governing Law and Jurisdiction | The agreement of facilities is subject to the applicable laws of the Kingdom.<br>In case of litigation, SAMA's Banking Disputes Resolution Committee shall have jurisdiction. |

Source: The Company.

#### C- Banking Facilities Agreement between the Company and Samba Financial Group

The Company entered into a banking facilities agreement with Samba Financial Group on 29/07/1439H (corresponding to 16/01/2018G) for a facility of SAR 165,000,000.

**Table (12-22): Conditions of the Facility Agreement with Samba Financial Group dated 29/07/1439H (corresponding to 16/01/2018G)**

|                                    |                                                                                                                                                                                                                                                      |                                             |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Total Facilities                   | SAR 165,000,000                                                                                                                                                                                                                                      |                                             |
| Date of the agreement              | 16/01/2018G                                                                                                                                                                                                                                          |                                             |
| 1- Murabaha term facilities        | Maximum Facility                                                                                                                                                                                                                                     | SAR 165,000,000                             |
|                                    | Availability Period                                                                                                                                                                                                                                  | 29/11/2018G                                 |
|                                    | Facility Term                                                                                                                                                                                                                                        | 1,460 days                                  |
|                                    | Purpose                                                                                                                                                                                                                                              | Financing the purchase of medical equipment |
| Conditions                         | 1- Providing Samba with the financial statements within a period of 120 days after the end of every Financial Year<br>2- Providing Samba with semi-annual financial statements within 45 days after the end of the first half of each Financial Year |                                             |
| The Governing Law and Jurisdiction | The agreement of facilities is subject to the applicable laws of the Kingdom.<br>In case of litigation, SAMA's Banking Disputes Resolution Committee shall have jurisdiction.                                                                        |                                             |

Source: The Company.

#### D- Banking Facility Agreement between the Company and the Saudi British Bank

The Company entered into a banking facilities agreement with the Saudi British Bank on 30/08/1440H (corresponding to 05/05/2019G) for a facility of SAR 533,330,000.

**Table (12-23): Conditions of the Facility Agreement with the Saudi British Bank dated 30/08/1440H (corresponding to 05/05/2019G)**

|                                           |                          |                                                                 |
|-------------------------------------------|--------------------------|-----------------------------------------------------------------|
| Total Facilities                          | 533,330,000              |                                                                 |
| Date of the agreement                     | 05/05/2019G              |                                                                 |
| 1- Murabaha financing/Tawarruq for Metals | Maximum                  | SAR 83,330,000                                                  |
|                                           | Term of Finance          | One month after signing the guarantee documents                 |
| 2- Commercial Facility                    | Maximum Facility         | SAR 400,000,000                                                 |
|                                           | Term of Finance          | One month after signing the guarantee documents                 |
|                                           | Term of each transaction | Three and a half years (including a grace period of six months) |
|                                           | Availability Period      | One year                                                        |
|                                           | Purpose                  | Financing capital expenditure requirements                      |
| 3- Joint facilities                       | Maximum Facility         | SAR 50,000,000                                                  |



|                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                             |
|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a- Financing Murabaha documentary credits (on sight/deferred/Class B) | Sub-limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | SAR 50,000,000                                                                                                                                                              |
|                                                                       | Purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Importing materials for the Company's business                                                                                                                              |
|                                                                       | Term of transaction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 180 days                                                                                                                                                                    |
| b- Shipping guarantees                                                | Sub-limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | SAR 50,000,000                                                                                                                                                              |
|                                                                       | Purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Issuance of shipping guarantees for the clearance of goods in the case of delayed arrival of the original bill of lading relating to documentary credits issued by the Bank |
| c- Initial/final guarantees/ advance payment                          | Sub-limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | SAR 10,000,000                                                                                                                                                              |
|                                                                       | Purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Issuing guarantees for MOH                                                                                                                                                  |
|                                                                       | Term of guarantee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | One year for initial guarantees<br>Three years for final guarantees and advance payments                                                                                    |
| Guarantees                                                            | 1- A bill of order of SAR 533,330,000 provided by the Company<br>2- An irrevocable assignment of the contract payments to the Bank, supported by the owner of the project and accepted by the Bank in respect of the final guarantees and the advance payment<br>3- Authorization to accept verbal instructions and telex, as well as fax instructions<br>4- A letter of representation to deposit all POS and pharmacy proceeds with the Saudi British Bank<br>5- Islamic finance agreement<br>6- Islamic banking facilities agreement and letter<br>7- Decision of the Company/Board of Directors approving the facilities |                                                                                                                                                                             |
| Conditions                                                            | 1- Providing semi-annual administrative accounts and financial statements and the aging of receivables                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                             |
| The Governing Law and Jurisdiction                                    | The agreement of facilities is subject to the applicable laws of the Kingdom. In case of litigation, SAMA's Banking Disputes Resolution Committee shall have jurisdiction.                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                             |

Source: The Company.

## 12.12 Material Contracts with Related Parties

The transactions between the Group and Related Parties for the year ended 31/12/2018G and the three-month period ended 31/03/2019G amounted to SAR 56.7 million and SAR 23.2 million, respectively. It is worth noting that the Company has awarded the construction works contract to Masah Contracting Company (related party to Sulaiman Abdulaziz Sulaiman Al-Habib and Hesham Sulaiman Abdulaziz Al-Habib) with a value of SAR 348.9 million in connection with North Riyadh Hospital, and this Contract was approved by the Extraordinary General Assembly.

The Directors confirm none of the agreements with Related Parties described under this section contain preferential conditions, and have been concluded in accordance with laws and regulations on an arms length basis. Except as disclosed in this section of this Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party including the Financial Advisor and the Legal Advisor in respect of the Offering.

Moreover, the Directors acknowledge their intention to comply with Articles 71 and 72 of the Companies Law and Article 46 of the Corporate Governance Regulations issued in relation to contracts with the Related Parties. Below are the details of the material agreements between the Company and the Related Parties.

**Table (12-24): Summary of Material Contracts with Related Parties**

| # | Contracting Party                                       | Date        | Nature of Contract/<br>Transaction and its<br>Objective                                                                                        | Related Party                                                                     | Nature of<br>Relationship                                                                             | Term of Contract                                                                                                                                       | Value of<br>transaction<br>during the<br>Financial<br>Year ended<br>31/12/2018G<br>(SAR Million) | Value of<br>transaction<br>for the<br>three-month<br>period ended<br>31/03/2019G<br>(SAR Million) |
|---|---------------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 1 | Masah Contracting<br>Company                            | 30/10/2017G | General building contracting<br>- Site preparation and<br>construction works for Khobar<br>Hospital                                            | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Hesham Sulaiman<br>Abdulaziz Al-Habib  | Relative of<br>a shareholder<br>Relative of<br>a shareholder                                          | Six-month contract                                                                                                                                     | 21.2                                                                                             | 1.38                                                                                              |
| 2 | Masah Contracting<br>Company                            | 05/02/2018G | General building contracting -<br>for glazing and installation of<br>aluminum cladding for Khobar<br>Hospital                                  | Sulaiman Abdulaziz<br>Sulaiman Al-Habib,<br>Hesham Sulaiman<br>Abdulaziz Al-Habib | Relative of<br>a shareholder<br>Relative of a<br>shareholder                                          | (3) Three-month contract                                                                                                                               | 1.6                                                                                              | -                                                                                                 |
| 3 | Nemara Specialized<br>Trading Institution               | 15/10/2015G | Purchasing instruments and<br>electrical supplies for use by<br>the Group                                                                      | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Hesham Sulaiman<br>Abdulaziz Al-Habib  | shareholder<br>Relative of<br>a shareholder                                                           | Three years as of the<br>agreement date, to be<br>renewed automatically on<br>annual basis afterwards.<br>Contract value depends on<br>purchase orders | 2.42                                                                                             | 1.11                                                                                              |
| 4 | Sulaiman Abdulaziz<br>Al-Habib                          | 01/07/2018G | Warehouse lease contract for<br>Dubai Hospital                                                                                                 | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Hesham Sulaiman<br>Abdulaziz Al-Habib  | Contracting party<br>Relative<br>of the contracting<br>party                                          | One year, renewed<br>annually thereafter                                                                                                               | 0.07                                                                                             | 0.07                                                                                              |
| 5 | Sulaiman Abdulaziz<br>Al-Habib                          | 01/06/2018G | Warehouse lease contract for<br>Dubai Hospital                                                                                                 | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Hesham Sulaiman<br>Abdulaziz Al-Habib  | Contracting party<br>Relative of the<br>contracting party                                             | One year, renewed<br>annually thereafter                                                                                                               | 0.15                                                                                             | 0.15                                                                                              |
| 6 | Sulaiman Abdulaziz<br>Al-Habib                          | 26/04/2018G | Pharmacy / medical center<br>lease contract for Dubai<br>Hospital                                                                              | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Hesham Sulaiman<br>Abdulaziz Al-Habib  | Contracting party<br>Relative of the<br>contracting party                                             | One year, renewed<br>annually thereafter                                                                                                               | 5.11                                                                                             | 5.11                                                                                              |
| 7 | Rawafed Al Seha<br>International Company <sup>(1)</sup> | -           | waiver by related party of<br>its outstanding balance<br>as a result of the Group's<br>acquisition of Rawafed Al<br>Seha International Company | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Hesham Sulaiman<br>Abdulaziz Al-Habib  | Relative of the<br>contracting party<br>Relative of the<br>assignor<br>Assignor of the<br>balance due | N/A                                                                                                                                                    | 10,8                                                                                             | -                                                                                                 |

| #  | Contracting Party                                                | Date        | Nature of Contract/<br>Transaction and Its<br>Objective                                                                                            | Related Party                                                                                                            | Nature of<br>Relationship                                                    | Term of Contract                                                        | Value of<br>transaction<br>during the<br>Financial<br>Year ended<br>31/12/2018G<br>(SAR Million) | Value of<br>transaction<br>for the<br>three-month<br>period ended<br>31/03/2019G<br>(SAR Million) |
|----|------------------------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 8  | Rawafed Al Seha<br>International Company <sup>(1)</sup>          | 01/01/2019G | Acquisition of all shares in the<br>Company and repaying debts                                                                                     | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Hesham Sulaiman<br>Abdulaziz Al-Habib                                         | Relative of the<br>controlling party<br>Relative of the<br>controlling party | N/A                                                                     | -                                                                                                | 13.761                                                                                            |
| 9  | Rawafed Al Seha<br>International Company                         | 01/01/2019G | Purchasing instruments,<br>supplies and equipment<br>with regard to the Group's<br>operation based on the<br>purchase orders                       | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Hesham Sulaiman<br>Abdulaziz Al-Habib                                         | Relative of the<br>shareholder<br>Relative of<br>the shareholder             | Purchase<br>orders                                                      | -                                                                                                | -                                                                                                 |
| 10 | Al Andalus Real Estate<br>Company                                | 30/10/2014G | Partnership contract for<br>design, development,<br>management and operation of<br>South West Jeddah Hospital                                      | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Saleh Mohammed<br>Abdulaziz Al-Habib<br>Hesham Abdulaziz<br>Sulaiman Al-Habib | Partner<br>Relative of a Partner<br>Relative of a Partner                    | Ninety-nine (99) years<br>as of 30/10/2014G,<br>automatically renewable | -                                                                                                | -                                                                                                 |
| 11 | Mohammad Abdulaziz<br>Al-Habib Real Estate<br>Investment Company | 01/10/2012G | Lease Contract for Employees<br>Residential Complex between<br>the Company and Mohammad<br>Abdulaziz<br>Al-Habib Real Estate<br>Investment Company | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Saleh Mohammed<br>Abdulaziz Al-Habib                                          | Relative of<br>the shareholder<br>Relative of<br>the shareholder             | Fifteen (15) years,<br>automatically renewable                          | 1.6                                                                                              | 1.6                                                                                               |
| 12 | Masah Contracting<br>Company                                     | 12/12/2019G | General building contracting                                                                                                                       | Sulaiman Abdulaziz<br>Sulaiman Al-Habib<br>Hesham Sulaiman<br>Abdulaziz Al-Habib                                         | Relative of<br>a shareholder<br>Relative of<br>a shareholder                 | Twenty months from<br>the date of signing the<br>contract               | -                                                                                                | -                                                                                                 |

Source: The Company.

(1) The Company has transferred all its shares in Rawafed. (the Company owned 100% of the share capital of Rawafed) to Rasha Bint Sulaiman Al-Habib (a Related Party) pursuant to the sale agreement dated 01/01/2019G for an amount of SAR 13,761,974, representing the net book value of Rawafed as of the date of this agreement. This related party transaction has been presented to the General Assembly which was held on 05/06/2019G and has been approved.

## 12.13 Internal Transactions and Contracts between the Company and its Subsidiaries

The following section summarizes the internal transactions and contracts between the Company and its Subsidiaries. Neither the value of agreed fees nor the volume of annual transactions have been disclosed as the Group believes that disclosure of such information could result in competitive and commercial damages, and will have a material and adverse impact on the Group and its future business. The Group also confirms that such agreements and contracts have been concluded on a commercial basis.

### A- Management Agreements between the Company and its Subsidiaries

The Company has entered into 10 management and operation agreements during the period from 01/01/2012G to 01/01/2014G with its wholly owned Subsidiaries (the “**Subsidiaries**”):

- Dubai Hospital.
- MD Labs.
- HHC.
- Maternity Hospital.
- Olaya Medical Company.
- Qassim Hospital.
- Rayan Hospital.
- Spinal Hospital.
- Suweidi Hospital.
- Takhassusi Hospital.

These agreements were entered into under the same terms. Pursuant to these agreements, the Company manages the hospitals and medical centers for the Subsidiaries, including: (1) selecting tools and providing necessary expertise, technical works, management services, and medical supplies; (2) representing the Subsidiaries before all official bodies and private parties (including banks and clients); (3) having full power to financially manage the Subsidiaries; and (4) developing policies regarding the recruitment and employment of Health Practitioners and staff (including salaries, bonuses and other benefits). The Subsidiaries in return pay a portion of the total annual revenues to the Company for these services. The term of these agreements is one (1) Gregorian year, automatically renewable for similar term, all agreements are still valid unless either party sends a notice to the other party that it intends to terminate the agreement 30 days prior to the expiry of the contract term. Those agreements are governed by the applicable laws in the Kingdom of Saudi Arabia.

### B- Management agreements between the Group's Subsidiaries

#### Management Agreement with Middle East Pharmacies and Afia Pharmacies

The Company has entered into management agreements with both the MEP and Afia Pharmacies (together, the “**HMG Pharmacies**”) on 13/03/2014G and 01/07/2016G, respectively. Pursuant to these agreements, the Company provides management and operation services for pharmacies in Olaya Medical Complex, Qassim Hospital, Rayan Hospital, Spinal Hospital, Takhassusi Hospital and any other pharmacy that the HMG Pharmacies may open in the future. Operation services include the selection of equipment and technical staff, the recruitment of pharmacists and employees, the management of pharmacy businesses and the provision of all medical equipment, materials and supplies, as well as medicines. In addition, the Company represents the HMG Pharmacies before official bodies (including banks). The Company is responsible for financial operations, development of remuneration policy, recruitment and termination of employment contracts. Moreover, it represents the HMG Pharmacies before other parties and customers. The Company receives a percentage of the total revenues of relevant pharmacies for the services it provides. The initial term of the agreements is one (1) year from the date on which the operations of the MEP and Afia Pharmacies commence and the agreements are automatically renewed unless terminated by one of the parties on thirty (30) days' prior notice. No party may terminate the agreements before its expiry, unless a force majeure event occurs which lasts for 120 days, or if one of the parties breaches their obligations (including payment of financial obligations) or fails to rectify that situation within ninety (90) days after notification. These agreements are subject to the applicable laws in the Kingdom of Saudi Arabia.

## Management Agreements for Qurtoba and Khobar Hospitals

On 02/05/2007G, the Company has entered into two management and operation agreements with both Qurtoba Hospital and Khobar Hospital under similar terms. Pursuant to these agreements, the Group manages and operates private hospitals for these companies and in consideration for the services provided by the Group, these companies pay a proportion of their total hospital revenues to the Group. In addition, those companies pay the Group a percentage of the project construction cost (including the cost of buildings, equipment, furniture and the contract made with the consultant supervising the project) periodically based on the progress made in return for the design and supervision of the project implementation. The initial term of the agreements is ten (10) Gregorian years as of commencement of the project and automatically renewed for similar periods, unless the companies notify the Group of their desire not to renew these agreements six (6) months prior to first or renewed agreement's expiration. The agreements are subject to the applicable laws in the Kingdom of Saudi Arabia.

## Operation Agreement with Dr. Abdulaziz Al Ajaji Dental Complex

An operation agreement was entered into between the Group and Ajaji Dental on 24/4/2014G regarding the operation of the Group's dental clinics. Pursuant to this agreement, Ajaji Dental will operate all dental clinics located in the Group's hospitals, whether they are already constructed or will be constructed in the future inside and outside the Kingdom. Services provided by Ajaji Dental include the selection of equipment, the recruitment of medical and technical personnel, the operation of the Group's dental clinics and provision of all medical supplies and consumables as well as pharmaceuticals, in return for a specific portion of clinic's total revenues. In return, the Group provides spaces for clinics, marketing services, accounting services, maintenance and other services. The agreement term is fifteen (15) years starting from the agreement execution date and is automatically renewable unless one of the Parties terminates the agreement pursuant to a notice served 12 months prior to the expiration of the agreement. The agreement is subject to the applicable laws in the Kingdom.

## Management Agreement between Dubai Hospital and Dr. Abdulaziz Ibrahim Abdullah Al Ajaji

Dr. Abdul Aziz Ibrahim Abdullah Al Ajaji has provided administrative and operational services to the dental department at Dubai Hospital since 05/08/2007G. A management agreement was entered into on 13/03/2014H between Dubai Hospital and Dr. Abdulaziz Ibrahim Abdullah Al Ajaji to ensure that these services are provided pursuant to the Group's terms and standards. Under this agreement, Dr. Abdulaziz Ibrahim Al Ajaji will manage the Dental Department at Dubai Hospital. The services provided by Dr. Abdulaziz Ibrahim Abdullah Al Ajaji include the selection of devices and equipment, the recruitment of medical and technical staff, the operation of dental clinics and the provision of all medical supplies and consumables as well as pharmaceuticals. In return, Dr. Abdul Aziz Ibrahim Abdullah Al Ajaji receives a percentage of total Dubai Hospital's dental clinic revenues. Dubai Hospital is responsible for all costs for operating dental clinics. The agreement is for a term of one (1) year from the date of its execution and is automatically renewable unless one of the parties terminates the agreement pursuant to a notice served 90 days prior to the expiry of the agreement. The agreement is subject to the applicable laws in the Kingdom of Saudi Arabia.

## C- Support Services Agreements

### Agreements between Serco Services Company and the Group's Subsidiaries

Serco Services Company entered into nine agreements in the period from 29/12/2012G to 16/11/2015G to provide general support and maintenance services with the Company, Spinal Hospital, Maternity Hospital, Olaya Medical Company, Qassim Hospital, Rayan Hospital, Takhassusi Hospital, Suweidi Hospital and diagnostic laboratories (collectively referred to as the "Receiving Party") on similar terms. Pursuant to these agreements, Serco Services provides qualified staff to the Receiving Party at the rates agreed between the Parties (as amended on 30/05/2016G) to provide general support and maintenance services in exchange for fees agreed between the Parties. The Receiving Party is entitled to request an increase or a decrease (as applicable) in the number of employees upon a request to Serco Services. The Receiving Party also may request that Serco Services terminate or replace any of the employees who provide services under this agreement in case of negligence or violation on the employee's part. The Receiving Party undertakes not to pay any salaries, loans or debts to the employees provided by Serco Services while they are working at Serco Services. The agreement term is three (3) years from the effective date and is automatically renewable unless terminated by one of the parties. The Receiving Party may also terminate the agreement at its discretion pursuant to a thirty (30)-day prior written notice. These agreements are subject to the applicable laws in the Kingdom of Saudi Arabia.



## Employee Secondment Agreements between the Group's Subsidiaries

The Group and Olaya Medical Company, Qassim Hospital, Maternity Hospital, Spinal Hospital, Rayan Hospital, Takhassusi Hospital, Diagnostic Medical Laboratories, Middle East Pharmacies, Antab Al Riyadh, Cloud Solutions, Suweidi Hospital, Khobar Hospital and Qurtoba Hospital entered into agreements on 14/03/2014G to second employees for a fee agreed between the parties. Under these agreements, the relevant service provider provides qualified employees to the receiving party who may request an increase or decrease in staff according to the level of the tasks required under a prior written notice to the service provider. The service provider also undertakes to provide staff and comply with all relevant regulatory requirements. The receiving party has the right to terminate or replace the services provided by any employee in the event of negligence, breach or violation of the terms. The agreement has a term of one (1) year and is automatically renewable unless terminated by one of the parties. Any receiving party may terminate the agreement at its own discretion pursuant to a thirty (30)-day prior written notice without affecting the validity of the agreement as between the other parties. This agreement is subject to the applicable laws in the Kingdom of Saudi Arabia.

### D- Service Level Agreement between the Company and Cloud Solutions

On 01/01/2019G, the Company and Cloud Solutions entered into a service level agreement for the provision of technical management services and technical and operational support services. Cloud Solutions will provide the agreed upon services on a cost plus basis (with the profit margin varying depending on the service provided). The agreement has a term of one (1) year and is automatically renewable unless terminated by either of the parties upon a ninety (90)-day prior written notice. The parties may agree to terminate the agreement in writing at any time as a result of any material breach or insolvency of either party. This agreement is governed by the applicable laws of the Kingdom and any disputes arising therefrom are referred to the competent courts in the Kingdom of Saudi Arabia.

### E- Agreements for Supply of Medicines and Medical Products

MEP signed an agreement with Olaya Medical Company, Qassim Hospital, Rayan Hospital, Spinal Hospital, Maternity Hospital, Takhassusi Hospital and Afia Pharmacies on 14/03/2014G (and on 01/01/2017G regarding the agreement with Afia Pharmacies). In addition, Afia Pharmacies has entered into agreement with Al-Suweidi Hospital on 01/01/2017G regarding the supply of medicines and medical products to the patients of the Group on a cost plus basis. The agreement has a term of one (1) year and is automatically renewable unless terminated by either of the parties upon a three month written notice. The Agreement shall be governed by applicable laws in the Kingdom of Saudi Arabia.

### F- Company's Registered Trademark Consent Agreements

The Company has entered into seven agreements with its Subsidiaries to grant them the right to use its registered trademarks for the purpose of their commercial activities in the area set out in the agreements. Each agreement has a term until the expiration of the trademark registration. The Company may terminate the agreements at any time pursuant to a written notice and such termination shall not give the other party the right to any compensation. The table below provides a summary of the material details of these agreements:





**Table (12-25): Summary of Registered Trademark Consent Agreements**

| # | Trademark                                                                                                                                                      | Trademark Owner | licensee                                                                                                                                                                                                         | Geographical area     | Agreement Date                                                                                      | Agreement Termination Date |
|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------------------------------------------------------------------------------------|----------------------------|
| 1 | <br>د. سليمان الحبيب<br>DR SULAIMAN AL HABIB                                  | The Company     | 1. Khobar Hospital<br>2. Takhassusi Hospital<br>3. Rayan Hospital<br>4. Spinal Hospital<br>5. Maternity Hospital<br>6. Qurtoba Hospital<br>7. Qassim Hospital<br>8. Suweidi Hospital<br>9. Olaya Medical Company | Not Specified Kingdom | 17/07/1423H<br>19/06/1437H<br>Concerning agreements with Suweidi Hospital and Olaya Medical Company | Not Specified              |
| 2 | <br>د. سليمان الحبيب<br>DR SULAIMAN AL HABIB<br>صيدليات Pharmacies            | The Company     | Afia Pharmacies <sup>(1)</sup>                                                                                                                                                                                   | KSA                   | 18/11/1439H                                                                                         | 16/08/1449H                |
| 3 | <br>د. سليمان الحبيب<br>DR SULAIMAN AL HABIB<br>صيدليات Pharmacies            | The Company     | MEP <sup>(1)</sup>                                                                                                                                                                                               | KSA                   | 19/12/1439H                                                                                         | 16/08/1449H                |
| 4 | <br>د. سليمان الحبيب<br>DR SULAIMAN AL HABIB<br>المجموعة الطبية medical group | The Company     | Dubai Hospital <sup>(1)</sup>                                                                                                                                                                                    | UAE                   | 26/03/2019G                                                                                         | 21/10/2027G                |
| 5 | <br>د. سليمان الحبيب<br>DR SULAIMAN AL HABIB<br>صيدليات Pharmacies           | The Company     | Dubai Hospital <sup>(1)</sup>                                                                                                                                                                                    | UAE                   | 26/03/2019G                                                                                         | 05/07/2028G                |

Source: The Company.

(1) The Company is in process of registering these agreements with the Ministry of Commerce and Investment.

## 12.14 Company-Owned Properties

The Group owns the following properties:

**Table (12-26): Company-Owned Properties**

| # | Owner                 | Title deed details             | Location | Description of the purpose                                      | Area (m <sup>2</sup> ) | Book value (SAR) | Status of mortgage       |
|---|-----------------------|--------------------------------|----------|-----------------------------------------------------------------|------------------------|------------------|--------------------------|
| 1 | The Company           | 60544/2013 dated 24/12/2013G   | Dubai    | Used by Dubai Hospital                                          | 3,069.94               | 15,425,435       | -                        |
| 2 | The Company           | 26956/2014 dated 20/06/2015G   | Dubai    | Used by Dubai Hospital                                          | 3,688.66               | 33,595,321       | -                        |
| 3 | The Company           | 910118001095 dated 06/09/1428H | Riyadh   | Used by the Olaya Medical Complex                               | 1.125                  | 3,487,500        | -                        |
| 4 | The Company           | 320221006889 dated 27/03/1438H | Jeddah   | Used for the purpose of establishing South West Jeddah Hospital | 1,138.38               | 7,285,632        | -                        |
| 5 | Olaya Medical Company | 310115035445 dated 21/02/1435H | Riyadh   | Used by IVF Center                                              | 559                    | 2,580,149        | 6,546,300 <sup>(1)</sup> |
| 6 | Olaya Medical Company | 910115035495 dated 26/02/1435H | Riyadh   | Used by IVF Center                                              | 559                    | 2,580,149        | 6,546,300 <sup>(1)</sup> |



| #  | Owner                                | Title deed details             | Location  | Description of the purpose                                      | Area (m <sup>2</sup> ) | Book value (SAR) | Status of mortgage                                         |
|----|--------------------------------------|--------------------------------|-----------|-----------------------------------------------------------------|------------------------|------------------|------------------------------------------------------------|
| 7  | South West Jeddah Hospital           | 720226012103 dated 20/06/1438H | Jeddah    | Used for the purpose of establishing South West Jeddah Hospital | 21,415.35              | 64,246,050       | -                                                          |
| 8  | South West Jeddah Hospital           | 920212012934 dated 21/06/1438H | Jeddah    | Used for the purpose of establishing South West Jeddah Hospital | 8,935.73               | 26,507,190       | -                                                          |
| 9  | Khobar Hospital                      | 330205009566 dated 22/04/1437H | Al Khobar | Used by Khobar Hospital                                         | 1,606.69               | 12,351,430       | -                                                          |
| 10 | Khobar Hospital                      | 330205009565 dated 22/04/1437H | Al Khobar | Used by Khobar Hospital                                         | 1,181.75               | 9,084,702        | -                                                          |
| 11 | Khobar Hospital                      | 330209001072 dated 04/03/1437H | Al Khobar | Used by Khobar Hospital                                         | 1,608.04               | 9,417,100        | -                                                          |
| 12 | Khobar Hospital                      | 830209001070 dated 04/03/1437H | Al Khobar | Used by Khobar Hospital                                         | 1,373.27               | 8,045,000        | -                                                          |
| 13 | Khobar Hospital                      | 330209001068 dated 04/03/1437H | Al Khobar | Used by Khobar Hospital                                         | 1,159.73               | 6,797,600        | -                                                          |
| 14 | Khobar Hospital                      | 930209001071 dated 04/03/1437H | Al Khobar | Used by Khobar Hospital                                         | 985.8                  | 5,772,000        | -                                                          |
| 15 | Khobar Hospital                      | 330209001027 dated 27/03/1437H | Al Khobar | Used by Khobar Hospital                                         | 836.85                 | 5,575,248        | -                                                          |
| 16 | Khobar Hospital                      | 330209001069 dated 04/03/1437H | Al Khobar | Used by Khobar Hospital                                         | 1,605.45               | 12,114,241       | -                                                          |
| 17 | Khobar Hospital                      | 230203007387 dated 16/07/1439H | Al Khobar | Used by Khobar Hospital                                         | 28,955.9               | 51,300,532       | 200,000,000 <sup>(1)</sup><br>1,053,000,000 <sup>(2)</sup> |
| 18 | North Jeddah Hospital <sup>(4)</sup> | 320227007025 dated 26/07/1439H | Jeddah    | Used for the purpose of establishing North Jeddah Hospital      | 10.080                 | 65,520,000       | -                                                          |
| 19 | North Jeddah Hospital                | 320228014863 dated 27/01/1440H | Jeddah    | Used for the purpose of establishing North Jeddah Hospital      | 14,048.89              | 98,342,230       | -                                                          |
| 20 | Qassim Hospital                      | 962509003304 dated 29/07/1435H | Buraidah  | Dedicated to Qassim Hospital                                    | 6,555                  | 6,862,080        | -                                                          |
| 21 | Qassim Hospital                      | 962512006866 dated 19/02/1437H | Buraidah  | Dedicated to Qassim Hospital                                    | 8,775                  | 23,835,113       | -                                                          |
| 22 | Qassim Hospital                      | 362509003306 dated 29/07/1435H | Buraidah  | Dedicated to Qassim Hospital                                    | 5,750                  | 6,862,080        | -                                                          |



| #  | Owner                          | Title deed details             | Location | Description of the purpose                                | Area (m <sup>2</sup> ) | Book value (SAR) | Status of mortgage |
|----|--------------------------------|--------------------------------|----------|-----------------------------------------------------------|------------------------|------------------|--------------------|
| 23 | Qassim Hospital                | 962509003302 dated 29/07/1435H | Buraidah | Dedicated to Qassim Hospital                              | 5,619.35               | 6,862,080        | -                  |
| 24 | Qassim Hospital                | 562509003305 dated 29/07/1435H | Buraidah | Dedicated to Qassim Hospital                              | 6,750.47               | 6,862,080        | -                  |
| 25 | Qassim Hospital                | 762512006867 dated 19/02/1437H | Buraidah | Dedicated to Qassim Hospital                              | 6,975.63               | 21,450,082       | -                  |
| 26 | Qassim Hospital <sup>(5)</sup> | 5/2/588 dated 28/14/1427H      | Buraidah | Dedicated to Qassim Hospital                              | 2,5210.67              | 3,204,766        | -                  |
| 27 | Qassim Hospital                | 762509003303 dated 29/07/1435H | Buraidah | Dedicated to Qassim Hospital                              | 3,917.21               | 6,862,080        | -                  |
| 28 | Qurtoba Hospital               | 510118002602 dated 27/12/1428H | Riyadh   | Used for the purpose of establishing the Qurtoba Hospital | 129,143.30             | 72,804,536       | -                  |
| 29 | Rayan Hospital                 | 710122018286 dated 24/12/1432H | Riyadh   | Used by Rayan Hospital                                    | 685                    | 2,575,000        | -                  |
| 30 | Rayan Hospital                 | 810107009687 dated 01/12/1429H | Riyadh   | Used by Rayan Hospital                                    | 432                    | 540,000          | -                  |
| 31 | Rayan Hospital                 | 310120007756 dated 03/12/1429H | Riyadh   | Used by Rayan Hospital                                    | 432                    | 540,000          | -                  |
| 32 | Rayan Hospital                 | 310124000227 dated 03/12/1429H | Riyadh   | Used by Rayan Hospital                                    | 1,566                  | 1,957,500        | -                  |
| 33 | Rayan Hospital                 | 910114011972 dated 01/12/1429H | Riyadh   | Used by Rayan Hospital                                    | 506.25                 | 632,812          | -                  |
| 34 | Rayan Hospital                 | 610107018943 dated 28/01/1432H | Riyadh   | Used by Rayan Hospital                                    | 506.25                 | 1,950,000        | -                  |
| 35 | Rayan Hospital                 | 910117025503 dated 08/07/1435H | Riyadh   | Used by Rayan Hospital                                    | 1,235.25               | 2,161,687        | -                  |
| 36 | Rayan Hospital                 | 710107025559 dated 19/03/1433H | Riyadh   | Used by Rayan Hospital                                    | 1,208.14               | 3,866,048        | -                  |
| 37 | Rayan Hospital                 | 310105029837 dated 30/03/1433H | Riyadh   | Used by Rayan Hospital                                    | 483.14                 | 2,000,000        | -                  |
| 38 | Rayan Hospital                 | 210115032522 dated 05/07/1434H | Riyadh   | Used by Rayan Hospital                                    | 750                    | 8,000,000        | -                  |
| 39 | Rayan Hospital                 | 910122018266 dated 24/12/1432H | Riyadh   | Used by Rayan Hospital                                    | 2,532.28               | 12,535,000       | -                  |
| 40 | Rayan Hospital                 | 310103025076 dated 28/02/1433H | Riyadh   | Used by Rayan Hospital                                    | 750                    | 3,000,000        | -                  |



| #  | Owner                                | Title deed details             | Location | Description of the purpose                                 | Area (m <sup>2</sup> ) | Book value (SAR) | Status of mortgage         |
|----|--------------------------------------|--------------------------------|----------|------------------------------------------------------------|------------------------|------------------|----------------------------|
| 41 | Rayan Hospital                       | 810103025075 dated 28/02/1433H | Riyadh   | Used by Rayan Hospital                                     | 750                    | 3,000,000        | -                          |
| 42 | Rayan Hospital                       | 410125013214 dated 03/02/1434H | Riyadh   | Used by Rayan Hospital                                     | 765                    | 5,000,000        | -                          |
| 43 | Rayan Hospital                       | 610118027485 dated 19/02/1435H | Riyadh   | Used by Rayan Hospital                                     | 20,000                 | 31,000,000       | 50,000,000 <sup>(1)</sup>  |
| 44 | Olaya Medical Company <sup>(3)</sup> | 310116038312 dated 07/06/1438H | Riyadh   | Used for the purpose of establishing North Riyadh Hospital | 43,601.19              | 566,851,740      | -                          |
| 45 | Spinal Hospital                      | 310112019009 dated 29/04/1431H | Riyadh   | Used by Spinal Hospital                                    | 1,160                  | 12,000,000       | 18,541,500 <sup>(1)</sup>  |
| 46 | Spinal Hospital                      | 210112019010 dated 29/04/1431H | Riyadh   | Used by Spinal Hospital                                    | 1,160                  | 12,000,000       | 18,541,500 <sup>(1)</sup>  |
| 47 | Suweidi Hospital                     | 210114030846 dated 18/09/1436H | Riyadh   | Used by Suweidi Hospital                                   | 19,373.40              | 38,748,800       | 200,000,000 <sup>(1)</sup> |
| 48 | Takhassusi Hospital                  | 310120035710 dated 01/01/1437H | Riyadh   | Used by Takhassusi Hospital                                | 2,685                  | 35,000,000       | -                          |
| 49 | Takhassusi Hospital                  | 210120035709 dated 01/01/1437H | Riyadh   | Used by Takhassusi Hospital                                | 1,200                  | 15,000,000       | -                          |
| 50 | Takhassusi Hospital                  | 310107016186 dated 26/04/1431H | Riyadh   | Used by Takhassusi Hospital                                | 17.325                 | 75,584,125       | 75,250,000 <sup>(1)</sup>  |
| 51 | Maternity Hospital                   | 710118001937 dated 14/11/1427H | Riyadh   | Used by Maternity Hospital                                 | 2,080                  | 13,520,000       | 20,831,000 <sup>(1)</sup>  |
| 52 | Olaya Medical Co.                    | 717827000186 dated 02/01/1441G | Riyadh   | Used by Olaya Medical Co.                                  | 1,125                  | 35,000,000       | -                          |

Source: The Company.

(1) This property is mortgaged to the Ministry of Finance.

(2) Subordinate mortgage in favor of the National Commercial Bank.

(3) Olaya Medical Company transfers the ownership of this property to the North Riyadh Hospital for the purpose of developing it for the benefit of the North Riyadh Hospital (please refer to section 4.9 “**Future Projects**” for further details on this project).

(4) Combination of the two plots in one title deed by competent authorities is underway.

(5) This instrument is being converted into a comprehensive electronic title deed

On 17/10/2004G, Dubai Hospital entered into five agreements for the purchase of commercial units in Dubai Healthcare City (units 401, 402, 403, 404 and 405 of Building 27 A/P) with a total area of 11,968 ft<sup>2</sup> in consideration for AED 4,049,100. Title deeds of these real estates are being issued by the competent authorities.

The Company also concluded a land purchase agreement with Tharwat Riyadh Industrial Fund Company to buy 22 real estate units of land No. 19/1 in Plan No. 3315/1 located in Riyadh under Deed No. 7010119036736 issued on 29/12/1438H, and an area of 43,823.40 m<sup>2</sup>, and the Company is awaiting completion of the formal steps to transfer ownership of such properties.



## 12.15 Properties Leased by the Group

The following table presents the key details of the properties leased by the Company:

**Table (12-27): Summary of Material Leases**

| #                         | Lessee                        | Lessor                                                                 | Location                        | Effective date of lease                             | Annual rent                                                                                                                                                  | Term of Contract                            |
|---------------------------|-------------------------------|------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| <b>Residential leases</b> |                               |                                                                        |                                 |                                                     |                                                                                                                                                              |                                             |
| 1                         | Olaya Medical Company         | Al Mousa Residential & Commercial Complex                              | Riyadh (Villa 14)               | 16/12/2015G                                         | SAR 1,330,000                                                                                                                                                | One year, renewed automatically             |
| 2                         | Olaya Medical Company         | Abdulaziz Abdullah Abdulaziz Al-Tamim                                  | Riyadh – Olaya Street           | 31/03/2015G                                         | SAR 1,299,000                                                                                                                                                | Five years, renewed automatically           |
| 3                         | The Company <sup>(1)</sup>    | Mohammad Al-Habib Real Estate Co.                                      | Qassim – Palma Village Compound | 01/10/2012G                                         | SAR 1,600,000                                                                                                                                                | 15 Gregorian years, renewed automatically   |
| 4                         | The Company                   | Othman Abdullah Abdulaziz Al Abd Al Karim                              | Riyadh – Al Rabie District      | 12/11/2011G                                         | SAR 1,008,000                                                                                                                                                | Ten Gregorian years, renewed automatically  |
| 5                         | The Company                   | Othman Abdullah Abdulaziz Al Abd Al Karim                              | Riyadh – Al Rabie District      | 12/11/2011G                                         | SAR 1,008,000                                                                                                                                                | Ten Gregorian years, renewed automatically  |
| 6                         | Rayan Hospital                | Sulaiman Dawood Yusuf Al Yusuf                                         | Riyadh – Al Rawdah District     | 25/09/2014G                                         | SAR 1,900,000                                                                                                                                                | Ten Gregorian years, renewed automatically  |
| 7                         | Suweidi Hospital              | Roiaa for Real Estate Investment                                       | Riyadh – Okaz                   | 05/07/2015G                                         | SAR 1,600,000                                                                                                                                                | Five Gregorian years, renewed automatically |
| 8                         | Suweidi Hospital              | Kadat Alestithmar Co.                                                  | Riyadh – Al Suweidi District    | 01/04/2017G                                         | SAR 4,273,000                                                                                                                                                | Five years, renewed automatically           |
| 9                         | Takhassusi Hospital           | Her Highness Princess Sara Bent Faisal bin Abdullah Al Saud            | Riyadh – Al-Malqa District      | 10/11/2016G                                         | SAR 1,260,000                                                                                                                                                | Five Hijri years, renewed automatically     |
| 10                        | Takhassusi Hospital           | Mrs. Mazna Nasser Abdullah Al-Nasser                                   | Riyadh – Al Rabie District      | 26/01/2013G                                         | SAR 1,700,000<br>The rental value has been amended to SAR 1,475,000 as of 01/03/2018G.                                                                       | Five Hijri years, renewed automatically     |
| 11                        | Takhassusi Hospital           | Her Royal Highness Princess Nora bint Saad bin Abdulaziz Al Saud       | Riyadh – Al-Malqa District      | 17/03/2015G                                         | SAR 1,250,000 for the first five years and SAR 1,300,000 for the following five years. The rental value has been amended to SAR 1,200,000 as of 01/10/2017G. | Ten Gregorian years, renewed automatically  |
| 12                        | Takhassusi Hospital           | Her Royal Highness Princess. Jawahar bint Sultan bin Abdulaziz Al Saud | Riyadh – Al-Malqa District      | 09/07/2012G                                         | SAR 2,700,000<br>The rental value has been amended to SAR 2,160,000 as of 01/04/2017G.                                                                       | Ten Gregorian years, renewed automatically  |
| <b>Commercial leases</b>  |                               |                                                                        |                                 |                                                     |                                                                                                                                                              |                                             |
| 1                         | Cloud Solutions               | Al-Mader Center Company for Income and Real Estate                     | Riyadh – Olaya District         | 20/02/2018G                                         | SAR 983,500                                                                                                                                                  | Ten years, renewed automatically            |
| 2                         | Dubai Hospital <sup>(1)</sup> | Dr. Sulaiman Abdulaziz Al-Habib                                        | Dubai                           | 26/04/2018G<br>The grace period ends on 30/09/2018G | AED 5,000,000                                                                                                                                                | One year                                    |



| #  | Lessee                        | Lessor                                                            | Location                        | Effective date of lease                      | Annual rent                                                                                                                                                                       | Term of Contract                             |
|----|-------------------------------|-------------------------------------------------------------------|---------------------------------|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| 3  | Dubai Hospital <sup>(1)</sup> | Dr. Sulaiman Abdulaziz Al-Habib                                   | Dubai                           | 01/07/2018G                                  | AED 72,500                                                                                                                                                                        | One year                                     |
| 4  | Dubai Hospital <sup>(1)</sup> | Dr. Sulaiman Abdulaziz Al-Habib                                   | Dubai                           | 01/06/2018G                                  | AED 145,000                                                                                                                                                                       | One year                                     |
| 5  | Olaya Medical Company         | Mahdi Qiran Hindi Al - Enezi                                      | Riyadh - Olaya District         | 05/07/2006G                                  | SAR 2,000,000                                                                                                                                                                     | 20 Gregorian years, renewed automatically    |
| 6  | Olaya Medical Company         | Heirs of Fahad Saleh Al-Kareidis                                  | Riyadh - Olaya District         | 25/07/2018G                                  | SAR 1,865,000 for residential apartments and SAR 385,000 for clinics                                                                                                              | Ten Gregorian years, renewed automatically   |
| 7  | Olaya Medical Company         | Abdulmajid Saleh Abdulrahman Al Saleh                             | Riyadh - Olaya District         | 01/08/1423H<br>It was renewed on 24/03/1433H | SAR 1,200,000                                                                                                                                                                     | Three years automatically renewable          |
| 8  | Qassim Hospital               | Buraidah Municipality                                             | Buraidah                        | 13/11/1424H                                  | SAR 80,000                                                                                                                                                                        | 20 Hijri years                               |
| 9  | Qassim Hospital               | Al-Qassim Municipality                                            | Qassim                          | 05/10/1435H                                  | SAR 40,000                                                                                                                                                                        | Ten Hijri years, renewed automatically       |
| 10 | The Company                   | Fahd Abdulmohsen Nasser Al Mutawa                                 | Riyadh City - Al-Sulay District | 15/05/2017G                                  | SAR 95,000                                                                                                                                                                        | Three Gregorian years, renewed automatically |
| 11 | The Company                   | Fahd Abdulmohsen Nasser Al Mutawa                                 | Riyadh City - Al-Sulay District | 15/05/2017G                                  | SAR 240,000                                                                                                                                                                       | Three years, renewed automatically           |
| 12 | The Company                   | Fahd Abdulmohsen Nasser Al Mutawa                                 | Riyadh City - Al-Sulay District | 01/06/2016G                                  | SAR 120,000                                                                                                                                                                       | Five years, renewed automatically            |
| 13 | The Company                   | Fahd Abdulmohsen Nasser Al Mutawa                                 | Riyadh City - Al-Sulay District | 12/04/2016G                                  | SAR 110,000                                                                                                                                                                       | Three years, renewed automatically           |
| 14 | The Company                   | Fahd Abdulmohsen Nasser Al Mutawa                                 | Riyadh City - Al-Sulay District | 14/02/2017G                                  | SAR 240,000                                                                                                                                                                       | Three years, renewed automatically           |
| 15 | Sulay Branch                  | Fahd Abdulmohsen Nasser Al Mutawa                                 | Riyadh City - Al-Sulay District | 16/05/2016G                                  | SAR 120,000                                                                                                                                                                       | Five years as of 01/06/2016G                 |
| 16 | Sulay Branch                  | Raed Sulaiman Omar Al-Kharshi                                     | Riyadh City - Al-Sulay District | 15/01/2019G                                  | SAR 190,000                                                                                                                                                                       | Five years as of 01/08/2019G                 |
| 17 | The Company                   | Fahd Mohammad Ibrahim Al-Musaire'ee                               | Riyadh City - Al-Sulay District | 10/03/2013G                                  | SAR 300,000                                                                                                                                                                       | Five Gregorian years, renewed automatically  |
| 18 | Khobar Hospital               | Abdulaziz Alajlan Sons for Commercial & Real Estate Investment Co | Khobar - Al Nahdah District     | 18/10/2018G                                  | SAR 311,400                                                                                                                                                                       | Five years, renewed automatically            |
| 19 | MD Labs                       | Ahmad Ibrahim Sulaiman Behairi                                    | Riyadh - Olaya District         | 21/11/2012G                                  | Total rent for the first five years: 1,200,000<br>Total rent for the second five years: 1,380,000<br>Total rent for the third five years: 1,587,000<br>Saudi Arabian Riyals (SAR) | Fifteen years automatically renewable        |
| 20 | The Company                   | Heirs of Rafik Mohammed Rashid Abdul Qadir                        | Riyadh - Olaya District         | 25/05/2017G                                  | SAR 926,250                                                                                                                                                                       | Five years, renewed automatically            |



| #  | Lessee           | Lessor                                     | Location                   | Effective date of lease | Annual rent   | Term of Contract                            |
|----|------------------|--------------------------------------------|----------------------------|-------------------------|---------------|---------------------------------------------|
| 21 | The Company      | Heirs of Rafik Mohammed Rashid Abdul Qadir | Riyadh – Olaya District    | 25/05/2017G             | SAR 3,125,000 | Five years, renewed automatically           |
| 22 | The Company      | Waqf Ibrahim Saad Al-Mussa Establishment   | Riyadh – Olaya District    | 15/10/1437H             | SAR 200,000   | Three Hijri years                           |
| 23 | The Company      | Waqf Ibrahim Saad Al-Mussa Establishment   | Riyadh – Olaya District    | 25/03/1438H             | SAR 120,000   | Three Hijri years                           |
| 24 | The Company      | Waqf Ibrahim Saad Al-Mussa Establishment   | Riyadh – Olaya District    | 01/01/1437H             | SAR 280,000   | Three Hijri years                           |
| 25 | Suweidi Hospital | Mohammed Fares Mohammed Al-Khudairy        | Riyadh – Al-Zahra District | 05/08/2018G             | SAR 100,000   | Five Gregorian years, renewed automatically |

Source: The Company.

(1) This contract has been entered into with a Related Party. Please refer to section 12.12 “Material Contracts with Related Parties” of this Prospectus for further details on these contracts.

## 12.16 Intellectual Property

The Group has registered all trademarks on which it relies in its business as success factors to support its competitive position in the market. The Group’s inability to protect its trademarks or in the event that the Group has to take legal action to protect its trademarks may have a material adverse effect on the Group’s ability to use its trademarks, which will have an effect on the Group’s business and results of operations (please refer to section 2.1.3 “Risks Related to the Group’s Reputation and Brand” for further details).

The following table shows some key details of all the Company’s registered trademarks:

**Table (12-28): Key details of trademarks registered by the Group**

| Trademark                                                                                                                                                        | Registration country                                          | Registration No. | Protection Start Date | Protection Expiry Date | Category |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|------------------|-----------------------|------------------------|----------|
| <br>د. سليمان الحبيب<br>DR SULAIMAN AL HABIB                                  | Kingdom of Saudi Arabia                                       | 143112362        | 29/12/1431H           | 28/12/1441H            | 44       |
| <br>د. سليمان الحبيب<br>DR SULAIMAN AL HABIB<br>المجموعة الطبية medical group | United Arab Emirates                                          | 101386           | 21/10/2017G           | 21/10/2027G            | 35       |
|                                                                                                                                                                  | United Arab Emirates                                          | 101387           | 21/10/2017G           | 21/10/2027G            | 44       |
|                                                                                                                                                                  | Europe Union countries                                        | 017942692        | 14/08/2018G           | 14/08/2028G            | 35/44    |
|                                                                                                                                                                  | Turkey                                                        | 77100/2018       | 20/10/2018G           | 20/10/2028G            | 44       |
|                                                                                                                                                                  | Djibouti                                                      | 20512018         | 06/09/2018G           | 06/09/2028G            | 44       |
|                                                                                                                                                                  | African Regional Intellectual Property Organization countries | 103797           | 07/09/2018G           | 07/09/2028G            | 44       |
|                                                                                                                                                                  | Kingdom of Morocco                                            | 196615           | 03/09/2018G           | 04/09/2028G            | 44       |





| Trademark | Registration country    | Registration No. | Protection Start Date | Protection Expiry Date | Category |
|-----------|-------------------------|------------------|-----------------------|------------------------|----------|
|           | Kingdom of Saudi Arabia | 1437014582       | 28/06/1437H           | 19/10/1447H            | 44       |
|           | Kingdom of Bahrain      | 113700           | 24/12/2015G           | 24/12/2025G            | 35       |
|           | Kuwait                  | 141556           | 16/12/2015G           | 16/12/2025G            | 35       |
|           | The Sultanate of Oman   | 99578            | 17/12/2015G           | 17/12/2025G            | 35       |
|           | State of Qatar          | 102588           | 22/12/2015G           | 22/12/2025G            | 35       |
|           | United Arab Emirates    | 249768           | 06/03/2016G           | 06/03/2026G            | 35       |
|           | State of Qatar          | 102590           | 22/12/2015G           | 22/12/2025G            | 42       |
|           | Kingdom of Bahrain      | 113699           | 24/12/2015G           | 24/12/2025G            | 44       |
|           | Kuwait                  | 138536           | 16/12/2015G           | 16/12/2025G            | 44       |
|           | The Sultanate of Oman   | 99579            | 17/12/2015G           | 17/12/2025G            | 44       |
|           | United Arab Emirates    | 249769           | 06/03/2016G           | 06/03/2026G            | 44       |
|           | Kingdom of Saudi Arabia | 1437014581       | 28/06/1437H           | 19/10/1447H            | 44       |
|           | Kingdom of Bahrain      | 113697           | 24/12/2015G           | 24/12/2025G            | 35       |
|           | Kuwait                  | 141555           | 16/12/2015G           | 16/12/2025G            | 35       |
|           | The Sultanate of Oman   | 99576            | 17/12/2015G           | 17/12/2025G            | 35       |
|           | State of Qatar          | 102589           | 22/12/2015G           | 22/12/2025G            | 35       |
|           | United Arab Emirates    | 249773           | 06/03/2016G           | 06/03/2026G            | 35       |
|           | State of Qatar          | 102591           | 22/12/2015G           | 22/12/2025G            | 42       |
|           | Kingdom of Bahrain      | 113698           | 24/12/2015G           | 24/12/2025G            | 44       |
|           | Kuwait                  | 138336           | 16/12/2015G           | 16/12/2025G            | 44       |
|           | The Sultanate of Oman   | 99577            | 17/12/2015G           | 17/12/2025G            | 44       |
|           | United Arab Emirates    | 249779           | 06/03/2016G           | 06/03/2026G            | 44       |
|           | Kingdom of Saudi Arabia | 1437011707       | 23/05/1437H           | 22/05/1447H            | 10       |
|           | Kingdom of Saudi Arabia | 1437011708       | 23/05/1437H           | 22/05/1447H            | 44       |
|           | Kingdom of Saudi Arabia | 1437011706       | 23/05/1437H           | 22/05/1447H            | 5        |
|           | Kingdom of Saudi Arabia | 1439010955       | 13/05/1439H           | 12/05/1449H            | 5        |
|           | Kingdom of Saudi Arabia | 1439019082       | 17/08/1439H           | 16/08/1449H            | 35       |
|           | United Arab Emirates    | 294991           | 05/07/2018G           | 05/07/2028G            | 35       |



| Trademark                                                                           | Registration country    | Registration No. | Protection Start Date | Protection Expiry Date | Category |
|-------------------------------------------------------------------------------------|-------------------------|------------------|-----------------------|------------------------|----------|
|    | Kingdom of Saudi Arabia | 1439019089       | 17/08/1439H           | 16/08/1449H            | 44       |
|    | Kingdom of Saudi Arabia | 1437011501       | 21/05/1437H           | 21/05/1447H            | 38       |
|    | Kingdom of Saudi Arabia | 1437011502       | 21/05/1437H           | 21/05/1447H            | 44       |
|    | Kingdom of Saudi Arabia | 1437017670       | 02/08/1437H           | 02/08/1447H            | 44       |
|    | Kingdom of Saudi Arabia | 1440022387       | 07/09/1440H           | 06/09/1450H            | 38       |
|    | Kingdom of Saudi Arabia | 1445023194       | 22/09/1440H           | 21/09/1450H            | 38       |
|   | Kingdom of Saudi Arabia | 1445023080       | 14/09/1440H           | 13/09/1450H            | 38       |
|  | Kingdom of Saudi Arabia | 1445023078       | 14/09/1440H           | 13/09/1440H            | 38       |

Source: The Company.



## 12.17 Other Intellectual Property Rights

The Group registered several internet domains. The following table summarizes the details of domain registrations:

**Table (12-29): Summary of the Group's registered internet domains**

| Name of internet domain                      | Expiry Date |
|----------------------------------------------|-------------|
| www.dshmg.com                                | 10/01/2023G |
| www.bghsurvey.com                            | 23/05/2020G |
| www.mdlaboratories.com                       | 31/08/2020G |
| www.dshmj.com                                | 27/09/2020G |
| www.dshmj.org                                | 27/09/2020G |
| www.askdrhabib.com                           | 12/07/2020G |
| www.hmg-careers.com                          | 17/01/2021G |
| www.cloudsolution-sa.com                     | 23/01/2021G |
| www.alhabibdrugstore.net                     | 14/02/2021G |
| www.alhabibdrugstore.com                     | 14/02/2022G |
| www.alhabibdrugstore.info                    | 14/02/2023G |
| www.alhabibdrugstore.org                     | 14/02/2024G |
| www.asharqalawsat-pharmacies.com             | 07/04/2022G |
| www.hmg.com                                  | 14/12/2022G |
| www.hmgpharmacies.com                        | 01/10/2023G |
| www.drsulaimanalhabibpharmacies.com          | 10/01/2023G |
| www.alhabibpharmacy.com                      | 01/05/2023G |
| www.alhabibpharmacies.com                    | 01/05/2023G |
| www.hmgnotifications.com                     | 24/07/2023G |
| www.hmginfotainment.com                      | 26/07/2023G |
| www.hmgwebservices.com                       | 07/12/2025G |
| www.csict.com.sa                             | -           |
| www.cloudsolutions.sa                        | -           |
| www.hmg.com.sa                               | -           |
| مستشفى - الدكتور - سليمان - الحبيب. السعودية | -           |
| مستشفى - سليمان - الحبيب. السعودية           | -           |
| سليمان - الحبيب. السعودية                    | -           |
| www.drsulaimanalhabib.com                    | 10/07/2024G |
| www.hmgervices.com                           | 23/11/2022G |
| www.hmg.ae                                   | 22/02/2023G |



## 12.18 Cases, Claims and Statutory Procedures

The Board of Directors confirms that, other than what is disclosed below, the Company is not a party in any judicial dispute, arbitration, administrative proceedings or investigations as of the date of this Prospectus, which may, individually or collectively, have a material impact on its financial position and results of operations. Each Director acknowledges that they are unaware of any claims or cases threatened to be filed.

The table below indicates the summary of material disputes filed against the Group as at the date of this Prospectus:

**Table (12-30): Summary of material disputes filed against the Group as at the date of this Prospectus**

| # | Plaintiff                            | Defendant          | Dispute Summary                                                                                                                                                                                                   | Status  | Amount claimed by the plaintiff | Notes              |
|---|--------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------------------------------|--------------------|
| 1 | An employee at Maternity Hospital    | Maternity Hospital | A financial claim regarding a labor dispute (compensation for the term of the two contracts of 25 months and ten days, the unpaid salaries, accrued leave benefits, the travel ticket allowance and lawyer fees). | Pending | SAR 1,383,499.77                | Pending litigation |
| 2 | An employee at MD Labs               | MD Labs            | A financial claim regarding a labor dispute (compensation for psychological, moral and material damage due to failure to change profession on residence permit)                                                   | Pending | SAR 10,000,000                  | Pending litigation |
| 3 | Heirs of a patient at Dubai Hospital | Dubai Hospital     | Financial claim for medical error                                                                                                                                                                                 | Pending | AED 5,000,0000                  | Pending litigation |
| 4 | A patient at Dubai Hospital          | Dubai Hospital     | Financial claim for medical error                                                                                                                                                                                 | Pending | AED 36,700,000                  | Pending litigation |

Source: The Company.



## 12.19 Insurance Policies

The Group maintains insurance policies covering different types of risks to which it may be exposed. The following table sets out the key particulars of the insurance policies held by the Group:

**Table (12-31): Details of Insurance Policies**

| # | Policy No.        | Types of Insurance Coverage                           | Insurance Company | Effective Duration                 | Maximum Insurance Coverage                                                                                                                                                              |
|---|-------------------|-------------------------------------------------------|-------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | 486165            | Medical malpractice insurance (Olaya Medical Company) | Tawuniya          | From 31/12/2017G<br>To 31/08/2020G | From SAR 250,000 to SAR 1,000,000 per claim by insured physician category.                                                                                                              |
| 2 | 486167            | Medical malpractice insurance (Qassim Hospital)       | Tawuniya          | From 31/12/2017G<br>To 31/08/2020G | From SAR 250,000 to SAR 500,000 per claim by insured physician category                                                                                                                 |
| 3 | 486166            | Medical malpractice insurance (Rayan Hospital)        | Tawuniya          | From 31/12/2017G<br>To 31/08/2020G | From SAR 250,000 to SAR 1,000,000 per claim by insured physician category.                                                                                                              |
| 4 | 601117            | Medical malpractice insurance (Suweidi Hospital)      | Tawuniya          | From 01/09/2017G<br>To 31/08/2020G | From SAR 250,000 to SAR 500,000 per claim by insured physician category                                                                                                                 |
| 5 | 486168            | Medical malpractice insurance (Takhassusi Hospital)   | Tawuniya          | From 31/12/2017G<br>To 31/08/2020G | From SAR 250,000 to SAR 1,000,000 per claim by insured physician category.                                                                                                              |
| 6 | 16599991          | Health insurance for employees working in the Kingdom | Tawuniya          | From 19/03/2019G<br>To 18/03/2020G | SAR 500,000                                                                                                                                                                             |
| 7 | P/09/5002/2015/2  | Money insurance                                       | Orient Insurance  | From 17/02/2019G<br>To 16/02/2020G | Funds in establishments during working hours: AED 450,000<br>Cash transferred: AED 300,000<br>Treasury fund: AED 400,000<br>Funds in the ATM: AED 50,000                                |
| 8 | P/09/1002/2019/12 | Insurance against all property risks                  | Orient Insurance  | From 05/03/2019G<br>To 04/03/2020G | Medical equipment: AED 10,233,364<br>Furniture: AED 2,220,000<br>Goods: AED 1,500,000<br>Other equipment and infrastructure: AED 8,500,000<br>AED 22,453,364<br>(Total insurance limit) |

| #  | Policy No.           | Types of Insurance Coverage                              | Insurance Company | Effective Duration                 | Maximum Insurance Coverage                                                                                                                                                                                |
|----|----------------------|----------------------------------------------------------|-------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9  | P/09/1002/2015/9     | Insurance against all Property risks                     | Orient Insurance  | From 05/03/2019G<br>To 04/03/2020G | AED 372,662,437<br>(Total insurance limit)<br>Building 57:<br>AED 262,961,159<br>Building 55:<br>AED 102,127,459<br>Building 27: 7,573,819                                                                |
| 10 | P/301/15/300907/19/1 | Health insurance for employees working at Dubai Hospital | Fidelity United   | From 01/04/2019G<br>to 31/03/2020G | From AED 150,000 to AED 500,000 by insured category                                                                                                                                                       |
| 11 | P/09/3707/2017/50    | Comprehensive insurance for a private commercial vehicle | Orient Insurance  | From 22/03/2019G<br>To 23/03/2020G | AED 2,000,000 in any accident                                                                                                                                                                             |
| 12 | P/09/3802/2018/24    | Comprehensive insurance for a private commercial vehicle | Orient Insurance  | From 08/04/2019G<br>To 07/04/2020G | AED 2,000,000 in any accident                                                                                                                                                                             |
| 13 | P/09/3707/2017/75    | Comprehensive insurance for a private commercial vehicle | Orient Insurance  | From 08/04/2019G<br>To 26/03/2020G | AED 2,000,000 in any accident                                                                                                                                                                             |
| 14 | 1/VF/37476/0/1       | Insurance for vehicles                                   | AXA Cooperative   | From 27/06/2019G<br>to 26/06/2020G | The limits of liability stipulated in the policy and arising from the use of insured vehicles in the Kingdom of Saudi Arabia.                                                                             |
| 15 | 1/VF/37475/0/3       | Insurance for vehicles                                   | AXA Cooperative   | From 27/06/2019G<br>to 26/06/2020G | Na                                                                                                                                                                                                        |
| 16 | 1/VF/37476/0/2       | Insurance for vehicles                                   | AXA Cooperative   | From 27/06/2019G<br>to 26/06/2020G | Na                                                                                                                                                                                                        |
| 17 | 1/VF/37474/0/1       | Insurance for vehicles                                   | AXA Cooperative   | From 27/06/2019G<br>to 26/06/2020G | It is always subject to the limit of liability stipulated in the policy and arising from the use of insured vehicles in the Kingdom of Saudi Arabia.                                                      |
| 18 | 1/VF/37474/0/3       | Insurance for vehicles                                   | AXA Cooperative   | From 27/06/2019G<br>to 26/06/2020G | Na                                                                                                                                                                                                        |
| 19 | 1/VF/37474/0/2       | Insurance for vehicles                                   | AXA Cooperative   | From 27/06/2019G<br>to 26/06/2020G | Na                                                                                                                                                                                                        |
| 20 | 1/VF/37474/0/0       | Insurance for vehicles                                   | AXA Cooperative   | From 27/06/2019G<br>to 26/06/2020G | The other party's liability (bodily injury and damage to property) is up to SAR 10,000,000 per incident.<br><br>Accident insurance is SAR 100,000 for any driver or passenger according to AXA standards. |



| #  | Policy No.     | Types of Insurance Coverage | Insurance Company                          | Effective Duration              | Maximum Insurance Coverage                                                                                                                                                                                                                                        |
|----|----------------|-----------------------------|--------------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21 | MFP/1227461    | Insurance for vehicles      | Allianz Saudi Fransi Cooperative Insurance | From 05/05/2019G to 04/05/2020G | Other party liability - bodily injury and damage to property: SAR 10,000,000.<br>Motor transport insurance costs: SAR 1,000.<br>Driver personal accidents: SAR 100,000.<br>Passenger personal accidents: SAR 100,000.<br>Passengers' medical expenses: SAR 2,500. |
| 22 | 1/VF/37480/0/1 | Insurance for vehicles      | AXA Cooperative                            | From 27/06/2019G to 26/06/2020G | Na                                                                                                                                                                                                                                                                |
| 23 | 1/VF/37480/0/0 | Insurance for vehicles      | AXA Cooperative                            | From 27/06/2019G to 26/06/2020G | The other party's liability (bodily injury and damage to property) is up to SAR 10,000,000 per incident.<br>Accident insurance is SAR 100,000 for any driver or passenger according to AXA standards.                                                             |
| 24 | 1/VF/37478/0/1 | Insurance for vehicles      | AXA Cooperative                            | From 27/06/2019G to 26/06/2020G | Na                                                                                                                                                                                                                                                                |
| 25 | 1/VF/37478/0/0 | Insurance for vehicles      | AXA Cooperative                            | From 27/06/2019G to 26/06/2020G | The other party liability (bodily injury and damage to property) is up to SAR 10,000,000 per incident.<br>Accident insurance is SAR 100,000 for any driver or passenger according to AXA standards.                                                               |
| 26 | 1/VF/37475/0/4 | Insurance for vehicles      | AXA Cooperative                            | From 27/06/2019G to 26/06/2020G | Na                                                                                                                                                                                                                                                                |
| 27 | 1/VF/37475/0/0 | Insurance for vehicles      | AXA Cooperative                            | From 27/06/2019G to 26/06/2020G | The other party's liability (bodily injury and damage to property) is up to SAR 10,000,000 per incident.<br>Accident insurance is SAR 100,000 for any driver or passenger according to AXA standards.                                                             |
| 28 | 1/VF/37479/0/0 | Insurance for vehicles      | AXA Cooperative                            | From 27/06/2019G to 26/06/2020G | It is always subject to the limit of liability stipulated in the policy which is SAR 10,000,000 and arising from the use of insured vehicles in the Kingdom of Saudi Arabia.                                                                                      |
| 29 | 1/VF/37476/0/3 | Insurance for vehicles      | AXA Cooperative                            | From 27/06/2019G to 26/06/2020G | Na                                                                                                                                                                                                                                                                |





| #  | Policy No.  | Types of Insurance Coverage | Insurance Company | Effective Duration              | Maximum Insurance Coverage                                                                                               |
|----|-------------|-----------------------------|-------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| 30 | MON/5810486 | Money insurance             | MEDGULF           | From 21/07/2019G to 21/07/2020G | Money in Treasury: SAR 20,000<br>Annual amounts transferred: SAR 7,200,000<br>Converted cash amounts: SAR 20,000         |
| 31 | MON/5810494 | Money insurance             | MEDGULF           | From 21/07/2019G to 21/07/2020G | Money in Treasury: SAR 485,000<br>Annual amounts transferred: SAR 66,600,000<br>Transferred cash amounts: SAR 2,500      |
| 32 | MON/5810460 | Money insurance             | MEDGULF           | From 21/07/2019G to 21/07/2020G | Money in Treasury: SAR 500,000<br>Annual amounts transferred: SAR 18,000,000<br>Transferred cash amounts: SAR 50,000     |
| 33 | MON/5810429 | Money insurance             | MEDGULF           | From 21/07/2019G to 21/07/2020G | Money in Treasury: SAR 5,100,000                                                                                         |
| 34 | MON/5810437 | Money insurance             | MEDGULF           | From 21/07/2019G to 21/07/2020G | Money in Treasury: SAR 20,000                                                                                            |
| 35 | MON/5810445 | Money insurance             | MEDGULF           | From 21/07/2019G to 21/07/2020G | Money in Treasury: SAR 358,000<br>Annual amounts transferred: SAR 128,880,000<br>Transferred cash amounts: SAR 358,000   |
| 36 | MON/5810411 | Money insurance             | MEDGULF           | From 21/07/2019G to 21/07/2020G | Money in Treasury: SAR 1,360,000<br>Annual amounts transferred: SAR 183,600,000<br>Transferred cash amounts: SAR 510,000 |
| 37 | MON/5810478 | Money insurance             | MEDGULF           | From 21/07/2019G to 21/07/2020G | Money in Treasury: SAR 615,000<br>Annual amounts transferred: SAR 113,400,000.<br>Transferred cash amounts: SAR 315,000  |
| 38 | MON/5810452 | Money insurance             | MEDGULF           | From 21/07/2019G to 21/07/2020G | Money in Treasury: SAR 507,000<br>Annual amounts transferred: SAR 74,520,000.<br>Transferred cash amounts: SAR 207,000   |
| 39 | PAR/5824016 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 23,775,540<br>Business interruptions: SAR 10,147,721<br>Total: SAR 33,923,261                       |



| #  | Policy No.  | Types of Insurance Coverage | Insurance Company | Effective Duration              | Maximum Insurance Coverage                                                                               |
|----|-------------|-----------------------------|-------------------|---------------------------------|----------------------------------------------------------------------------------------------------------|
| 40 | PAR/5824099 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 7,650,194<br>Business interruptions: SAR 3,070,834<br>Total: SAR 10,721,037         |
| 41 | PAR/5824008 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 741,783<br>Business interruptions: SAR 1,959,783<br>Total: SAR 2,701,566            |
| 42 | PAR/5824115 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 164,639,318<br>Business interruptions: SAR 62,678,872<br>Total: SAR 227,318,190     |
| 43 | PAR/5824073 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 61,116,960<br>Business interruptions: SAR 76,420,977<br>Total: SAR 137,537,937      |
| 44 | PAR/5824032 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 1,280,584,195<br>Business interruptions: SAR 75,311,400<br>Total: SAR 1,355,895,595 |
| 45 | PAR/5824024 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 8,759,866<br>Business interruptions: SAR 3,813,191<br>Total: SAR 12,573,057         |
| 46 | PAR/5824057 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 160,874,971<br>Business interruptions: SAR 61,591,313<br>Total: SAR 222,466,284     |
| 47 | PAR/5824065 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 120,391,539<br>Business interruptions: SAR 31,811,388<br>Total: SAR 152,202,927     |
| 48 | PAR/5824040 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 385,111,598<br>Business interruptions: SAR 121,903,763<br>Total: SAR 507,015,361    |
| 49 | PAR/5824107 | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 597,862,786<br>Business interruptions: SAR 21,102,050<br>Total: SAR 618,964,836     |



| #  | Policy No.     | Types of Insurance Coverage | Insurance Company | Effective Duration              | Maximum Insurance Coverage                                                                                                                                                                            |
|----|----------------|-----------------------------|-------------------|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 50 | PAR/5824081    | All-risk property insurance | MEDGULF           | From 21/07/2019G to 21/07/2020G | Serious damages: SAR 335,316,328<br>Business interruptions: SAR 107,815,619<br>Total: SAR 443,131,947                                                                                                 |
| 51 | 0/0/37485/VF/1 | Insurance for vehicles      | AXA Cooperative   | From 27/06/2019G to 26/06/2020G | The other party's liability (bodily injury and damage to property) is up to SAR 10,000,000 per incident.<br>Accident insurance is SAR 100,000 for any driver or passenger according to AXA standards. |

Source: The Company.

## 12.20 Description of Shares

### Share Capital

The Company's share capital is SAR 3,500,000,000 (three billion, five hundred million Saudi Riyals) divided into 350,000,000 (three hundred, fifty million) nominal Shares, with an equal nominal value of ten Saudi Riyals (SAR 10) each, all of which are ordinary shares. Trading in shares is subject to the laws and rules applicable to Tadawul-listed companies.

### Shares Trading

Shares that are subscribed for by the Shareholders shall not be traded before the publication of the financial statements for two Financial Years, and during each year no less than 12 months from the date of the conversion of the Company. The instruments shall contain information regarding the nature of the Shares, the date on which the Company was converted and the period of ownership of such shares by other Shareholders.

During lock-period, shares may, in accordance with the provisions of sale of rights, be transferred from one Shareholder or its heirs, in case of a deceased Shareholder or in case of seizing funds of insolvent or bankrupt Shareholder, to another Shareholder, provided that preemptive right to own such shares shall be granted to the other Shareholders. The provisions of this Article shall also apply to such shares that are subscribed for by Shareholders in case of an increase of capital prior to the expiry of lock-up period.

### Preferred Shares

The Extraordinary General Meeting of the Company may, based on the rules set by the competent authority, issue preferred shares, or decide to purchase the same or convert ordinary shares into preferred shares, or the preferred shares into ordinary shares. The preferred shares do not give their holders the right to vote at Shareholders' General Assemblies. However, such shares give their holders the right to get a higher percentage of net profits than the percentage allotted to the holders of ordinary shares after appropriation of the statutory reserve.

### Issuance of Shares

The shares shall be nominal Shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to a separate item in the Shareholders' equity. They may not be distributed as dividends to the Shareholders. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.



## **Voting Rights**

Each Shareholder shall have a vote for each share he/she represents in the Conversion Assembly, and each Shareholder shall have a vote for each share in the General Assemblies. Cumulative voting shall be used when electing the Board of Directors.

## **Purchase, Selling and Pledge by the Company of its Shares**

The Company may buy its Ordinary and preferred shares in accordance with the regulatory controls set by the competent authority. The shares purchased by the Company shall not have votes in the Shareholders' assemblies.

The Company may purchase its shares to use them as treasury shares in accordance with the purposes and controls set by the competent authority.

As part of the Employee Stock Program, the Company may purchase its shares in favor of its employees or employees of a subsidiary affiliated wholly or partly to the Company (either directly or indirectly) in accordance with the regulatory controls set by the competent authority.

The Company may sell its treasury shares in single stage or multiple stages in accordance with the regulations set by the competent authority.

The Company may pledge its shares to guarantee a debt in accordance with the regulations set by the competent authority.

## **Rights in Dividends**

The Shareholder shall be entitled to his/her share of the profits in accordance with the General Assembly's decision issued in this regard. The decision shall indicate the maturity date and the date of distribution. Moreover, Shareholders who are registered in the Shareholders Registers shall be eligible for profits at the end of the maturity date.

## **Rights in Surplus Assets upon Liquidation and Dissolution**

Pursuant to Article 110 of the Companies Law, Shares shall entail equal rights to the net profits and the liquidation surplus, subject to the conditions and restrictions set forth in the Companies Law or in the Company's Bylaws.

## **Approvals Necessary to Amend the Voting Rights**

The bylaws of the Company shall be adjusted to amend the rights and mechanism of voting in the Company's general assemblies. The Extraordinary General Assembly shall have the power to amend the bylaws. A meeting of the Extraordinary General Assembly shall not be valid unless attended by Shareholders representing at least 50% of the Company's share capital. If such a quorum cannot be attained at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that, the invitation for the first meeting mentions the possibility of having a second meeting. Otherwise, an invitation shall be directed for a second meeting to be held within 30 days following the date of the first meeting. In all cases, the second meeting shall be valid if attended by a number of Shareholders representing at least one quarter of the Company's share capital.

## 13- Underwriting

On 01/07/1441H (corresponding to 25/02/2020G), the Company, Selling Shareholders, and the Underwriter (**Jadwa Investment Company** and **Riyad Capital Company**) have entered into an Underwriting Agreement (the 'Underwriting Agreement'), under which the Underwriter has agreed to underwrite all of the fifty-two million five hundred thousand (52,500,000) Offer Shares subject to certain terms and conditions contained in the Undertaking Agreement. The name and address of the Underwriter is as follows:

### 13.1 Name and Address of the Underwriter

| Underwriter                                                                                                                                                                                                                                   |                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| <b>Jadwa Investment Company</b><br>South Tower - Sky Towers<br>P.O. Box 60677 Riyadh 11555<br>Kingdom of Saudi Arabia<br>Tel: + 966 (11) 279 1111<br>Fax No.: + 966 (11) 279 1571<br>Website: www.jadwa.com<br>Email: info@jadwa.com          |   |
| <b>Riyad Capital Company</b><br>2414 Shuhada District<br>P.O. Box: 21116 Riyadh 13241- 7279<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 9200 12299<br>Fax: +966 (11) 4865908<br>Website: www.riyadcapital.com<br>Email: ask@riyadcapital.com |  |

### 13.2 Summary of Underwriting Agreement

Under the terms and conditions contained in the Underwriting Agreement:

- 1- The Selling Shareholders undertake to the Underwriter that, on the first Business Day after the allocation of the Offer Shares following the end of the Offering Period, they shall:
  - a- sell and allocate the Offer Shares to any Individual Investors or Participating Entities whose application for Offer Shares has been accepted by the Receiving Agents; and
  - b- sell and allocate to the Underwriter the Offer Shares that are not purchased by Individual Investors or Participating Entities pursuant to the Offering.
- 2- The Underwriter undertakes to the Selling Shareholders that it will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Entities, as stated below:

**Table (13-1): Underwritten Shares**

| Underwriter              | Number of Offer Shares underwritten | Percentage of Offer Shares Underwritten |
|--------------------------|-------------------------------------|-----------------------------------------|
| Riyad Capital            | 38,888,889                          | 74.07%                                  |
| Jadwa Investment Company | 13,611,111                          | 25.93%                                  |
| <b>Total</b>             | <b>52,500,000</b>                   | <b>100.00%</b>                          |

### 13.3 Underwriting Costs

The Selling Shareholders will pay the Underwriter an underwriting fee based on the total value of the Offering. In addition, the Selling Shareholders agreed to pay, on behalf of the Company, the Underwriter's costs and expenses in connection with the Offering.



## 14- Offering Expenses

The Selling Shareholders will be responsible for all costs and expenses associated with the Offering, which are estimated at approximately SAR (110,000,000). They include the fees of the Financial Advisor, Underwriter, Lead Manager, Bookrunner, Legal Advisor, Financial Due Diligence Advisor, Auditor, Market Study Consultant and other Advisors, as well as expenses and fees of marketing, printing and distribution and other related expenses. The Offering expenses will be deducted from the proceeds of the Offering. The Company will not be responsible for payment of the Offering expenses.

## 15- The Company's Undertakings after being Listed

After being listed, the Company undertakes to:

- Complete Form 8 related to compliance with the Corporate Governance Regulations. If the Company does not comply with any of the requirements of the Corporate Governance Regulations, explain the reasons for such non-compliance;
- Provide the CMA with the date on which the first General Assembly will be held after its listing so that a representative may attend;
- Submit transactions and contracts in which a Director has a direct or indirect interest in the authorization of the General Assembly (in accordance with the Companies Law and Corporate Governance Regulations), provided that the interested Director shall be prohibited from voting on the relevant resolution in the Board and the General Assembly (please refer to section 12.12 **"Material Contracts with Related Parties"**);
- Comply with all the mandatory provisions of the Corporate Governance Regulations.
- Comply with the Rules on the Offer of Securities and Continuing Obligations and Listing Rules with respect to the Company's Continuing Obligations immediately upon listing; and
- Call for a General Assembly to update the Company's Bylaws immediately upon listing including:
  - a- Amending Article 20 of the Company's Bylaws to provide that "the Company will notify the Ministry and the CMA of the appointment of an interim member to occupy a Board vacancy within five (5) working days from the date of appointment.
  - b- Amending Article 35 of the Company's Bylaws to provide that the Company will send a copy of the invitation and the agenda to the Ministry and the CMA within the period set for publication.
  - c- Amending Article 50 of the Company's Bylaws to provide that the Company will send a copy of the documents related to the Company's financial statements, the report of the Board of Directors and the Auditors' report to the Ministry and the CMA within the required period.
  - d- Amending the first part of Article 38 of the Company's Bylaws to provide that "The Extraordinary General Assembly Meeting shall not be valid unless attended by Shareholders representing at least half of the capital".

Similarly, following the Admission, the Board of Directors undertakes to:

- Record all resolutions and deliberations by means of written meetings minutes, which shall be signed by the Board Chairman and Secretary; and
- Disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.





## 16- Waivers

The Company has applied to the CMA for waivers from the requirements of:

- a- Sub-paragraph (2) of Paragraph (b) of Article 7 of the Listing Rules, which stipulates that public shareholding shall not be less than 30% of the class of shares, subject of application, upon listing. The CMA Board approved this request;
- b- Paragraph (14) of Appendix (9) of the Rules on the Offer of Securities and Continuing Obligations regarding the disclosure of the material financial information of the Subsidiaries and the disclosure of the details of receivables according to the type of client in this Prospectus. The CMA Board approved this request; and
- c- Sub-paragraph (3) of paragraph (19) of Appendix (9) of the Rules on the Offer of Securities and Continuing Obligations regarding the disclosure of the details of revenue sharing agreements with the Company's physicians in this Prospectus. The CMA Board approved this request.

## 17- Subscription Terms and Conditions

The Company has made an application to the CMA for the registration and offer of securities and an application for listing of securities in Tadawul in accordance with the Rules on the Offer of Securities and Continuing Obligations, and Listing Rules. All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Receiving Agent is deemed as acceptance and approval of the subscription terms and conditions mentioned.

### 17.1 Subscription to Offer Shares

The Offering consists of fifty-two million five hundred thousand (52,500,000) Ordinary Offer Shares with a nominal value of SAR 10 per share at an Offer Price of SAR (50), including a fully paid nominal value of SAR (10) per share. The Offer Shares represent (15%) of the Company's Share Capital, with the total value of the Offering amounting to SAR (2,625,000,000). The Offering of the Offer Shares to the Individual Investors and the listing of the Offer Shares is contingent on the successful subscription by the Participating Entities to 100% of the Offer Shares. The Offering will be canceled if it is not fully subscribed for during this period. CMA has also the right to suspend the Offering if, at any time after the approval of this Prospectus and before the registration and admission to listing of the Shares in Tadawul, a material adverse change has occurred with respect to the Company's operations.

**Offering is restricted to the following two tranches of investors:**

#### Tranche (A): Participating Parties:

This tranche includes the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, please refer to section 1 "Terms and Definitions" of this Prospectus). Participating Entities will initially be allocated fifty-two million five hundred thousand (52,500,000) Offer Shares, representing 100% of the Offer Shares. In the event that there is sufficient demand by Individual Investors, the Lead Manager shall have the right to initially reduce the previously allocated Offer Shares to Participating Entities to forty-seven million two hundred fifty thousand (47,250,000) Offer Shares, representing (90%) of the total Offer Shares.

#### Tranche (B): Individual Investors:

This tranche includes Saudi Arabian natural persons, including divorced or widowed Saudi women with children by a non-Saudi husband, who may subscribe for Offer Shares in the name of any of those children who are minors for her own benefit, provided that she provides testable evidence proving that she is divorced or widowed and that she is the mother of such minor children. It also includes GCC investors having natural personality. The subscription by a person in the name of his divorcee shall be deemed invalid. If a transaction of this nature has been proved to have occurred, then the Law shall be enforced against such applicant. If any subscriber subscribes to shares twice, the second subscription shall be considered void and only the first subscription will be considered valid. A maximum of five million two hundred fifty thousand (5,250,000) Ordinary Offer Shares representing 10% of the total Offer Shares will be allocated for Individual Investors. In the event that the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

### 17.2 Book-Building and Subscription by Participating Entities

- a- The Financial Advisor will determine the price range for the purposes of book-building, which will be available to all Participating Parties.
- b- Each of the Participating Entities must submit an offer to purchase the Offer Shares during the Book Building Period by filling and submitting the Bid Form. The Participating Entities may change or cancel their Bid Forms at any time during the book-building process, provided that such change shall be made through submitting an amended or additional Bid Form, where applicable, before Offer Price determination to be made before the Offering Period. The number of Offer Shares to be subscribed by each Participating Entity shall neither be less than one hundred thousand (100,000) shares nor more than seventeen million four hundred ninety-nine thousand nine hundred ninety-nine (17,499,999) shares, and in relation only to public investment funds, it shall not exceed the maximum amount specified for each participating fund that is determined



in accordance with the Book Building Instructions. The number of requested shares shall be subject to allocation. The Bookrunner will inform the Participating Entities of the Offer Price and the number of Offer Shares initially allocated thereto. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the terms and conditions detailed in the Subscription Application Forms.

- c- After completing the book-building for the Participating Entities, the Financial Advisor will announce the covering percentage for the Participating Entities.
- d- The Financial Advisor and the Company will have the power to determine the Offer Price based on the forces of supply and demand, provided that it does not exceed the price set out in the Underwriting Agreement.

### 17.3 Subscription by Individual Investors

Each Individual Investor shall subscribe for a minimum of ten (10) Offer Shares and a maximum of five hundred thousand (500,000) Offer Shares. Changes to or withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be available during the Offering Period at Receiving Agents' branches. They shall be completed in accordance with the instructions mentioned below. Investors who have recently participated in recent IPOs can also subscribe through the Internet, banking telephone or ATMs of any of the Receiving Agents that offer some or all of such services to its customers, provided that the following requirements are satisfied:

- A- The Individual Investor shall have a bank account at a Receiving Agent which offers such services; and
- B- There should have been no changes to the personal information or data of the Subscriber since his subscription in the last Offering.

A signed Subscription Application Form represents a legally binding agreement between the Selling Shareholders and the relevant Individual Investor submitting it to the Receiving Agents.

Individual Investors may obtain a copy of this Prospectus and the Subscription Application Form from the branches of the following Receiving Agents (the prospectus is also available on the websites of the CMA, the Financial Advisor and the Company):

#### Receiving Agents

##### **Riyad Bank**

Al Shohda Dist.,  
P.O. Box: 22622, Riyadh 11416  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4013030  
Fax: +966 (11) 4865909  
Website: [www.riyadbank.com](http://www.riyadbank.com)  
Email: [customercare@riyadbank.com](mailto:customercare@riyadbank.com)



##### **National Commercial Bank**

King Abdulaziz Road  
P.O. Box: 3555, Jeddah 21481  
Kingdom of Saudi Arabia  
Tel: +966126493333  
Fax: +966126437426  
Website: [www.alahli.com](http://www.alahli.com)  
Email: [contactus@alahli.com](mailto:contactus@alahli.com)



## Receiving Agents

### Saudi British Bank (SABB)

Prince Abdulaziz bin Musaed bin Jalawi Street  
P.O. Box: 9084 Riyadh 11413  
Kingdom of Saudi Arabia  
Tel: +966114050677  
Fax: +966114050660  
Website: www.sabb.com  
Email: sabb@sabb.com

SABB  ساب

### Al Rajhi Bank

Olaya Road  
P.O. Box: 28, Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966112116000  
Fax: +966114600705  
Website: www.alrajhibank.com.sa  
Email: contactcenter1@alrajhibank.com

Al Rajhi Bank مصرف الراجحي



### Samba Financial Group

King Abdulaziz Road  
P.O. Box: 833, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: +966114774770  
Fax: +966114797979  
Website: www.samba.com  
Email: customercare@samba.com

samba  سامبا

The Receiving Agents will commence receiving Subscription Application Forms at their branches throughout the Kingdom beginning on Wednesday dated 02/07/1441H (corresponding to 26/02/2020G) until Tuesday dated 08/07/1441H (corresponding to 03/03/2020G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form. The total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR (50) per Offer Share.

Subscriptions by Individual Investors for less than ten (10) Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of such minimum number, while the maximum number of Offer Shares to be applied for is five hundred thousand (500,000) Offer Shares.

Subscription Application Forms for Individual Investors should be submitted during the Offering Period and accompanied, where applicable, with the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Investor):

- a- Original and copy of the Individual Investor's national civil identification card (in case of Individual Investors);
- b- Original and copy of the Individual Investor's national civil identification card (in case of GCC Individual Investor);
- c- Original and copy of the family civil identification card (when subscribing on behalf of family members);
- d- Original and copy of a legal power of attorney (when subscribing on behalf of others);

- e- Original and copy of certificate of guardianship (when subscribing on behalf of orphans);
- f- Original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);
- g- Original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and
- h- Original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

If an application is made on behalf of an Individual Investor (**parents and children only**), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form, and the original and copy of the power of attorney shall be attached. The power of attorney must be notarized by a notary public for the Individual Investors residing in the Kingdom and must be legalized through a Saudi embassy or consulate in the relevant country for the Individual Investors residing outside the Kingdom. The concerned official of the Receiving Agent shall verify the copy against the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each prime Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the prime Individual Investor. In this case:

- a- All Offer Shares allocated to the prime Individual Investor and dependent Individual Investors will be registered in the prime Individual Investor's name;
- b- The prime Individual Investor will receive any refund in respect of amounts not allocated and paid for himself or dependent Individual Investors; and
- c- The prime Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

- a- The Offer Shares that will be allocated are to be registered in a name other than the name of the prime Individual Investor;
- b- The dependent Individual Investors intend to apply for a different number of Offer Shares than the prime Individual Investor, and
- c- The wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant prime Individual Investor). In the latter case, applications made by the husbands on behalf of their spouses will be canceled, and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children, provided that she submits proof of motherhood. The subscription by a person in the name of his divorced wife shall be deemed invalid and, in such cases, the law shall be enforced against that person.

During the Offering Period, only a valid residence permit will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as prime Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18 years old. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in the relevant country.

Each Individual Investor shall agree to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR (50) per Offer Share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

- a- Delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Agents;
- b- Payment in full by the Individual Investor to the Receiving Agent of the total value of the Offer Shares subscribed for, and

- c- Delivery to the Individual Investor by the Receiving Agent of the allocation letter specifying the number of Offer Shares allocated to him/her.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Receiving Agents by authorizing a debit of the Individual Investor's account held with the Receiving Agent to whom the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject, in full, such an application. The Individual Investor shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he/she has applied for.

## 17.4 Allocation and Refunds

The Lead Manager and the Receiving Agents shall open and operate an escrow account. The Lead Manager and each of the Receiving Agents shall deposit all amounts received from the Individual Investors into the escrow account mentioned above.

The Lead Manager and Receiving Agents, as applicable, will notify the Subscribers of the final number of Offer Shares allocated together with the amounts to be refunded. Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. The announcement of the final allocation and refunds process shall be made no later than 14/07/1441H (corresponding to 09/03/2020G) (for further details, please refer to section **"Key Dates and Subscription Procedures"** on page (xiv) of this Prospectus and this section 17 **"Subscription Terms and Conditions"**). Subscribers should communicate with the Lead Manager or the branch of the Receiving Agents where they submitted their Subscription Application Form, as applicable, for any further information.

### 17.4.1 Allocation of Offer Shares to Participating Entities

The allocation of the Offer Shares to Participating Entities will, after completion of the allocation of the Offer Shares to Individual Investors, be determined by the Financial Advisor in agreement with the Company at their discretion, provided that the initial Offer Shares allocated to Participating Entities shall not be less than fifty two million five hundred thousand (52,500,000) ordinary shares representing (100%) of the total Offer Shares, and provided that the final allocation for the Participating Entities shall not be less than forty seven million two hundred fifty thousand (47,250,000) shares, representing (90%) of the total Offer Shares.

### 17.4.2 Allocation of Offer Shares to Individual Investors

There will be an allocation of a maximum of five million two hundred fifty thousand (5,250,000) ordinary shares, representing (10%) of the Offer Shares, to the Individual Investors. The minimum allocation per Individual Investor is ten (10) Offer Shares, and the maximum allocation per Individual Investor is five hundred thousand (500,000) Shares. The Offer Shares' balance, if any, will be allocated on a pro-rata basis of the number of Offer Shares applied for by each Individual Investor to the total applied for Offer Shares. In the event that the number of Individual Investors exceeds five hundred twenty-five thousand (525,000) Individual Investors, the Company will not guarantee the minimum allocation of Offer Shares per Individual Investor, and the Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agents.

## 17.5 Cases Where Listing May be Suspended or Canceled

### 17.5.1 Power to Suspend or Cancel the Listing

- a- CMA may suspend stock trading or cancel the listing thereof at any time as it deems fit, in any of the following cases:
  - 1- CMA considers it necessary for the protection of investors or the maintenance of an orderly market;
  - 2- The Company fails, in a manner which the CMA considers material, to comply with Capital Market Law, its Implementing Regulations or Tadawul rules;



- 3- The Company fails to pay any fees due to the CMA or Tadawul or penalties due to the CMA on time;
  - 4- CMA considers that the Company or its business or the level of its operations or assets is no longer suitable for the continued listing of shares in the market;
  - 5- There is a reverse takeover announcement that does not contain sufficient information about the proposed transaction. In the event that the Company has given sufficient information regarding the target entity and the CMA is convinced, after the announcement of the Company, that sufficient public information is available on the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage; or
  - 6- If there is a leaked information about the proposed transaction of reverse takeover. The Company cannot accurately assess its financial position. The market cannot be informed accordingly.
- b- Tadawul shall suspend the trading of securities of the Company in any of the following cases:
- 1- The Company does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the relevant implementing regulations;
  - 2- The Auditor's report on the financial statements of the Company contains an opposing opinion or an abstention from expressing an opinion until the opposing opinion or abstention from expressing an opinion is removed;
  - 3- The liquidity requirements of Chapter 2 and 8 of the Listing Rules are not met after the time limit set by Tadawul for the Company to rectify its conditions unless CMA agrees otherwise; or
  - 4- A decision is issued by the Extraordinary General Assembly of the Company to reduce its capital for the two trading days following the issuance of the decision.

### 17.5.2 Voluntary Cancellation of Listing

- a- The Company whose securities have been listed in Tadawul may not cancel the listing of its securities without CMA's prior approval. To obtain the CMA's approval, the Company must provide the cancellation application to CMA along with a simultaneous notice thereon to Tadawul. The application shall include the following:
- 1- Specific reasons for the request for the cancellation;
  - 2- A copy of the disclosure described in item "D" below;
  - 3- A copy of the relevant documentations and a copy of all related communications to Shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the Company; and
  - 4- Names and contact information of the Financial Advisor and Legal Advisor appointed according to the relevant implementing regulations.
- b- CMA may, at its discretion, approve or reject the cancellation request.
- c- The Company must obtain the approval of the Extraordinary General Assembly on the cancellation of the listing after obtaining the CMA approval.
- d- Where cancellation is made at the Company's request, the Company must disclose that to the public as soon as possible. The disclosure shall include the reason for the cancellation, the nature of the event resulting in the cancellation, and how it affects the Issuer's activities at least.

### 17.5.3 Temporary Trading Suspension

- a- The Company may request from Tadawul a temporary trading suspension of its securities if, during trading hours, it must immediately disclose said trade under the Capital Market Law, its Implementing Regulations or Tadawul rules. If the Company cannot maintain the confidentiality of this information until the end of the trading period, Tadawul will suspend trading of the securities of that Company as soon as it receives the request.
- b- When trading is temporarily suspended at the Issuer's request, the Company must disclose to the public as soon as possible the reason for the suspension, its anticipated period, the nature





of the event that caused it and how it affects the Company's activities.

- c- CMA may impose a temporary trading suspension without a request from the Company when it has information or there are circumstances that affect the Company's activities which it considers would likely to interrupt the operation of Tadawul or the protection of investors. The Company whose securities are subject to temporary trading suspension must continue to comply with the Capital Market Law, its Implementing Regulations and Tadawul rules.
- d- Tadawul may propose to CMA the exercise of its authority in accordance with paragraph (c) above if finds any information or circumstances that may affect the activities of the Company and potentially affect the market activity or the protection of investors.
- e- A temporary trading suspension will be lifted following the end of the aforementioned period referred to in Paragraph B, unless CMA or Tadawul decides otherwise.

#### 17.5.4 Lifting of Suspension

Lifting of trading suspension under Paragraph (a) of section 17.5.1 **"Power to Suspend or Cancel Listing"** of this Prospectus is subject to the following:

- a- Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors;
- b- That lifting the suspension is unlikely to affect the normal activity of Tadawul, and
- c- The Issuer complies with any other conditions that CMA may require.

If the listing suspension continues for six (6) months with no appropriate procedure made by the Company to correct such suspension, CMA may cancel the listing of the Company.

### 17.6 Approvals and Resolutions Under Which the Shares are Offered

The resolutions and approvals under which the Offering Shares are offered are as follows:

- a- the General Assembly resolution approving the Offering dated 05/06/2019G;
- b- The decision dated 15/04/2019G and issued by the Company's Board of Directors to approve the public offering of the Company's shares;
- c- The CMAs approval of the request to register and offer the securities issued on 30/09/2019G;
- d- Tadawul's conditional approval regarding the listing of the shares.

### 17.7 Lock-up Period

The Substantial Shareholders mentioned on page (x) of this Prospectus may not dispose of their Shares for six (6) months from the date on which trading in the Offer Shares commences in Tadawul and may only dispose of their respective Shares after obtaining the CMA's approval.

### 17.8 Subscription Declarations

By completing and delivering the Subscription Application Form, each investor:

- a- Agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;
- b- Declares that he/she has carefully read and studied this Prospectus and understood all its content;
- c- Accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes in the Offer Shares accordingly;
- d- Declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed for any Shares, and that the Company has the right to reject any or all duplicate applications;
- e- Accepts the number of Offer Shares allocated to him/her (to the maximum of the amount subscribed for) as per the Subscription Application Form, and



- f- Warrants not to cancel or amend the Subscription Application Form after submitting it to the Lead Manager or the Receiving Agent.

For further details on the allocation and refund, please refer to section 17.4 “**Allocation and Refund**” of this Prospectus. For further details on Tadawul, please refer to section 17.10 “**Saudi Stock Market**” of this Prospectus.

## 17.9 Shares’ Record and Trading Arrangements

The Company shall keep a Shareholders’ record containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

### 17.10 Saudi Stock Exchange

In 1990G, full electronic trading in the Kingdom equities was introduced. In 2001G, Tadawul was founded as the successor to the Electronic Securities Information System. Trading in shares occurs on the “Tadawul” system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each Business Day of the week between 10:00 am and 3:00 pm from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended or canceled from 9:30 am to 10:00 am. The said times are subject to change during the month of Ramadan as may be announced by Tadawul. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, Tadawul orders (placed at best price) are executed first, followed by limit orders (placed at a price limit), provided that, if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul information electronic linking, which supply trading data in real time to the information providers such as Reuters. Transactions are settled on a T+2 basis, i.e., shares ownership transfer takes two working days after the trade transaction is executed.

Listed Companies are required to disclose all material decisions and information that are important for the investors via Tadawul. Surveillance and monitoring are the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

### 17.11 Trading in the Company’s Shares

It is expected that trading of the Company’s Shares will commence after the final allocation of shares and Tadawul announcement of the start date of trading of the Company’s Shares. Saudi nationals, inhabitants with legal residence in the Kingdom, nationals of other GCC countries, companies, banks and Saudi and GCC investment funds will be permitted to trade in the Shares after their trading starts in Tadawul. In addition, QFIs will be permitted to trade in the Shares in accordance with the QFI Rules. Moreover, non-Saudi natural persons who are not residents in the Kingdom and institutions incorporated outside the Kingdom will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into swap agreements with CMA Authorized Persons to acquire, hold and trade in the Shares in Tadawul on behalf of a foreign non-GCC investor. It should be noted that Authorized Persons shall be deemed the legal owners of the Shares under the swap agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Subscribers’ accounts in Tadawul, the Company has been registered and its Shares have been listed in Tadawul. Subscribers entering into any such trading activities will bear full responsibility therefor, without any liability on the part of the Company and the Selling Shareholders.

### 17.12 Miscellaneous

The Subscription Application Form and all related terms, conditions and undertakings shall be binding and for the benefit of the subscription parties, their successors, assignees, will executors, inheritance receivers, and heirs. The Subscription Application or any rights, interests or obligations arising therefrom shall not be waived or delegated by the subscription parties without the prior written consent of the other party.

These instructions, conditions, and the receipt of any Subscription Application Forms or related contracts shall be subject to the laws of the Kingdom of Saudi Arabia and shall be interpreted and enforced pursuant thereto.

This Prospectus has been issued in Arabic and English. CMA approved the Arabic text only. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus shall prevail.

It is expressly prohibited to distribute this Prospectus or to sell the Offer Shares to any person in any country other than the Kingdom except for the foreign institutional Subscribers, subject to the applicable laws and instructions. All the recipients of this Prospectus shall be aware of and comply with all regulatory restrictions relating to the Offering and sale of the Offer Shares.

## 18- Documents available for inspection

The following documents will be available for inspection at the Company's headquarters at King Fahd Road – Olaya District, from 9:00 am to 5:00 pm from Monday 16/06/1441H (corresponding to 10/02/2020G) to Tuesday 08/07/1441H (corresponding to 03/03/2020G), for a period of not less than 20 days prior to the end of the Offering Period:

- 1- CMA announcement of the approval of the Offering;
- 2- Resolution of the Company's General Assembly authorizing the Offering, dated 05/06/2019G;
- 3- The Company's Bylaws and amendments thereto;
- 4- The Company's Articles of Incorporation and amendments thereto;
- 5- The Commercial Registration Certificate issued by the Ministry of Commerce and Investment;
- 6- The Group's Consolidated audited financial statements for the Financial Year ending in 31 December 2019G, interim consolidated audited financial statements for the three-month period ended 31 March 2019G, consolidated audited financial statements for the Financial Year ended 31 December 2018G prepared in accordance with IFRS, and special purpose consolidated audited financial statements for the Financial Years ended 31 December 2016G and 2017G that were prepared for inclusion in the Prospectus and submission to the CMA in the Kingdom of Saudi Arabia with respect to the Group's request for an initial public offering, in addition to the Group's consolidated audited financial statements for the Financial Years ended 31 December 2016G and 2017G prepared in accordance with the accounting standards issued by SOCPA;
- 7- Valuation report prepared by the Financial Advisor;
- 8- Market study report prepared by the Market Study Consultant;
- 9- All other reports, letters and documents, value and data assessments prepared by any expert, including any part thereof or referred to in this Prospectus;
- 10- Contracts and Agreements disclosed in section 12.12 "**Material Contracts with Related Parties**" of this Prospectus;
- 11- Letters of consent from:
  - The Financial Advisor and the Underwriter (**Jadwa Investment Company** and **Riyad Capital Company**) to include their names, logos and statements in this Prospectus;
  - Bookrunner (**Jadwa Investment Company, Riyad Capital Company** and **EFG Hermes KSA**) to include their names, logos and statements in this Prospectus;
  - The Auditor, Ernst & Young & Co. (Public Accountants), to include its name, logo and statements as well as audit reports for the abovementioned periods, in this Prospectus;
  - Financial Due Diligence Advisor (**PricewaterhouseCoopers**) to include its name, logo and statements in this Prospectus;
  - Market Study Consultant (**Strategy&**) to include its name, logo and statements in this Prospectus;
  - Legal Advisor, Law Firm of Salah Al-Hejailan (**LFSH**), to include its name, logo and statements in this Prospectus; and
- 12- Underwriting Agreement.



## 19- Financial Statements and Auditor's Report

This section contains:

- 1- The Group's consolidated audited financial statements for the Financial Year ended 31 December 2019G, and the accompanying notes thereto, prepared in accordance with IFRS, as disclosed in the Auditor's report in this Prospectus
- 2- The Group's interim consolidated audited financial statements for the three-month period ended 31 March 2019G, and the accompanying notes thereto, prepared in accordance with IFRS, as disclosed in the Auditor's report in this Prospectus
- 3- The Group's Consolidated audited financial statements for the Financial Year ended 31 December 2018, and the accompanying notes thereto, prepared in accordance with IFRS, as disclosed in the Auditor's report in this Prospectus
- 4- The Group's Consolidated audited special-purpose financial statements for the years ended 31 December 2016G and 2017G, and the accompanying notes thereto, that were prepared for inclusion in the Prospectus and submission to the CMA in the Kingdom of Saudi Arabia with respect to the Group's request for an initial public offering, as disclosed in the Auditor's report in this Prospectus
- 5- the Group's consolidated audited financial statements for the Financial Years ended 31 December 2016G, and the accompanying notes thereto, prepared in accordance with the accounting standards issued by SOCPA, as disclosed in the Auditor's report in this Prospectus
- 6- the Group's consolidated audited financial statements for the Financial Years ended 31 December 2017G, and the accompanying notes thereto, prepared in accordance with the accounting standards issued by SOCPA, as disclosed in the Auditor's report in this Prospectus



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries  
(Saudi Closed Joint Stock Company)  
Consolidated Financial Statements  
For the year ended 31 December 2019**



**Ernst & Young & Co. (Certified Public Accountants)**  
**General Partnership**  
Head Office  
Al Faisaliah Office Tower - 14<sup>th</sup> floor  
King Fahad Road  
PO Box 2732  
Riyadh 11461  
Kingdom of Saudi Arabia

Registration No. 45/11/323  
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**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY)**

**Opinion**

We have audited the consolidated financial statements of Dr. Sulaiman Al Habib Medical Services Group Company – Saudi Closed Joint Stock Company (the “Company”) and its subsidiaries (collectively with the Company the “Group”), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies’ Law and Company’s By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.





**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY) (continued)**

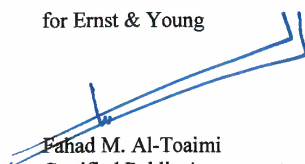
**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

  
Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. (354)

Riyadh: 5 Jumad Thani 1441  
(30 January 2020)





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of financial position**  
**As at 31 December 2019**

|                                                   | Notes | 31 December 2019<br>SR | 31 December 2018<br>SR |
|---------------------------------------------------|-------|------------------------|------------------------|
| <b>Assets</b>                                     |       |                        |                        |
| <b>Current assets</b>                             |       |                        |                        |
| Cash and cash equivalents                         | 7     | 1,196,660,642          | 1,369,118,427          |
| Accounts receivable                               | 8     | 1,507,139,583          | 1,311,100,395          |
| Advances to suppliers and contractors             |       | 16,583,711             | 17,671,064             |
| Prepaid expenses and other assets                 | 10    | 268,741,036            | 210,225,879            |
| Inventories                                       | 9     | 295,866,976            | 302,536,655            |
| Total current assets                              |       | 3,284,991,948          | 3,210,652,420          |
| <b>Non-current assets</b>                         |       |                        |                        |
| Investments in associates                         | 11    | 40,032,012             | 43,488,180             |
| Property and equipment                            | 12    | 5,142,278,772          | 4,287,022,999          |
| Total non-current assets                          |       | 5,182,310,784          | 4,330,511,179          |
| Total assets                                      |       | 8,467,302,732          | 7,541,163,599          |
| <b>Liabilities and equity</b>                     |       |                        |                        |
| <b>Liabilities</b>                                |       |                        |                        |
| <b>Current liabilities</b>                        |       |                        |                        |
| Current portion of long-term loans and borrowings | 27.1  | 239,884,588            | 228,512,814            |
| Accounts payable                                  | 13    | 655,968,945            | 531,610,946            |
| Advances from customers                           |       | 43,457,118             | 18,957,753             |
| Accrued expenses and other liabilities            | 15    | 415,455,083            | 503,237,365            |
| Zakat payable                                     | 16    | 88,031,626             | 79,135,807             |
| Current portion of government grant               | 17    | 3,068,006              | 2,706,944              |
| Current portion of lease liabilities              | 27.2  | 49,413,705             | -                      |
| Total current liabilities                         |       | 1,495,279,071          | 1,364,161,629          |
| <b>Non-current liabilities</b>                    |       |                        |                        |
| Long-term loans and borrowings                    | 27.1  | 1,780,258,784          | 1,338,257,068          |
| Government grant                                  | 17    | 64,872,136             | 47,433,151             |
| Lease liabilities                                 | 27.2  | 268,788,177            | -                      |
| Employees' end-of-service benefits                | 18    | 267,310,792            | 234,052,516            |
| Total non-current liabilities                     |       | 2,381,229,889          | 1,619,742,735          |
| Total liabilities                                 |       | 3,876,508,960          | 2,983,904,364          |
| <b>Equity</b>                                     |       |                        |                        |
| Issued and paid-up share capital                  | 19    | 3,500,000,000          | 3,500,000,000          |
| Statutory reserve                                 | 20    | 467,872,574            | 380,849,457            |
| Retained earnings                                 |       | 426,004,145            | 447,172,841            |
|                                                   |       | 4,393,876,719          | 4,328,022,298          |
| Non-controlling interests                         |       | 196,917,053            | 229,236,937            |
| Total equity                                      |       | 4,590,793,772          | 4,557,259,235          |
| Total liabilities and equity                      |       | 8,467,302,732          | 7,541,163,599          |

The accompanying notes form an integral part of these consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of income**  
**For the year ended 31 December 2019**

|                                                                                                            | Notes | 2019<br>SR             | 2018<br>SR      |
|------------------------------------------------------------------------------------------------------------|-------|------------------------|-----------------|
| Revenue                                                                                                    |       | <b>5,031,192,127</b>   | 4,587,633,045   |
| Cost of revenue                                                                                            |       | <b>(3,492,741,134)</b> | (3,225,623,659) |
| Gross profit                                                                                               |       | <b>1,538,450,993</b>   | 1,362,009,386   |
| Selling and marketing expenses                                                                             | 22    | <b>(195,917,437)</b>   | (158,486,568)   |
| General and administrative expenses                                                                        | 23    | <b>(474,813,532)</b>   | (401,999,279)   |
| Operating income                                                                                           |       | <b>867,720,024</b>     | 801,523,539     |
| Share of income of associates                                                                              | 11    | <b>1,543,832</b>       | 5,810,227       |
| Finance costs                                                                                              |       | <b>(27,962,390)</b>    | (19,318,705)    |
| Other income, net                                                                                          | 24    | <b>61,971,253</b>      | 93,388,631      |
| Income before zakat                                                                                        |       | <b>903,272,719</b>     | 881,403,692     |
| Zakat                                                                                                      | 16    | <b>(65,677,664)</b>    | (81,329,717)    |
| Income for the year                                                                                        |       | <b>837,595,055</b>     | 800,073,975     |
| <b>Attributable to:</b>                                                                                    |       |                        |                 |
| Equity holders of the parent                                                                               |       | <b>870,231,171</b>     | 801,307,353     |
| Non-controlling interests                                                                                  |       | <b>(32,636,116)</b>    | (1,233,378)     |
|                                                                                                            |       | <b>837,595,055</b>     | 800,073,975     |
| Earnings per share:                                                                                        | 25    |                        |                 |
| Basic and diluted earnings per share from operating income                                                 |       | <b>2.48</b>            | 2.29            |
| Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent |       | <b>2.49</b>            | 2.29            |

The accompanying notes form an integral part of these consolidated financial statements.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2019**

|                                                                                        | Notes | 2019<br>SR          | 2018<br>SR  |
|----------------------------------------------------------------------------------------|-------|---------------------|-------------|
| Income for the year                                                                    |       | <b>837,595,055</b>  | 800,073,975 |
| <b>Other comprehensive income</b>                                                      |       |                     |             |
| <b>Items that will not to be reclassified to profit or loss in subsequent periods:</b> |       |                     |             |
| Remeasurement (loss) gain on employees' end-of-service benefits                        | 18    | <b>(4,060,518)</b>  | 8,103,771   |
| Other comprehensive (loss) income for the year                                         |       | <b>(4,060,518)</b>  | 8,103,771   |
| Total comprehensive income for the year                                                |       | <b>833,534,537</b>  | 808,177,746 |
| <b>Attributable to:</b>                                                                |       |                     |             |
| Equity holders of the parent company                                                   |       | <b>865,854,421</b>  | 809,411,124 |
| Non-controlling interests                                                              |       | <b>(32,319,884)</b> | (1,233,378) |
|                                                                                        |       | <b>833,534,537</b>  | 808,177,746 |

The accompanying notes form an integral part of these consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2019**

|                               | Attributable to equity holders of the parent |                      |                      |                      | Non-con-<br>trolling<br>interests | Total equity         |
|-------------------------------|----------------------------------------------|----------------------|----------------------|----------------------|-----------------------------------|----------------------|
|                               | Issued and<br>paid-up share<br>capital       | Statutory<br>reserve | Retained<br>earnings | Total                |                                   |                      |
|                               | SR                                           | SR                   | SR                   | SR                   | SR                                | SR                   |
| <b>As at 1 January 2018</b>   | <b>3,500,000,000</b>                         | <b>300,718,722</b>   | <b>517,892,452</b>   | <b>4,318,611,174</b> | <b>230,470,315</b>                | <b>4,549,081,489</b> |
| Income for the year           | -                                            | -                    | 801,307,353          | 801,307,353          | (1,233,378)                       | 800,073,975          |
| Other comprehensive income    | -                                            | -                    | 8,103,771            | 8,103,771            | -                                 | 8,103,771            |
| Total comprehensive income    | -                                            | -                    | 809,411,124          | 809,411,124          | (1,233,378)                       | 808,177,746          |
| Transfer to statutory reserve | -                                            | 80,130,735           | (80,130,735)         | -                    | -                                 | -                    |
| Dividends (note 21)           | -                                            | -                    | (800,000,000)        | (800,000,000)        | -                                 | (800,000,000)        |
| <b>As at 31 December 2018</b> | <b>3,500,000,000</b>                         | <b>380,849,457</b>   | <b>447,172,841</b>   | <b>4,328,022,298</b> | <b>229,236,937</b>                | <b>4,557,259,235</b> |
| Income for the year           | -                                            | -                    | 870,231,171          | 870,231,171          | (32,636,116)                      | 837,595,055          |
| Other comprehensive loss      | -                                            | -                    | (4,376,750)          | (4,376,750)          | 316,232                           | (4,060,518)          |
| Total comprehensive income    | -                                            | -                    | 865,854,421          | 865,854,421          | (32,319,884)                      | 833,534,537          |
| Transfer to statutory reserve | -                                            | 87,023,117           | (87,023,117)         | -                    | -                                 | -                    |
| Dividends (note 21)           | -                                            | -                    | (800,000,000)        | (800,000,000)        | -                                 | (800,000,000)        |
| <b>As at 31 December 2019</b> | <b>3,500,000,000</b>                         | <b>467,872,574</b>   | <b>426,004,145</b>   | <b>4,393,876,719</b> | <b>196,917,053</b>                | <b>4,590,793,772</b> |

The accompanying notes form an integral part of these consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2019**

|                                                                                 | Notes  | 2019<br>SR    | 2018<br>SR    |
|---------------------------------------------------------------------------------|--------|---------------|---------------|
| <b>Operating activities</b>                                                     |        |               |               |
| Income before zakat                                                             |        | 903,272,719   | 881,403,692   |
| <b>Non-cash adjustments to reconcile income before zakat to net cash flows:</b> |        |               |               |
| Depreciation                                                                    | 12     | 255,919,370   | 200,187,133   |
| Share of income of associates                                                   | 11     | (1,543,832)   | (5,810,227)   |
| Loss on disposal of property and equipment                                      | 24     | 645,661       | 597,103       |
| Allowance for expected credit losses                                            | 8 & 22 | 104,708,352   | 81,696,100    |
| Provision for inventories                                                       |        | 1,212,304     | 2,306,444     |
| Finance costs                                                                   |        | 27,962,390    | 19,318,705    |
| Employees' end-of-service benefits                                              | 18     | 57,754,135    | 50,192,322    |
|                                                                                 |        | 1,349,931,099 | 1,229,891,272 |
| <b>Working capital adjustments:</b>                                             |        |               |               |
| Accounts receivable                                                             |        | (322,562,829) | 271,418,086   |
| Advances to suppliers and contractors                                           |        | (2,357,942)   | (10,015,917)  |
| Due to related parties                                                          |        | 48,298,937    | (12,479,495)  |
| Inventories                                                                     |        | (29,371,970)  | 3,715,359     |
| Prepaid expenses and other assets                                               |        | (78,755,166)  | (37,470,122)  |
| Accounts payable                                                                |        | 139,102,987   | 48,877,215    |
| Advances from customers                                                         |        | 25,109,423    | 3,006,097     |
| Accrued expenses and other liabilities                                          |        | 14,366,009    | 63,153,785    |
| Cash generated from operations                                                  |        | 1,143,760,548 | 1,560,096,280 |
| Zakat paid                                                                      | 16     | (56,781,845)  | (84,582,617)  |
| Employees' end-of-service benefits paid                                         | 18     | (27,241,236)  | (28,139,827)  |
| Net cash from operating activities                                              |        | 1,059,737,467 | 1,447,373,836 |
| <b>Investing activities</b>                                                     |        |               |               |
| Purchase of property and equipment                                              | 12     | (735,506,405) | (830,128,243) |
| Proceeds from sale of property and equipment                                    |        | 1,971,254     | 4,454,308     |
| Deposits transferred with respect to transfer of a subsidiary                   |        | (2,772,641)   | -             |
| Dividends from associates                                                       | 11     | 5,000,000     | 6,000,000     |
| Net cash used in investing activities                                           |        | (731,307,792) | (819,673,935) |
| <b>Financing activities</b>                                                     |        |               |               |
| Proceeds from long-term loans, net                                              |        | 471,173,537   | 408,134,518   |
| Finance costs paid                                                              |        | (25,099,666)  | (18,777,280)  |
| Lease liabilities paid                                                          |        | (43,600,978)  | -             |
| Dividends paid                                                                  |        | (903,360,353) | (788,475,661) |
| Net cash used in financing activities                                           |        | (500,887,460) | (399,118,423) |
| Net (Decrease) increase in cash and cash equivalents                            |        | (172,457,785) | 228,581,478   |
| Cash and cash equivalents at the beginning of the year                          | 7      | 1,369,118,427 | 1,140,536,949 |
| Cash and cash equivalents at the end of the year                                | 7      | 1,196,660,642 | 1,369,118,427 |
| <b>Non-cash transactions:</b>                                                   |        |               |               |
| Recognition of right-of-use assets                                              | 12     | 393,574,642   |               |
| Recognition of lease liabilities                                                | 4.9    | 372,394,992   |               |

The accompanying notes form an integral part of these consolidated financial statements.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements**  
**31 December 2019**

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## **1. Corporate information and activities**

Dr. Sulaiman Al Habib Medical Services Group Company (the “Company”) (a Saudi closed joint stock company) is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993). The registered office is located at Olaya District, P.O. Box 91877, Riyadh 11643, KSA.

The Company operates under medical license no. 014-101-012-012-00129 dated 26 Jumad Thani 1428H (corresponding to 11 July 2007) issued by the Ministry of Health. The Company also operates its drug stores under license No. 6375/P dated 13 Rabi Awal 1432H (corresponding to 16 February 2011) issued by Food and Drugs Administration organization.

The Company objectives include establishing and managing hospitals, medical centres, laboratories and radiology, purchasing of lands for the purpose of constructing buildings and investing in these buildings by selling and leasing for the benefit of the Company and invest in other companies through holding a controlling position. In addition, the Company also does trading in wholesale and retail of medicines, cosmetics, medical equipment and beauty products.

The Company operates two branches, the first branch is in Riyadh, Kingdom of Saudi Arabia “Branch of Dr. Sulaiman Al Habib Medical Services Group Company” (the “Branch”) under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The objectives of the Branch include trading in wholesale and retail of cosmetics and maintenance of medical equipment. The Branch operates its drug store under license no. 06-01-00231 dated 24 Muharram 1435H (corresponding to 27 November 2013) issued by Food and Drugs Administration organization.

The Company operates the second branch in the Kingdom of Bahrain “Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch” (the “Foreign Branch”) under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the Foreign Branch include management and development of medical units in addition to providing medical supplies.

The consolidated financial statements include the financial information of the branches mentioned above and subsidiaries mentioned in note 3.

## **2. Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants (collectively referred to as “IFRS” as endorsed in Kingdom of Saudi Arabia”).

These consolidated financial statements are prepared on a historical cost basis except for government grants and long-term loans from Ministry of Finance, which are measured at fair value. The consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2019**

### 3. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (collectively referred to as “the Group”), mainly domiciled in Kingdom of Saudi Arabia (“KSA”) and United Arab Emirates (“UAE”) as at 31 December 2019 and 31 December 2018:

|                                                        | Country of incorporation and business | Activities               | Ownership %      |                  |
|--------------------------------------------------------|---------------------------------------|--------------------------|------------------|------------------|
|                                                        |                                       |                          | 31 December 2019 | 31 December 2018 |
| Sehat Al Olaya Medical Complex Company                 | KSA                                   | Hospital                 | 100%             | 100%             |
| Asharq Alawsat Pharmacies Company (a)                  | KSA                                   | Pharmacy                 | 100%             | 100%             |
| Dr. Sulaiman Al Habib Hospital FZ – LLC                | UAE                                   | Hospital                 | 100%             | 100%             |
| Al Mustaqbal for Hospitals Development Company (d)     | KSA                                   | Hospital                 | -                | 100%             |
| Buraidah Al Takhassusi Hospital for Healthcare Company | KSA                                   | Hospital                 | 100%             | 100%             |
| Al Rayan Hospital for Healthcare Company               | KSA                                   | Hospital                 | 100%             | 100%             |
| Home Healthcare Company                                | KSA                                   | Home Healthcare services | 100%             | 100%             |
| Antab Al Riyadh for Operation and Maintenance Company  | KSA                                   | Anciliary services       | 100%             | 100%             |
| Al Gharb Al Takhassusi Hospital for Healthcare Company | KSA                                   | Hospital                 | 100%             | 100%             |
| Al Mokhtabarar Diagnostic Medical Company              | KSA                                   | Laboratory Services      | 100%             | 100%             |
| Sehat Al Suwaidi Medical Company                       | KSA                                   | Hospital                 | 100%             | 100%             |
| Hulool Al Sahabah for IT & Communication Company       | KSA                                   | IT Support Services      | 100%             | 100%             |
| Al Rayan for Maintenance and Operation Company         | KSA                                   | Anciliary services       | 100%             | 100%             |
| Rawafed Al Seha International Company (b)              | KSA                                   | Trading services         | -                | 100%             |
| Al Afia Pharmacies for Medicines Company (a)           | KSA                                   | Pharmacy                 | 100%             | 100%             |
| Intensive Care Company for Healthcare (c)              | KSA                                   | Medical Services         | 100%             | 100%             |
| Sehat Al Sharq Medical Limited Company                 | KSA                                   | Hospital                 | 50%              | 50%              |
| Al Wosta Medical Limited Company                       | KSA                                   | Hospital                 | 50%              | 50%              |
| Gharb Jeddah Hospital Company                          | KSA                                   | Hospital                 | 50%              | 50%              |
| Shamal Al Riyadh for Healthcare Company                | KSA                                   | Hospital                 | 100%             | 100%             |
| Al Muhammadiya Hospital for Healthcare Company         | KSA                                   | Hospital                 | 100%             | 100%             |

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2019**

### 3. Basis of consolidation (continued)

- a- The other partner has assigned his shares for the benefit of the Company.
- b- On 1 January 2019, the Group has transferred Rawafed Al Seha International Company to a related party at net book value (note 30).
- c- During 2019, Dar Al Seha Investment Company has changed the name to Intensive Care Company for Healthcare.
- d- On 1 January 2019, Al Mustaqbal for Hospitals Development Company has become branch of Sehat Al Olaya Medical Complex Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2019**

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## **4. Summary of significant accounting policies**

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

### **4.1 Business combination**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in consolidated statement of income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2019**

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## **4. Summary of significant accounting policies (continued)**

### **4.2 Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of income reflects the Group's share of income of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of income of an associate is shown on the face of the consolidated statement of income outside operating profit and represents income after zakat and tax wherever applicable.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as 'Share of income of associates' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2019**

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## **4. Summary of significant accounting policies (continued)**

### **4.3 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 presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2019**

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## **4. Summary of significant accounting policies (continued)**

### **4.4 Revenue recognition**

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

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## **4. Summary of significant accounting policies (continued)**

### **4.4 Revenue recognition (continued)**

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

#### **Patient services**

The patient services revenue is recognized when the services are rendered to the patient net off for any discount or rebates and expected rejections at the time of providing services to the patients.

#### **Sale of goods**

The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net off any discount or rebates and expected rejections at the time of delivery of goods to the patients.

#### **Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of income.

#### **Others**

All other revenues are recognized on an accrual basis.

Based on IFRS 15, for advance from customer or accounts receivable, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.





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## **4. Summary of significant accounting policies (continued)**

### **4.5 Foreign currencies**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income, if material.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the reporting date.
- Statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gains or losses on sale.

### **4.6 Government grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.



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## 4. Summary of significant accounting policies (continued)

### 4.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

Depreciation is calculated on all property and equipment, other than land and capital work-in-progress, at the following useful lives calculated to write off the cost of each asset on a straight-line basis over its expected useful life:

|                                          | Years                                                        |
|------------------------------------------|--------------------------------------------------------------|
| Buildings                                | 10 – 33                                                      |
| Leasehold improvements                   | The estimated useful life or lease period whichever is lower |
| Medical and general equipment            | 5 – 10                                                       |
| Motor vehicles and ambulances            | 4 – 10                                                       |
| Furniture, fixtures and office equipment | 4 – 6.67                                                     |
| Right of use Assets                      | The estimated useful life or lease period whichever is lower |

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.



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## **4. Summary of significant accounting policies (continued)**

### **4.8 Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as income immediately in the consolidated statement of income.

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## **4. Summary of significant accounting policies (continued)**

### **4.9 Leases**

#### **IFRS 16 - Leases**

The Group has adopted IFRS 16 from its mandatory adoption date 1 January 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives have not been restated.

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

#### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value (i.e., below SR 20,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.



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## **4. Summary of significant accounting policies (continued)**

### **4.9 Leases (continued)**

#### **Impact on adoption of IFRS 16 “Leases”**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

In the current period, the Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019.

The Group elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- a- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- b- Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019.
- c- Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

#### **Nature of the effect of adoption of IFRS 16**

##### **Prior to adoption of IFRS 16:**

The Group has lease contracts for renting commercial buildings, accommodations and offices. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liabilities.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognised under prepayments and other payables, respectively.



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## 4. Summary of significant accounting policies (continued)

### 4.9 Leases (continued)

#### Nature of the effect of adoption of IFRS 16 (continued)

##### After adoption of IFRS 16:

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Accordingly, the comparative information is not restated.

#### The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets of SR 227,616,107 were recognised and presented under property and equipment in the consolidated statement of financial position.
- Lease liabilities of SR 209,036,772 were recognised and included under lease liabilities.
- Prepaid expenses and other assets of SR 18,579,335 related to previous operating leases were reclassified to the right-of-use assets.

#### Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

|                                              | SR                 |
|----------------------------------------------|--------------------|
| <b>Assets</b>                                |                    |
| Property and equipment – right-of-use assets | 227,616,107        |
| Prepaid expenses and other assets            | (18,579,335)       |
| <b>Total assets</b>                          | <b>209,036,772</b> |
| <b>Liabilities</b>                           |                    |
| Lease liabilities                            | 209,036,772        |
| <b>Total liabilities</b>                     | <b>209,036,772</b> |

#### Reconciliation of lease liabilities pursuant to IFRS 16:

|                                                                                                             | SR                 |
|-------------------------------------------------------------------------------------------------------------|--------------------|
| <b>Minimum lease payments under operating leases as of 31 December 2018</b>                                 | <b>222,911,230</b> |
| <b>Recognition exemption:</b>                                                                               |                    |
| For short-term leases                                                                                       | (2,181,430)        |
| For leases of low-value assets                                                                              | (17,000)           |
| Effect from discounting at the incremental borrowing rate as of 1 January 2019                              | (11,676,028)       |
| <b>Liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 2019</b> | <b>209,036,772</b> |
| <b>Liabilities from finance leases as of 31 December 2018</b>                                               | <b>-</b>           |
| <b>Liabilities from leases as of 1 January 2019</b>                                                         | <b>209,036,772</b> |



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## **4. Summary of significant accounting policies (continued)**

### **4.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **4.11 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **Recognition**

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

#### **Classification**

The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification depends on the Group's contractual terms of the financial assets cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial liabilities are not reclassified.

#### **Measurement**

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through profit or loss and other comprehensive income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the profit or loss are expensed in the consolidated statement of income and other comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the profit or loss or other comprehensive income (irrevocable election at the time of recognition).



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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments (continued)**

#### **De-recognition**

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income and other comprehensive income.

#### **Offsetting**

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **Impairment**

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses (“ECL”) on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

a- Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

b- Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

c- Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.



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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments (continued)**

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the consolidated statement of income and other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Objective evidence that financial assets are impaired may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

### **4.12 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

### **4.13 Inventories**

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items, near to expiry items and damages. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

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## **4. Summary of significant accounting policies (continued)**

### **4.14 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### **4.15 Employees' end-of-service benefits**

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The plan is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in consolidated statement of income on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Past service costs are recognized in consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

### **4.16 Zakat and Value Added Tax (VAT)**

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries since 31 December 2009. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The subsidiary registered in free zone - Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.



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## **4. Summary of significant accounting policies (continued)**

### **4.16 Zakat and Value Added Tax (VAT) (continued)**

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

### **4.17 Standards issued but not yet effective**

The following is an overview of accounting standard changes that the Group will be required to adopt in future years. The Group continues to assess the impact of these standards on the consolidated financial statements.

#### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. This standard is not applicable to the Group.

#### **Amendments to IFRS 3: Definition of a Business**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

#### **Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

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## **5. Significant accounting judgments, estimates, assumptions**

### **5.1 Estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### **Revenue Recognition**

The application of IFRS 15 has required management to make the following judgements:

- **Satisfaction of performance obligations**

The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

- **Determination of transaction prices**

The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount, insurance claims rejection or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

- **Transfer of control in contracts with customers**

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.



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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### **Allowance for expected credit losses**

For accounts receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

#### **Employees' end-of-service benefits**

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### **Impairment of non-financial assets**

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### **Useful lives of property and equipment**

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.



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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### **5.1 Estimates and assumptions (continued)**

##### **Provision for inventories**

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

##### **Fair value measurement of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

### **5.2 Critical judgements in applying accounting standards**

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

#### **Component parts of property and equipment**

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.





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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.2 Critical judgements in applying accounting standards (continued)**

#### **Determination of control and significant influence**

Management's judgement in assessing control over consolidated subsidiaries

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

#### **Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of 5 to 15 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).



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## 6. Segment Information

Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Financial Officer as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments.

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Group.

The identified key segments are Hospitals, Pharmacies and HMG Solutions / Others.

HMG Solutions / Others include operations with respect to Laboratories, IT Solutions, Healthcare services at doorstep Project and Staff outsourcing related to Critical Care Units with respect to Ministry of Health (Saudi Arabia).

The segment results for the year ended 31 December 2019 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

| Year ended<br>31 December 2019       | Hospitals | Pharmacies | HMG Solutions / Others | Total        |
|--------------------------------------|-----------|------------|------------------------|--------------|
| SR' millions                         |           |            |                        |              |
| <b>Saudi Arabia:</b>                 |           |            |                        |              |
| Revenue                              | 3,583     | 846        | 157                    | <b>4,586</b> |
| Gross profit                         | 1,130     | 281        | 61                     | <b>1,472</b> |
| <b>Outside Saudi Arabia:</b>         |           |            |                        |              |
| Revenue                              | 433       | 8          | 4                      | <b>445</b>   |
| Gross profit                         | 61        | 1          | 4                      | <b>66</b>    |
| <b>Total</b>                         |           |            |                        |              |
| Revenue                              | 4,016     | 854        | 161                    | <b>5,031</b> |
| Gross profit*                        | 1,191     | 282        | 65                     | <b>1,538</b> |
| <b>Unallocated income (expenses)</b> |           |            |                        |              |
| Selling and marketing                |           |            |                        | <b>(196)</b> |
| General and administrative           |           |            |                        | <b>(475)</b> |
| Operating income                     |           |            |                        | <b>867</b>   |
| Share of income of associates        |           |            |                        | <b>2</b>     |
| Finance costs                        |           |            |                        | <b>(28)</b>  |
| Other income                         |           |            |                        | <b>62</b>    |
| Income before zakat                  |           |            |                        | <b>903</b>   |
| Zakat                                |           |            |                        | <b>(66)</b>  |
| Income for the year                  |           |            |                        | <b>837</b>   |
| As at 31 December 2019               |           |            |                        |              |
| <b>Saudi Arabia:</b>                 |           |            |                        |              |
| Total assets                         | 6,431     | 252        | 1,131                  | <b>7,814</b> |
| Total liabilities                    | 2,542     | 264        | 955                    | <b>3,761</b> |
| <b>Outside Saudi Arabia</b>          |           |            |                        |              |
| Total assets                         | 609       | 8          | 36                     | <b>653</b>   |
| Total liabilities                    | 103       | 10         | 3                      | <b>116</b>   |
| <b>Total</b>                         |           |            |                        |              |
| Total assets                         | 7040      | 260        | 1,167                  | <b>8,467</b> |
| Total liabilities                    | 2,645     | 274        | 958                    | <b>3,877</b> |



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## 6. Segment Information (continued)

| Year ended<br>31 December 2018       | Hospitals | Pharmacies | HMG Solutions / Others | Total        |
|--------------------------------------|-----------|------------|------------------------|--------------|
| SR' millions                         |           |            |                        |              |
| <b>Saudi Arabia:</b>                 |           |            |                        |              |
| Revenue                              | 3,291     | 737        | 164                    | <b>4,192</b> |
| Gross profit                         | 978       | 244        | 77                     | <b>1,299</b> |
| <b>Outside Saudi Arabia:</b>         |           |            |                        |              |
| Revenue                              | 390       | -          | 6                      | <b>396</b>   |
| Gross profit                         | 57        | -          | 6                      | <b>63</b>    |
| <b>Total</b>                         |           |            |                        |              |
| Revenue                              | 3,681     | 737        | 170                    | <b>4,588</b> |
| Gross profit*                        | 1,035     | 244        | 83                     | <b>1,362</b> |
| <b>Unallocated income (expenses)</b> |           |            |                        |              |
| Selling and marketing                |           |            |                        | <b>(158)</b> |
| General and administrative           |           |            |                        | <b>(402)</b> |
| Operating income                     |           |            |                        | <b>802</b>   |
| Share of income of associates        |           |            |                        | <b>6</b>     |
| Finance costs                        |           |            |                        | <b>(19)</b>  |
| Other income                         |           |            |                        | <b>93</b>    |
| <b>Income before zakat</b>           |           |            |                        | <b>882</b>   |
| Zakat                                |           |            |                        | <b>(81)</b>  |
| Income for the year                  |           |            |                        | <b>801</b>   |
| <b>As at 31 December 2018</b>        |           |            |                        |              |
| <b>Saudi Arabia:</b>                 |           |            |                        |              |
| Total assets                         | 5,661     | 234        | 1,071                  | <b>6,966</b> |
| Total liabilities                    | 1,894     | 234        | 774                    | <b>2,902</b> |
| <b>Outside Saudi Arabia</b>          |           |            |                        |              |
| Total assets                         | 566       | -          | 9                      | <b>575</b>   |
| Total liabilities                    | 76        | -          | 6                      | <b>82</b>    |
| <b>Total</b>                         |           |            |                        |              |
| Total assets                         | 6,227     | 234        | 1,080                  | <b>7,541</b> |
| Total liabilities                    | 1,970     | 234        | 780                    | <b>2,984</b> |

\*Cost of revenue includes employees' cost amounting to SR 1,893.9 million (2018: SR 1,793.6 million).

## 7. Cash and cash equivalents

|                                | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|--------------------------------|---------------------------------|---------------------------------|
| Short-term deposits with banks | <b>517,892,829</b>              | 778,113,229                     |
| Cash at banks                  | <b>670,406,992</b>              | 581,764,177                     |
| Cash on hand                   | <b>8,360,821</b>                | 9,241,021                       |
|                                | <b>1,196,660,642</b>            | 1,369,118,427                   |



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## 8. Accounts receivable

|                                            | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|--------------------------------------------|---------------------------------|---------------------------------|
| Accounts receivable – trade                | <b>1,567,457,233</b>            | 1,433,550,401                   |
| Less: allowance for expected credit losses | <b>(60,317,650)</b>             | (122,450,006)                   |
|                                            | <b>1,507,139,583</b>            | 1,311,100,395                   |

The movement in the allowance for expected credit losses is as follows:

|                               | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|-------------------------------|---------------------------------|---------------------------------|
| At the beginning of the year  | <b>122,450,006</b>              | 82,131,210                      |
| Charge for the year (note 22) | <b>104,708,352</b>              | 81,696,100                      |
| Disposal of a subsidiary      | <b>(3,979,052)</b>              | -                               |
| Write-off during the year     | <b>(162,861,656)</b>            | (41,377,304)                    |
| At the end of the year        | <b>60,317,650</b>               | 122,450,006                     |

As at 31 December , the ageing analysis of unimpaired trade receivables is as follows:

|                  | Total<br>SR          | Less than one year<br>SR | Greater than one year<br>SR |
|------------------|----------------------|--------------------------|-----------------------------|
| 31 December 2019 | <b>1,507,139,583</b> | 1,378,692,102            | 128,447,481                 |
| 31 December 2018 | <b>1,311,100,395</b> | 1,250,647,886            | 60,452,509                  |

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and they are therefore unsecured. As at 31 December 2019 accounts receivable of SR 60,317,650 (as at 31 December 2018: SR 122,450,006) were impaired and fully provided for. Amounts written off during the year relate to individually identified accounts that are considered to be irrecoverable.

As at 31 December 2019, approximately 93% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2018: SR 94%).

The Group's credit terms require receivables to be repaid within 30-90 days of the claim date depending on the type of customer, which is in line with healthcare industry. Due to short credit period offered to customers, a significant amount of accounts receivable are neither past due nor impaired.



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## 9. Inventories

|                                 | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------------|---------------------------------|---------------------------------|
| Pharmaceuticals inventories     | 173,414,408                     | 165,332,944                     |
| Medical supplies                | 105,763,478                     | 111,614,241                     |
| Others                          | 19,114,146                      | 27,965,593                      |
|                                 | 298,292,032                     | 304,912,778                     |
| Less: provision for inventories | (2,425,056)                     | (2,376,123)                     |
|                                 | 295,866,976                     | 302,536,655                     |

Cost of inventories recognized in the consolidated statement of income for the year ended 31 December 2019 amounted to SR 1,021,320,572 (2018: SR 980,428,317).

## 10. Prepaid expenses and other assets

|                           | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------|---------------------------------|---------------------------------|
| Prepaid expenses          | 109,052,838                     | 101,284,735                     |
| Advances to employees     | 53,708,913                      | 46,272,976                      |
| Advances to purchase Land | 39,978,296                      | -                               |
| Others                    | 66,000,989                      | 62,668,168                      |
|                           | 268,741,036                     | 210,225,879                     |



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## 11. Investments in associates

The Group investment in associates comprise of:

- 50% interest in Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013). Ajaji Dental objectives include establishment and management of hospitals, dentistry centers and laboratories tests and x-rays centers, dentistry colleges and institutes and import and distribute medical equipment.
- 40% interest in Serco Saudi Services Company ("SERCO"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013). Serco objectives include works and maintenance to buildings construction, electricity, mechanical, cooling systems, and building cleaning.

The Group's interest in its associates is accounted for using the equity method in the consolidated financial statements. The financial information of the associates are not material at the Group level therefore, summarized financial information of the associates have not been presented.

During the year, the movement of investments in associates is as follows:

| 2019         | Opening balance   | Share of income  | Dividends          | Ending balance    |
|--------------|-------------------|------------------|--------------------|-------------------|
|              | SR                | SR               | SR                 | SR                |
| Ajaji Dental | 33,850,963        | 1,596,895        | (5,000,000)        | 30,447,858        |
| SERCO        | 9,637,217         | (53,063)         | -                  | 9,584,154         |
| <b>Total</b> | <b>43,488,180</b> | <b>1,543,832</b> | <b>(5,000,000)</b> | <b>40,032,012</b> |
| 2018         | Opening balance   | Share of income  | Dividends          | Ending balance    |
|              | SR                | SR               | SR                 | SR                |
| Ajaji Dental | 34,450,815        | 5,400,148        | (6,000,000)        | 33,850,963        |
| SERCO        | 9,227,138         | 410,079          | -                  | 9,637,217         |
| <b>Total</b> | <b>43,677,953</b> | <b>5,810,227</b> | <b>(6,000,000)</b> | <b>43,488,180</b> |



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## 12. Property and equipment

|                            | Land          | Buildings and leasehold improvements | Medical and general equipment | Motor vehicles and ambulances | Furniture, fixtures and office equipment | Right of use Assets | Capital work-in-progress* | Total         |
|----------------------------|---------------|--------------------------------------|-------------------------------|-------------------------------|------------------------------------------|---------------------|---------------------------|---------------|
|                            | SR            | SR                                   | SR                            | SR                            | SR                                       | SR                  | SR                        | SR            |
| <b>Cost</b>                |               |                                      |                               |                               |                                          |                     |                           |               |
| <b>At 1 January 2018</b>   | 1,399,776,664 | 1,551,992,959                        | 1,000,753,676                 | 11,882,107                    | 398,744,030                              | -                   | 315,463,267               | 4,678,612,703 |
| Additions                  | 172,055,340   | 3,161,390                            | 33,325,929                    | -                             | 30,331,449                               | -                   | 591,254,135               | 830,128,243   |
| Disposals/transfers        | -             | 757,313                              | (6,375,770)                   | (1,666,447)                   | (1,317,291)                              | -                   | (4,169,095)               | (12,771,290)  |
| <b>At 31 December 2018</b> | 1,571,832,004 | 1,555,911,662                        | 1,027,703,835                 | 10,215,660                    | 427,758,188                              | -                   | 902,548,307               | 5,495,969,656 |
| Additions                  | 139,180,750   | 7,883,922                            | 65,572,884                    | 888,457                       | 38,019,812                               | 393,574,642         | 483,960,580               | 1,129,081,047 |
| Disposals/transfers        | -             | 1,060,667,065                        | 94,157,304                    | (875,000)                     | 11,238,054                               | (15,494,300)        | (1,178,161,498)           | (28,468,375)  |
| <b>At 31 December 2019</b> | 1,711,012,754 | 2,624,462,649                        | 1,187,434,023                 | 10,229,117                    | 477,016,054                              | 378,080,342         | 208,347,389               | 6,596,582,328 |
| <b>Depreciation</b>        |               |                                      |                               |                               |                                          |                     |                           |               |
| <b>At 1 January 2018</b>   | -             | 300,987,841                          | 479,169,860                   | 9,413,977                     | 226,907,725                              | -                   | -                         | 1,016,479,403 |
| Charge for the year        | -             | 53,251,126                           | 99,055,895                    | 769,008                       | 47,111,104                               | -                   | -                         | 200,187,133   |
| Disposals/transfers        | -             | (192,312)                            | (2,953,121)                   | (1,666,425)                   | (2,908,021)                              | -                   | -                         | (7,719,879)   |
| <b>At 31 December 2018</b> | -             | 354,046,655                          | 575,272,634                   | 8,516,560                     | 271,110,808                              | -                   | -                         | 1,208,946,657 |
| Charge for the year        | -             | 58,293,519                           | 97,223,820                    | 648,206                       | 49,868,397                               | 49,885,428          | -                         | 255,919,370   |
| Disposals/transfers        | -             | 77,658                               | (3,965,103)                   | (862,625)                     | (3,599,381)                              | (2,213,020)         | -                         | (10,562,471)  |
| <b>At 31 December 2019</b> | -             | 412,417,832                          | 668,531,351                   | 8,302,141                     | 317,379,824                              | 47,672,408          | -                         | 1,454,303,556 |
| <b>Net book value</b>      |               |                                      |                               |                               |                                          |                     |                           |               |
| <b>At 31 December 2019</b> | 1,711,012,754 | 2,212,044,817                        | 518,902,672                   | 1,926,976                     | 159,636,230                              | 330,407,934         | 208,347,389               | 5,142,278,772 |
| <b>At 31 December 2018</b> | 1,571,832,004 | 1,201,865,007                        | 452,431,201                   | 1,699,100                     | 156,647,380                              | -                   | 902,548,307               | 4,287,022,999 |

\*Capital work-in-progress represents cost incurred to date on different hospital projects of the Group.

\*\* Property and equipment include land, building and medical equipment amounting to the extent of SR 583,708,500 (2018: SR 550,641,500) pledged against the loans obtained from the Ministry of Finance (note 27).



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## 12. Property and equipment (continued)

The depreciation charge has been allocated in the consolidated statement of income as follows:

|                                               | For the year ended     |                        |
|-----------------------------------------------|------------------------|------------------------|
|                                               | 31 December 2019<br>SR | 31 December 2018<br>SR |
| Cost of revenue                               | <b>214,273,522</b>     | 165,721,815            |
| General and administrative expenses (note 23) | <b>39,710,491</b>      | 32,904,331             |
| Selling and marketing expenses (note 22)      | <b>1,935,357</b>       | 1,560,987              |
|                                               | <b>255,919,370</b>     | 200,187,133            |

## 13. Accounts payable

|                                      | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|--------------------------------------|---------------------------------|---------------------------------|
|                                      | SR                              | SR                              |
| Accounts payable                     | <b>521,316,188</b>              | 459,366,072                     |
| Contractors' payables and retentions | <b>132,785,752</b>              | 68,630,879                      |
| Others                               | <b>1,867,005</b>                | 3,613,995                       |
|                                      | <b>655,968,945</b>              | 531,610,946                     |

\*Included in the accounts payable are balances payable to related parties amounting to SR 72,886,465 (2018: SR 54,279,081)

## 14. Related party disclosures

Related parties represent shareholders, Directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

### Related party transactions

Significant transactions and balances with related parties in the ordinary course of business which are included in the consolidated financial statements are summarized as follows:

| Nature of transaction                             | Related party                                        | Relationship        | 2019              | 2018       |
|---------------------------------------------------|------------------------------------------------------|---------------------|-------------------|------------|
|                                                   |                                                      |                     | SR                | SR         |
| Capital work-in-progress                          | Masah Contracting Company                            | Other related party | <b>24,571,487</b> | 50,954,337 |
| Capital work-in-progress                          | Namara Specialist Establishment for Trading          | Other related party | <b>2,198,543</b>  | 734,955    |
| Purchases and services                            | Serco Saudi Services Company                         | Associate           | <b>55,124,697</b> | 59,180,042 |
| Purchases and services                            | Rawafed Al Seha International Company                | Other related party | <b>25,132,894</b> | -          |
| Revenue                                           | Ajaji Dental                                         | Associate           | <b>36,697,724</b> | 38,105,669 |
| Board of directors and its committee remuneration | Members of the Board of Directors and its committees | Affiliates          | <b>1,935,000</b>  | 1,814,000  |



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## 14. Related party disclosures (continued)

### Compensation of key management personnel of the Group

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

|                                                     | For the year ended     |                        |
|-----------------------------------------------------|------------------------|------------------------|
|                                                     | 31 December 2019<br>SR | 31 December 2018<br>SR |
| Short-term employee benefits                        | 4,843,471              | 4,766,536              |
| Post-employment and medical benefits                | 122,000                | 122,000                |
| Board of Directors and its committees remuneration  | 1,935,000              | 1,814,000              |
| Total compensation paid to key management personnel | 6,900,471              | 6,702,536              |

## 15. Accrued expenses and other liabilities

|                                          | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|------------------------------------------|---------------------------------|---------------------------------|
|                                          | SR                              | SR                              |
| Accrued employees' salaries and benefits | 299,666,562                     | 301,417,509                     |
| Accrued expenses                         | 94,805,168                      | 75,972,940                      |
| Others                                   | 20,983,353                      | 22,486,563                      |
| Dividends payable (note 21)              | -                               | 103,360,353                     |
|                                          | 415,455,083                     | 503,237,365                     |

## 16. Zakat payable

The Group's Zakat provision for the year ended 31 December 2019 amounted to SR 65,677,664 (2018: SR 81,329,717) which is charged to the consolidated statement of income in accordance with the GAZT regulations.

### A- Zakat base

The principal elements of the Zakat base are as follows:

|                         | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|-------------------------|---------------------------------|---------------------------------|
|                         | SR                              | SR                              |
| Shareholders' equity    | 3,984,649,457                   | 4,554,968,629                   |
| Non-current assets      | (5,363,332,140)                 | (5,134,606,414)                 |
| Non-current liabilities | 2,861,594,816                   | 1,762,776,515                   |
| Adjusted net income     | 1,065,697,258                   | 1,010,223,858                   |
| Zakat base              | 2,548,609,391                   | 2,193,362,588                   |

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## 16. Zakat payable (continued)

### B- Zakat provision

The movement in Zakat provision as of 31 December is as follows:

|                                      | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|--------------------------------------|---------------------------------|---------------------------------|
| Balance at the beginning of the year | 79,135,807                      | 82,388,707                      |
| Charge for the year                  | 65,677,664                      | 81,329,717                      |
| Paid during the year                 | (56,781,845)                    | (84,582,617)                    |
| Balance at the end of the year       | 88,031,626                      | 79,135,807                      |

### C- Zakat status

The Company has filed its consolidated zakat returns (for the Company and fully owned subsidiaries) to GAZT and obtained zakat certificates for all years up to 31 December 2018. The final Zakat assessments have been received for all years up to 2016 and the Company has recorded all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments.

Asharq Alawsat Pharmacies Company has obtained Zakat certificate up to 2018. During 2017, Asharq Alawsat Pharmacies Company has received the final Zakat assessments for the years from 2008 until 2016 and Asharq Alawsat Pharmacies Company has recorded all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments.

Al Afia Pharmacies Company, Sehat Al Sharq Medical Limited Company, Gharb Jeddah Hospital Company and Al Wosta Medical Limited Company have obtained the Zakat certificates up to 2018. During 2018, Sehat Al Sharq Medical Limited Company has received the final Zakat assessments for all the years upto 2016 and no differences have been identified from the actual returns submitted.

## 17. Government grant

|                           | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------|---------------------------------|---------------------------------|
| As at 1 January           | 50,140,095                      | -                               |
| Received during the year  | 20,424,051                      | 50,140,095                      |
| Amortised during the year | (2,624,004)                     | -                               |
| As at 31 December         | 67,940,142                      | 50,140,095                      |
| Current                   | 3,068,006                       | 2,706,944                       |
| Non-current               | 64,872,136                      | 47,433,151                      |
|                           | 67,940,142                      | 50,140,095                      |

The grant represents the difference between the fair value and carrying value of the interest free loans obtained in 2018 and 2019 from Ministry of Finance to fund the construction of the new hospital and the purchase of medical and non-medical equipment. The conditions and contingencies included in the grant have been met.



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## 18. Employees' end-of-service benefits

### A- Net defined benefit expense recognized in profit or loss

|                                             | For the year ended     |                        |
|---------------------------------------------|------------------------|------------------------|
|                                             | 31 December 2019<br>SR | 31 December 2018<br>SR |
| Current service cost                        | 46,649,613             | 41,398,353             |
| Interest cost on defined benefit obligation | 11,104,522             | 8,793,969              |
| Net defined benefit expense                 | 57,754,135             | 50,192,322             |

### B- Changes in the present value of the defined benefit obligation:

|                                                                    | SR                 |
|--------------------------------------------------------------------|--------------------|
| Employees' end-of-service benefits as at 1 January 2018            | 220,103,792        |
| Interest cost on defined benefit obligation                        | 8,793,969          |
| Current service cost                                               | 41,398,353         |
| Actuarial gain on the defined benefit obligation recognized in OCI | (8,103,771)        |
| Benefits paid                                                      | (28,139,827)       |
| Employees' end-of-service benefits as at 31 December 2018          | 234,052,516        |
| Interest cost on defined benefit obligation                        | 11,104,522         |
| Current service cost                                               | 46,649,613         |
| Actuarial loss on the defined benefit obligation recognized in OCI | 4,060,518          |
| Benefits paid                                                      | (27,241,236)       |
| Transfer of a subsidiary (Note 30)                                 | (1,315,141)        |
| <b>Employees' end-of-service benefits as at 31 December 2019</b>   | <b>267,310,792</b> |

### C- Significant assumptions

|                         | 31 December 2019<br>% | 31 December 2018<br>% |
|-------------------------|-----------------------|-----------------------|
| Discount rate           | 4.77                  | 4.77                  |
| Future salary increases | 3.00                  | 3.00                  |

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 December 2019:

| 31 December 2019        | Sensitivity level | Change in assumption | Impact on employees' end-of-service benefits |                              |                              |
|-------------------------|-------------------|----------------------|----------------------------------------------|------------------------------|------------------------------|
|                         |                   |                      | Base value<br>SR                             | Increase in assumption<br>SR | Decrease in assumption<br>SR |
| Discount rate           | 1%                | 267,310,792          | 254,965,948                                  | 280,446,993                  |                              |
| Future salary increases | 1%                | 267,310,792          | 277,318,442                                  | 257,642,788                  |                              |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation because of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.



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## 19. Issued and paid-up share capital

The Company's authorised, issued and paid-up share capital comprise of 350,000,000 shares of SR 10 each amounting to SR 3,500,000,000

As at 31 December, the shareholding of the Company was as follows:

|                                                      | As at 31 December 2019 |                | As at 31 December 2018 |                |
|------------------------------------------------------|------------------------|----------------|------------------------|----------------|
|                                                      | Number of shares       | Shareholding % | Number of shares       | Shareholding % |
| Dr. Sulaiman Abdulaziz Sulaiman Al Habib             | 157,488,333            | 44.99%         | 169,885,330            | 48.54%         |
| Muhammad Abdulaziz Al Habib and Sons Holding Company | 152,903,333            | 43.69%         | 169,885,330            | 48.54%         |
| Jawhara Al Bahar Investment Company                  | 17,430,000             | 4.98%          | -                      | -              |
| Thubat al'aemal company Limited                      | 12,845,000             | 3.67%          | -                      | -              |
| Mr. Hisham Sulaiman Abdulaziz Al Habib               | 7,000,000              | 2.00%          | 7,000,000              | 2.00%          |
| Mr. Mohammad Sulaiman Abdulaziz Al Habib             | 2,333,334              | 0.67%          | 3,229,340              | 0.92%          |
|                                                      | <b>350,000,000</b>     | <b>100%</b>    | <b>350,000,000</b>     | <b>100%</b>    |

## 20. Statutory reserve

In accordance with Saudi Regulations for Companies and the Group's bylaws, the Company is establishing the statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders currently.

## 21. Dividend distribution

The Board of Directors in their meetings during 2019 decided to distribute interim dividends of SR 2.29 per share totaling to SR 800,000,000 (2018: dividends of SR 2.29 per share totaling to SR 800,000,000) which are subject to the approval of the Company's upcoming general assembly.

The interim dividends during the year ended 31 December 2019 were approved by the general assembly on 20/04/1441H (corresponding to 17 December 2019).



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## 22. Selling and marketing expenses

|                                                       | For the year ended     |                        |
|-------------------------------------------------------|------------------------|------------------------|
|                                                       | 31 December 2019<br>SR | 31 December 2018<br>SR |
| Allowance for expected credit losses (note 8)         | 104,708,352            | 81,696,100             |
| Employees' salaries, wages and other related benefits | 42,389,287             | 36,125,985             |
| Promotion and advertisement                           | 39,506,033             | 31,945,012             |
| Depreciation (note 12)                                | 1,935,357              | 1,560,987              |
| Others                                                | 7,378,408              | 7,158,484              |
|                                                       | 195,917,437            | 158,486,568            |

## 23. General and administrative expenses

|                                                       | For the year ended     |                        |
|-------------------------------------------------------|------------------------|------------------------|
|                                                       | 31 December 2019<br>SR | 31 December 2018<br>SR |
| Employees' salaries, wages and other related benefits | 282,494,732            | 259,736,108            |
| Directors' remuneration and management incentive      | 45,110,775             | -                      |
| Depreciation (note 12)                                | 39,710,491             | 32,904,331             |
| Utilities and communication                           | 22,151,963             | 15,967,431             |
| Licenses and government fees                          | 11,240,781             | 8,895,028              |
| Housekeeping                                          | 10,089,154             | 11,446,922             |
| Repair and maintenance                                | 8,843,930              | 9,060,188              |
| Rent                                                  | 8,645,785              | 16,178,368             |
| Bank charges and commissions                          | 6,903,657              | 8,472,162              |
| Consultation and professional fees                    | 5,945,822              | 13,183,336             |
| Travel expenses                                       | 5,841,654              | 3,359,167              |
| Fees and subscriptions                                | 2,359,448              | 2,102,754              |
| Others                                                | 25,475,340             | 20,693,484             |
|                                                       | 474,813,532            | 401,999,279            |



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## 24. Other income, net

|                                            | For the year ended     |                        |
|--------------------------------------------|------------------------|------------------------|
|                                            | 31 December 2019<br>SR | 31 December 2018<br>SR |
| Finance income                             | 20,509,367             | 13,121,967             |
| Rental income                              | 15,801,938             | 15,747,159             |
| Scientific support from suppliers          | 8,046,412              | 21,323,003             |
| HRDF receipts                              | 1,518,856              | 10,058,642             |
| Loss on disposal of property and equipment | (645,661)              | (597,103)              |
| Others                                     | 16,740,341             | 33,734,963             |
|                                            | <b>61,971,253</b>      | <b>93,388,631</b>      |

## 25. Earnings per share

Basic and diluted earnings per share ("EPS") is calculated by dividing the income for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the operating income, income for the year and share data used in the basic and diluted EPS computations:

|                                                            | 2019<br>SR  | 2018<br>SR  |
|------------------------------------------------------------|-------------|-------------|
| Operating income                                           | 867,720,024 | 801,523,539 |
| Weighted average number of ordinary shares                 | 350,000,000 | 350,000,000 |
| Basic and diluted earnings per share from operating income | 2.48        | 2.29        |

|                                                                                                            | 2019<br>SR  | 2018<br>SR  |
|------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Income for the year attributable to equity holders of the parent                                           | 870,231,171 | 801,307,353 |
| Weighted average number of ordinary shares                                                                 | 350,000,000 | 350,000,000 |
| Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent | 2.49        | 2.29        |





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## 26. Commitments and contingencies

### Operating lease commitments – Group as a lessee

Commitments for minimum lease payments under non-cancellable operating leases are as follows:

|                                             | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------------------------|---------------------------------|---------------------------------|
| Within one year                             | <b>4,843,318</b>                | 51,374,431                      |
| After one year but not more than five years | <b>2,391,213</b>                | 137,518,083                     |
| More than five years                        | -                               | 34,018,716                      |
|                                             | <b>7,234,531</b>                | 222,911,230                     |

Operating lease payments represent rentals payable by the Group for renting lands and buildings.

Payments under operating lease recognized as an expense during the year ended 31 December 2019 amounted to SR 24,625,425 (2018 SR: 53,002,199).

### Capital commitments

The Group has capital commitment for construction of hospitals, as follows:

|                     | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------|---------------------------------|---------------------------------|
| Capital commitments | <b>410,170,952</b>              | 415,646,751                     |

### Letter of credits and guarantees

The Group has guarantees related to, as follows:

|                      | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|----------------------|---------------------------------|---------------------------------|
| Letters of credit    | <b>86,216,664</b>               | 129,018,736                     |
| Letters of guarantee | <b>104,976,258</b>              | 47,562,037                      |
|                      | <b>191,192,922</b>              | 176,580,773                     |



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## 27. Financial assets and liabilities

### 27.1 Long-term borrowings

|                                                     | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|-----------------------------------------------------|---------------------------------|---------------------------------|
| <b>Current-portion of loans and borrowings:</b>     |                                 |                                 |
| Loans from local banks (i)                          | 215,681,180                     | 214,309,407                     |
| Loans from Ministry of Finance (ii)                 | 24,203,408                      | 14,203,407                      |
|                                                     | <b>239,884,588</b>              | 228,512,814                     |
| <b>Non-current portion of loans and borrowings:</b> |                                 |                                 |
| Loans from local banks (i)                          | 1,392,205,402                   | 951,735,826                     |
| Loans from Ministry of Finance (ii)                 | 388,053,382                     | 386,521,242                     |
|                                                     | <b>1,780,258,784</b>            | 1,338,257,068                   |

#### A- Loans from local banks

The Group is financed through Islamic facilities in the form of long-term and short-term loans (Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes.

Aggregate maturities of loans from local banks are as follows:

|                                             | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------------------------|---------------------------------|---------------------------------|
| Within one year                             | 215,681,180                     | 214,309,407                     |
| After one year but not more than five years | 826,711,330                     | 559,398,229                     |
| More than five years                        | 565,494,072                     | 392,337,597                     |
|                                             | <b>1,607,886,582</b>            | 1,166,045,233                   |

#### B- Loans from Ministry of Finance (MoF)

The Group's long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the Company and its subsidiaries. The loan repayment instalments are settled on equal yearly installments. Certain assets are pledged against the loans obtained from the MoF (note 12). Aggregate maturities of loans from MoF are as follows:

|                                             | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------------------------|---------------------------------|---------------------------------|
| Within one year                             | 24,203,408                      | 14,203,407                      |
| After one year but not more than five years | 138,455,378                     | 111,015,387                     |
| More than five years                        | 249,598,004                     | 275,505,855                     |
|                                             | <b>412,256,790</b>              | 400,724,649                     |



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**27. Financial assets and liabilities (continued)**

**27.2 Lease Liabilities**

|                           | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------|---------------------------------|---------------------------------|
| As at 1 January 2019      | 209,036,772                     | -                               |
| Additions during the year | 163,358,220                     | -                               |
| Disposal -net             | (10,592,132)                    | -                               |
| Payments                  | (43,600,978)                    | -                               |
| As at 31 December 2019    | 318,201,882                     | -                               |

Following is the aggregate maturities of lease liabilities:

|                                             | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------------------------|---------------------------------|---------------------------------|
| Within one year                             | 60,959,975                      | -                               |
| After one year but not more than five years | 155,310,163                     | -                               |
| More than five years                        | 178,402,250                     | -                               |
|                                             | 394,672,388                     | -                               |

|                                        | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|----------------------------------------|---------------------------------|---------------------------------|
| Future minimum lease payment           | 394,672,388                     | -                               |
| Less: un-amortized finance charges     | (76,470,506)                    | -                               |
| Present value of minimum lease payment | 318,201,882                     | -                               |
| Less: curren-portion of lease payment  | (49,413,705)                    | -                               |
|                                        | 268,788,177                     | -                               |

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## **27. Financial assets and liabilities (continued)**

### **27.3 Risk management**

The Group's principal financial liabilities mainly comprise long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into hedging activities.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commission rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loan. The sensitivity analyses in the following sections relate to the position as at 31 December 2019.

#### **Commission rate risk**

Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term (note 27.1) and term deposits (note 7) with floating commission rates. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The Group analysis its commission rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of defined markup shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions. The Group is not exposed to any significant commission rate risk.

#### **Currency risk**

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk.



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## 27. Financial assets and liabilities (continued)

### 27.3 Risk management (continued)

#### Credit risk

Credit risk is the risk a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalents, term deposits and accounts receivables as follows:

|                                | As at<br>31 December 2019<br>SR | As at<br>31 December 2018<br>SR |
|--------------------------------|---------------------------------|---------------------------------|
| Accounts receivable            | 1,507,139,583                   | 1,311,100,395                   |
| Short-term deposits with banks | 517,892,829                     | 778,113,229                     |
| Cash at banks                  | 670,406,992                     | 581,764,177                     |
|                                | 2,695,439,404                   | 2,670,977,801                   |

#### Accounts receivable

Receivables credit risk is managed subject to the Group's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Group comprise primarily of Insurance Companies, Government and its related ministries and others (Royal families, individuals, Commercial Companies, etc.). The Group seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups. The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The credit terms are extended to customers where the Group does not expect any inability to pay.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Group evaluates the concentration of risk with respect to receivables as low, as its customers are located in various regions across GCC.

#### Short-term deposits with banks and cash at banks

Credit risk from balances with banks and financial institution is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

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## 27. Financial assets and liabilities (continued)

### 27.3 Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Group maintains sufficient liquidity. Senior management continuously reviews information on the Group's liquidity developments.

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations.

The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

| As at 31 December 2019         | On demand            | Within one year    | One to five years    | More than five years | Total                |
|--------------------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
|                                | SR                   | SR                 | SR                   | SR                   | SR                   |
| Long-term loans                | -                    | 239,884,588        | 965,166,708          | 815,092,076          | 2,020,143,372        |
| Accounts payable               | 655,968,945          | -                  | -                    | -                    | 655,968,945          |
| Accruals and other liabilities | 415,455,083          | -                  | -                    | -                    | 415,455,083          |
| Lease liability                | -                    | 60,959,975         | 155,310,163          | 178,402,250          | 394,672,388          |
|                                | <b>1,071,424,028</b> | <b>300,844,563</b> | <b>1,120,476,871</b> | <b>993,494,326</b>   | <b>3,486,239,788</b> |

| As at 31 December 2018         | On demand            | Within one year    | One to five years  | More than five years | Total                |
|--------------------------------|----------------------|--------------------|--------------------|----------------------|----------------------|
|                                | SR                   | SR                 | SR                 | SR                   | SR                   |
| Long-term loans                | -                    | 228,512,814        | 670,413,616        | 667,843,452          | 1,566,769,882        |
| Accounts payable               | 531,610,946          | -                  | -                  | -                    | 531,610,946          |
| Accruals and other liabilities | 503,237,365          | -                  | -                  | -                    | 503,237,365          |
|                                | <b>1,034,848,311</b> | <b>228,512,814</b> | <b>670,413,616</b> | <b>667,843,452</b>   | <b>2,601,618,193</b> |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2019**

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## **28. Capital management**

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

## **29. Fair values**

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents and accounts receivable. Financial liabilities consist of long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values at reporting date largely.





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2019**

### 30. Transfer of a subsidiary

On 1 January 2019, the Company has transferred Rawafed Al Seha International Company to a related party at net book value.

Following is the financial information of the subsidiary at date of transaction:

|                                                                 | SR                 |
|-----------------------------------------------------------------|--------------------|
| <b>Assets</b>                                                   |                    |
| Cash and cash equivalents                                       | 2,772,641          |
| Accounts receivable                                             | 21,815,289         |
| Due from related parties                                        | 19,506,388         |
| Advances to suppliers and contractors                           | 3,445,295          |
| Inventories                                                     | 34,829,345         |
| Prepaid expenses and other assets                               | 1,749,507          |
| Property and equipment                                          | 2,007,709          |
| <b>Total assets</b>                                             | <b>86,126,174</b>  |
| <b>Liabilities</b>                                              |                    |
| Accounts payable                                                | 14,744,988         |
| Advances from customers                                         | 610,058            |
| Due to related parties                                          | 54,043,351         |
| Accrued expenses and other liabilities                          | 1,650,662          |
| Employees' end-of-service benefits                              | 1,315,141          |
| <b>Total liabilities</b>                                        | <b>72,364,200</b>  |
| <b>Net assets disposed</b>                                      | <b>13,761,974</b>  |
| <b>Net cash flow from arising on transfer of the subsidiary</b> |                    |
| <b>Cash and cash equivalents disposed</b>                       | <b>(2,772,641)</b> |

### 31. Approval of the consolidated financial statements

These consolidated financial statements were approved for issuance by the Board of Directors on 1 Jumad Thani 1441H (corresponding to 26 January 2020).



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Interim Consolidated Financial Statements**  
**For the three-month period ended 31 March 2019**



**Ernst & Young & Co. (Certified Public Accountants)**  
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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF Dr. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY (SAUDI CLOSED JOINT STOCK COMPANY)**

### **Opinion**

We have audited the interim consolidated financial statements of Dr. Sulaiman Al Habib Medical Services Group Company – Saudi Closed Joint Stock Company (the “Company”) and its subsidiaries (collectively with the Company the “Group”), which comprise the interim consolidated statement of financial position as at 31 March 2019, and the interim consolidated statement of income, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-months period then ended, and notes to the interim consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim consolidated financial statements present fairly, in all material respects, the interim consolidated financial position of the Group as at 31 March 2019, and its interim consolidated financial performance and its interim consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Interim Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the interim consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matter**

The comparative figures for the three-months period ended 31 March 2018 in the accompanying interim consolidated financial statements are not audited. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance for the Interim Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF Dr. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY) (continued)**

**Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF Dr. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY) (continued)**

**Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements (continued)**

- Evaluate the overall presentation, structure and content of the interim consolidated financial statements, including the disclosures, and whether the interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. (354)



Riyadh: 21 Ramadan 1440H  
(26 May 2019)



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Interim consolidated statement of financial position**  
**As at 31 March 2019**

|                                                     | Notes | 31 March 2019<br>SR | 31 December 2018<br>SR |
|-----------------------------------------------------|-------|---------------------|------------------------|
| <b>Assets</b>                                       |       |                     |                        |
| <b>Current assets</b>                               |       |                     |                        |
| Cash and cash equivalents                           | 7     | 1,500,610,660       | 1,369,118,427          |
| Accounts receivable                                 | 8     | 1,246,242,842       | 1,311,100,395          |
| Advances to suppliers and contractors               |       | 18,163,366          | 17,671,064             |
| Inventories                                         | 9     | 279,273,597         | 302,536,655            |
| Prepaid expenses and other assets                   | 10    | 181,379,277         | 210,225,879            |
| Total current assets                                |       | 3,225,669,742       | 3,210,652,420          |
| <b>Non-current assets</b>                           |       |                     |                        |
| Investments in associates                           | 11    | 45,049,696          | 43,488,180             |
| Property and equipment                              | 12    | 4,599,719,054       | 4,287,022,999          |
| Total non-current assets                            |       | 4,644,768,750       | 4,330,511,179          |
| Total assets                                        |       | 7,870,438,492       | 7,541,163,599          |
| <b>Liabilities and equity</b>                       |       |                     |                        |
| <b>Liabilities</b>                                  |       |                     |                        |
| <b>Current liabilities</b>                          |       |                     |                        |
| Current portion of long-term loans                  | 27.1  | 253,320,162         | 228,512,814            |
| Current portion of lease liabilities                | 27.2  | 45,367,157          | -                      |
| Accounts payable                                    | 13    | 512,810,992         | 531,610,946            |
| Advances from customers                             |       | 19,669,660          | 18,957,753             |
| Accrued expenses and other liabilities              | 15    | 589,638,419         | 503,237,365            |
| Zakat payable                                       | 16    | 48,710,085          | 79,135,807             |
| Current portion of government grant                 | 17    | 2,180,004           | 2,706,944              |
| Total current liabilities                           |       | 1,471,696,479       | 1,364,161,629          |
| <b>Non-current liabilities</b>                      |       |                     |                        |
| Long-term loans                                     | 27.1  | 1,374,016,912       | 1,338,257,068          |
| Government grant                                    | 17    | 47,415,087          | 47,433,151             |
| Lease liabilities                                   | 27.2  | 155,418,583         | -                      |
| Employees' end-of-service benefits                  | 18    | 242,509,118         | 234,052,516            |
| Total non-current liabilities                       |       | 1,819,359,700       | 1,619,742,735          |
| Total liabilities                                   |       | 3,291,056,179       | 2,983,904,364          |
| <b>Equity</b>                                       |       |                     |                        |
| Issued share capital                                | 19    | 3,500,000,000       | 3,500,000,000          |
| Statutory reserve                                   | 20    | 380,849,457         | 380,849,457            |
| Retained earnings                                   |       | 469,756,907         | 447,172,841            |
| Equity attributable to equity holders of the parent |       | 4,350,606,364       | 4,328,022,298          |
| Non-controlling interests                           |       | 228,775,949         | 229,236,937            |
| Total equity                                        |       | 4,579,382,313       | 4,557,259,235          |
| Total liabilities and equity                        |       | 7,870,438,492       | 7,541,163,599          |

The accompanying notes from an integral part of these interim consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Interim consolidated statement of income**  
**For the three-month period ended 31 March 2019**

|                                                                                   | Notes | 2019<br>SR    | 2018<br>SR<br>(Unaudited) |
|-----------------------------------------------------------------------------------|-------|---------------|---------------------------|
| Revenue                                                                           |       | 1,247,072,037 | 1,169,410,029             |
| Cost of revenue                                                                   |       | (823,705,255) | (808,012,966)             |
| Gross profit                                                                      |       | 423,366,782   | 361,397,063               |
| Selling and marketing expenses                                                    | 22    | (58,446,125)  | (40,605,697)              |
| General and administrative expenses                                               | 23    | (116,744,595) | (99,781,750)              |
| Operating income                                                                  |       | 248,176,062   | 221,009,616               |
| Share of income of associates                                                     | 11    | 1,561,516     | 1,685,118                 |
| Finance costs                                                                     |       | (6,369,420)   | (4,206,335)               |
| Other income, net                                                                 | 24    | 16,579,272    | 19,298,295                |
| Income before zakat                                                               |       | 259,947,430   | 237,786,694               |
| Zakat                                                                             | 16    | (26,328,177)  | (21,610,014)              |
| Income for the period                                                             |       | 233,619,253   | 216,176,680               |
| <b>Attributable to:</b>                                                           |       |               |                           |
| Equity holders of the Parent                                                      |       | 234,080,241   | 216,526,599               |
| Non-controlling interests                                                         |       | (460,988)     | (349,919)                 |
|                                                                                   |       | 233,619,253   | 216,176,680               |
| <b>Operating income per share and earnings per share:</b>                         |       |               |                           |
|                                                                                   | 25    |               |                           |
| Basic and diluted operating income per share                                      |       | 0.71          | 0.63                      |
| Basic and diluted earnings per share attributable to equity holders of the parent |       | 0.67          | 0.62                      |

The accompany notes from an integral part of these interim consolidated financial statements.





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Interim consolidated statement of comprehensive income**  
**For the three-month period ended 31 March 2019**

|                                                                                        | Notes | 2019<br>SR         | 2018<br>SR<br>(Unaudited) |
|----------------------------------------------------------------------------------------|-------|--------------------|---------------------------|
| Income for the period                                                                  |       | <b>233,619,253</b> | 216,176,680               |
| <b>Other comprehensive (loss) / income</b>                                             |       |                    |                           |
| <b>Items that will not to be reclassified to profit or loss in subsequent periods:</b> |       |                    |                           |
| Remeasurement (loss) / gain on employees' end-of-service benefits                      | 18    | <b>(1,496,175)</b> | 1,943,250                 |
| Net other comprehensive (loss) / income for the period                                 |       | <b>(1,496,175)</b> | 1,943,250                 |
| Total comprehensive income for the period                                              |       | <b>232,123,078</b> | 218,119,930               |
| <b>Attributable to:</b>                                                                |       |                    |                           |
| Equity holders of the parent company                                                   |       | <b>232,584,066</b> | 218,469,849               |
| Non-controlling interests                                                              |       | <b>(460,988)</b>   | (349,919)                 |
|                                                                                        |       | <b>232,123,078</b> | 218,119,930               |

The accompanying notes form an integral part of these interim consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Interim consolidated statement of changes in equity**  
**For the three-month period ended 31 March 2019**

|                                        | Attributable to equity holders of the parent |                      |                      |                      | Non-con-<br>trolling<br>interests | Total<br>equity      |
|----------------------------------------|----------------------------------------------|----------------------|----------------------|----------------------|-----------------------------------|----------------------|
|                                        | Issued share<br>capital                      | Statutory<br>reserve | Retained<br>earnings | Total                |                                   |                      |
|                                        | SR                                           | SR                   | SR                   | SR                   | SR                                | SR                   |
| <b>As at 1 January 2018</b>            | <b>3,500,000,000</b>                         | <b>300,718,722</b>   | <b>517,892,452</b>   | <b>4,318,611,174</b> | <b>230,470,315</b>                | <b>4,549,081,489</b> |
| Income (loss) for the period           | -                                            | -                    | 216,526,599          | 216,526,599          | (349,919)                         | 216,176,680          |
| Other comprehensive income             | -                                            | -                    | 1,943,250            | 1,943,250            | -                                 | 1,943,250            |
| Total comprehensive income             | -                                            | -                    | 218,469,849          | 218,469,849          | (349,919)                         | 218,119,930          |
| Dividends (note 21)                    | -                                            | -                    | (400,000,000)        | (400,000,000)        | -                                 | (400,000,000)        |
| <b>As at 31 March 2018 (Unaudited)</b> | <b>3,500,000,000</b>                         | <b>300,718,722</b>   | <b>336,362,301</b>   | <b>4,137,081,023</b> | <b>230,120,396</b>                | <b>4,367,201,419</b> |
| <b>As at 1 January 2019</b>            | <b>3,500,000,000</b>                         | <b>380,849,457</b>   | <b>447,172,841</b>   | <b>4,328,022,298</b> | <b>229,236,937</b>                | <b>4,557,259,235</b> |
| Income (loss) for the period           | -                                            | -                    | 234,080,241          | 234,080,241          | (460,988)                         | 233,619,253          |
| Other comprehensive (loss)             | -                                            | -                    | (1,496,175)          | (1,496,175)          | -                                 | (1,496,175)          |
| Total comprehensive income             | -                                            | -                    | 232,584,066          | 232,584,066          | (460,988)                         | 232,123,078          |
| Dividends (note 21)                    | -                                            | -                    | (210,000,000)        | (210,000,000)        | -                                 | (210,000,000)        |
| <b>As at 31 March 2019</b>             | <b>3,500,000,000</b>                         | <b>380,849,457</b>   | <b>469,756,907</b>   | <b>4,350,606,364</b> | <b>228,775,949</b>                | <b>4,579,382,313</b> |

The accompanying notes form an integral part of these interim consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Interim consolidated statement of cash flows**  
**For the three-month period ended 31 March 2019**

|                                                                                 | Notes  | 2019<br>SR           | 2018<br>SR<br>(Unaudited) |
|---------------------------------------------------------------------------------|--------|----------------------|---------------------------|
| <b>Operating activities</b>                                                     |        |                      |                           |
| Income before zakat                                                             |        | <b>259,947,430</b>   | 237,786,694               |
| <b>Non-cash adjustments to reconcile income before zakat to net cash flows:</b> |        |                      |                           |
| Depreciation                                                                    | 12     | <b>56,307,241</b>    | 50,099,312                |
| Share of income of associates                                                   | 11     | <b>(1,561,516)</b>   | (1,685,118)               |
| Loss on disposal of property and equipment                                      | 24     | <b>233,482</b>       | 338,890                   |
| Allowance for doubtful debts                                                    | 8 & 22 | <b>35,206,738</b>    | 21,660,653                |
| Recognized government grant                                                     | 17     | <b>(545,004)</b>     | -                         |
| Provision for inventories                                                       |        | <b>2,260,090</b>     | 1,137,647                 |
| Finance costs                                                                   |        | <b>6,369,420</b>     | 4,206,335                 |
| Employees' end-of-service benefits                                              | 18     | <b>13,568,632</b>    | 12,530,830                |
|                                                                                 |        | <b>371,786,513</b>   | 326,075,243               |
| <b>Working capital adjustments:</b>                                             |        |                      |                           |
| Accounts receivable                                                             |        | <b>7,835,526</b>     | (36,531,270)              |
| Advances to suppliers and contractors                                           |        | <b>(3,937,597)</b>   | (58,281,698)              |
| Due from/to related parties, net                                                |        | <b>48,298,938</b>    | 165,720                   |
| Inventories                                                                     |        | <b>(13,826,377)</b>  | 11,647,918                |
| Prepaid expenses and other assets                                               |        | <b>8,517,760</b>     | (93,193,603)              |
| Accounts payable                                                                |        | <b>(4,054,966)</b>   | (58,070,339)              |
| Advances from customers                                                         |        | <b>1,321,964</b>     | 4,854,820                 |
| Accrued expenses and other liabilities                                          |        | <b>26,028,746</b>    | 61,795,829                |
| <b>Cash generated from operations</b>                                           |        | <b>441,970,507</b>   | 158,462,620               |
| Zakat paid                                                                      | 16     | <b>(56,753,899)</b>  | (84,582,617)              |
| Employees' end-of-service benefits paid                                         | 18     | <b>(5,293,064)</b>   | (6,033,522)               |
| <b>Net cash from operating activities</b>                                       |        | <b>379,923,544</b>   | 67,846,481                |
| <b>Investing activities</b>                                                     |        |                      |                           |
| Purchase of property and equipment                                              | 12     | <b>(144,710,100)</b> | (46,575,937)              |
| Proceeds from sale of property and equipment                                    |        | <b>1,081,720</b>     | 1,133,670                 |
| Cash flows arising on transfer of a subsidiary                                  | 30     | <b>(2,772,641)</b>   | -                         |
| <b>Net cash used in investing activities</b>                                    |        | <b>(146,401,021)</b> | (45,442,267)              |
| <b>Financing activities</b>                                                     |        |                      |                           |
| Proceeds from (re-payment) of long-term loans, net                              |        | <b>60,567,192</b>    | (11,307,744)              |
| Lease obligation paid                                                           |        | <b>(10,210,750)</b>  | -                         |
| Finance costs paid                                                              |        | <b>(4,041,589)</b>   | (4,240,337)               |
| Dividends paid                                                                  |        | <b>(148,345,143)</b> | (179,000,000)             |
| <b>Net cash used in financing activities</b>                                    |        | <b>(102,030,290)</b> | (194,548,081)             |
| <b>Net increase (decrease) in cash and cash equivalents</b>                     |        | <b>131,492,233</b>   | (172,143,867)             |
| Cash and cash equivalents at the beginning of the period                        | 7      | <b>1,369,118,427</b> | 1,140,536,949             |
| Cash and cash equivalents at the end of the period                              | 7      | <b>1,500,610,660</b> | 968,393,082               |
| <b>Non-cash transactions:</b>                                                   |        |                      |                           |
| Recognition of right-of-use assets                                              | 12     | <b>227,616,107</b>   | -                         |
| Recognition of lease liabilities                                                | 4.9    | <b>209,036,772</b>   | -                         |

The accompanying notes form an integral part of these interim consolidated financial statements.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## **1. Corporate information and activities**

Dr. Sulaiman Al Habib Medical Services Group Company (the “Company”) (a Saudi closed joint stock company) is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993). The registered office is located at Olaya District, P.O. Box 91877, Riyadh 11643, KSA.

The Company operates under medical license no. 014-101-012-012-00129 dated 26 Jumad Thani 1428H (corresponding to 11 July 2007) issued by the Ministry of Health. The Company also operates its drug stores under license No. 6375/P dated 13 Rabi Awal 1432H (corresponding to 16 February 2011) issued by Food and Drugs Administration organization.

The Company objectives include establishing and managing hospitals, medical centres, laboratories and radiology, purchasing of lands for the purpose of constructing buildings and investing in these buildings by selling and leasing for the benefit of the Company and invest in other companies through holding a controlling position. In addition, the Company also does trading in wholesale and retail of medicines, cosmetics, medical equipment and beauty products.

The Company operates a branch in Riyadh, Kingdom of Saudi Arabia “Branch of Dr. Sulaiman Al Habib Medical Services Group Company” (“the Branch”) under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The objectives of the Branch include trading in wholesale and retail of cosmetics and maintenance of medical equipment. The Branch operates its drug store under license no. 06-01-00231 dated 24 Muharram 1435H (corresponding to 27 November 2013) issued by Food and Drugs Administration organization.

The Company operates a branch in the Kingdom of Bahrain “Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch” (“the Foreign Branch”) under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the Foreign Branch include management and development of medical units in addition to providing medical supplies.

The interim consolidated financial statements include the financial information of the branches mentioned above and subsidiaries mentioned in note 3.

## **2. Basis of preparation**

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants (collectively referred to as “IFRS” as endorsed in Kingdom of Saudi Arabia”).

These interim consolidated financial statements are prepared on a historical cost basis except for government grants and long-term loans from Ministry of Finance, which are presented on a fair value basis. The interim consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.



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### 3. Basis of consolidation

These interim consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (collectively referred to as "the Group"), mainly domiciled in Kingdom of Saudi Arabia ("KSA") and United Arab Emirates ("UAE") as at 31 March 2019 & 31 December 2018:

|                                                         | Country of incorporation and business | Activities               | Ownership %   |                  |
|---------------------------------------------------------|---------------------------------------|--------------------------|---------------|------------------|
|                                                         |                                       |                          | 31 March 2019 | 31 December 2018 |
| Sehat Al Olaya Medical Complex Company                  | KSA                                   | Hospital                 | 100%          | 100%             |
| Asharq Alawsat Pharmacies Company <sup>(a)</sup>        | KSA                                   | Pharmacy                 | 100%          | 100%             |
| Dr. Sulaiman Al Habib Hospital FZ - LLC                 | UAE                                   | Hospital                 | 100%          | 100%             |
| Al Mustaqbal for Hospitals Development Company          | KSA                                   | Hospital                 | 100%          | 100%             |
| Buraidah Al Takhassusi Hospital for Healthcare Company  | KSA                                   | Hospital                 | 100%          | 100%             |
| Al Rayan Hospital for Healthcare Company                | KSA                                   | Hospital                 | 100%          | 100%             |
| Home Healthcare Company                                 | KSA                                   | Home Healthcare services | 100%          | 100%             |
| Antab Al Riyadh for Operation and Maintenance Company   | KSA                                   | Anciliary services       | 100%          | 100%             |
| Al Gharb Al Takhassusi Hospital For Healthcare Company  | KSA                                   | Hospital                 | 100%          | 100%             |
| Al Mokhtabarat Diagnostic Medical Company               | KSA                                   | Laboratory Services      | 100%          | 100%             |
| Sehat Al Suwaidi Medical Company                        | KSA                                   | Hospital                 | 100%          | 100%             |
| Hulool Al Sahabah for IT & Communication Company        | KSA                                   | IT Support Services      | 100%          | 100%             |
| Al Rayan for Maintenance and Operation Company          | KSA                                   | Anciliary services       | 100%          | 100%             |
| Rawafed Al Seha International Company <sup>(b)</sup>    | KSA                                   | Trading services         | -             | 100%             |
| Al Afia Pharmacies for Medicines Company <sup>(a)</sup> | KSA                                   | Pharmacy                 | 100%          | 100%             |
| Intensive Care Company for Healthcare                   | KSA                                   | Hospital                 | 100%          | 100%             |
| Sehat Al Sharq Medical Limited Company                  | KSA                                   | Hospital                 | 50%           | 50%              |
| Al Wosta Medical Limited Company                        | KSA                                   | Hospital                 | 50%           | 50%              |
| Gharb Jeddah Hospital Company                           | KSA                                   | Hospital                 | 50%           | 50%              |
| Shamal Al Riyadh for Healthcare Company                 | KSA                                   | Hospital                 | 100%          | 100%             |
| Al Muhammadiya Hospital for Healthcare Company          | KSA                                   | Hospital                 | 100%          | 100%             |

a- The other partner has assigned his shares for the benefit of the Company.

b- On 1 January 2019, the Company has transferred Rawafed Al Seha International Company to a related party at net book value (note 30).

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### **3. Basis of consolidation (continued)**

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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## **4. Summary of significant accounting policies**

The following are the significant accounting policies applied by the Group in preparing its interim consolidated financial statements:

### **4.1 Business combination**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in interim consolidated statement of income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### **4.2 Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.





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## **4. Summary of significant accounting policies (continued)**

### **4.2 Investments in associates (continued)**

The interim consolidated statement of income reflects the Group's share of earnings of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the interim consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit of an associate is shown on the face of the interim consolidated statement of income outside operating profit and represents earnings after zakat and tax wherever applicable.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in the interim consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the interim consolidated statement of income.

### **4.3 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 presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liabilities is measured using the assumptions that market participants would use when pricing the asset or the liabilities, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



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## **4. Summary of significant accounting policies (continued)**

### **4.3 Fair value measurement (continued)**

All assets and liabilities for which fair value is measured or disclosed in the interim consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the interim consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liabilities and the level of the fair value hierarchy, as explained above.

### **4.4 Revenue recognition**

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.



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## **4. Summary of significant accounting policies (continued)**

### **4.4 Revenue recognition (continued)**

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- b- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

#### **Patient services**

The patient services revenue is recognized when the services are rendered to the patient net off for any discount or rebates and expected rejections at the time of providing services to the patients.

#### **Sale of goods**

The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net off any discount or rebates and expected rejections at the time of delivery of goods to the patients.

#### **Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the interim consolidated statement of income.

#### **Others**

All other revenues are recognized on an accrual basis.

Upon the adoption of IFRS 15, for advance from customer or accounts receivable, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.



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## **4. Summary of significant accounting policies (continued)**

### **4.5 Foreign currencies**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the interim consolidated statement of financial position date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim consolidated statement of income, if material.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the statement of financial position date.
- interim consolidated statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the interim consolidated statement of income as part of the gains or losses on sale.

### **4.6 Government grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to interim consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

### **4.7 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

Depreciation is calculated on all property and equipment, other than land and capital work-in-progress, at the following useful lives calculated to write off the cost of each asset on a straight-line basis over its expected useful life:



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## 4. Summary of significant accounting policies (continued)

### 4.7 Property and equipment (continued)

|                                          | Years                                                         |
|------------------------------------------|---------------------------------------------------------------|
| Buildings                                | 10 – 33                                                       |
| Leasehold improvements                   | The estimated useful life or lease period, whichever is lower |
| Medical and general equipment            | 5 – 10                                                        |
| Motor vehicles and ambulances            | 4 – 10                                                        |
| Furniture, fixtures and office equipment | 4 – 6.67                                                      |

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the interim consolidated statement of income as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the interim consolidated statement of income under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.

### 4.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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## **4. Summary of significant accounting policies (continued)**

### **4.8 Impairment of non-financial assets (continued)**

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the interim consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as income immediately in the interim consolidated statement of income.

### **4.9 Leases**

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

#### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.



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## **4. Summary of significant accounting policies (continued)**

### **4.9 Leases (continued)**

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value (i.e., below SR 20,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### **Impact on adoption of IFRS 16 “Leases”**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

In the current period, the Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019.

The Group elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- a- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- b- Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019.
- c- Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short-term leases”), and lease contracts for which the underlying asset is of low value (“low-value assets”).





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## **4. Summary of significant accounting policies (continued)**

### **4.9 Leases (continued)**

#### **Nature of the effect of adoption of IFRS 16**

##### **Prior to adoption of IFRS 16:**

The Group has lease contracts for renting commercial buildings, accommodations and offices. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liabilities.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as operating expense in the interim consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognised under prepayments and other payables, respectively.

##### **After adoption of IFRS 16:**

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Accordingly, the comparative information is not restated.

#### **The change in accounting policy affected the following items in the interim consolidated statement of financial position on 1 January 2019:**

- Right-of-use assets of SR 227,616,107 were recognised and presented under property and equipment in the interim consolidated statement of financial position.
- Lease liabilities of SR 209,036,772 were recognised and included under lease liabilities.
- Prepaid expenses and other assets of SR 18,579,335 related to previous operating leases were reclassified to the right-of-use assets.

##### **For the three months ended 31 March 2019:**

- Depreciation expense increased by SR 6,977,447 relating to the depreciation of additional assets recognised (i.e., increase in right-of-use assets).
- Rent expense decreased by SR 11,461,567 relating to previous operating leases.
- Finance costs increased by SR 1,959,718 relating to the interest expense on additional lease liabilities recognised.
- Cash flows from operating activities increased by SR 6,856,151 and cash flows from financing activities decreased by SR 10,210,750 representing the payments for the principal and interest of recognised lease liabilities.



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## 4. Summary of significant accounting policies (continued)

### 4.9 Leases (continued)

#### Nature of the effect of adoption of IFRS 16 (continued)

Impact on the interim consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

|                                              | SR                 |
|----------------------------------------------|--------------------|
| <b>Assets</b>                                |                    |
| Property and equipment – right-of-use assets | 227,616,107        |
| Prepaid expenses and other assets            | (18,579,335)       |
| <b>Total assets</b>                          | <b>209,036,772</b> |
| <b>Liabilities</b>                           |                    |
| Lease liabilities                            | 209,036,772        |
| <b>Total liabilities</b>                     | <b>209,036,772</b> |

Impact on the interim consolidated statement of income (increase/(decrease)) for the three months ended 31 March 2019:

|                                                                                            | SR                  |
|--------------------------------------------------------------------------------------------|---------------------|
| Depreciation expense (included in cost of revenue and general and administrative expenses) | (6,977,447)         |
| Rent expense (included in cost of revenue and general and administrative expenses)         | (2,081,014)         |
| Operating profit                                                                           | (9,058,461)         |
| Finance costs                                                                              | (1,959,718)         |
| <b>Income for the year</b>                                                                 | <b>(11,018,179)</b> |

Impact on the interim consolidated statement of cash flows (increase/(decrease)) for the three months ended 31 March 2019:

|                                          | SR           |
|------------------------------------------|--------------|
| Net cash flows from operating activities | 6,856,151    |
| Net cash flows from financing activities | (10,210,750) |

Reconciliation of lease liabilities pursuant to IFRS 16:

|                                                                                                             | SR                 |
|-------------------------------------------------------------------------------------------------------------|--------------------|
| Minimum lease payments under Operating leases as of 31 December 2018                                        | 222,911,230        |
| <b>Recognition exemption:</b>                                                                               |                    |
| For short-term leases                                                                                       | (2,181,430)        |
| For leases of low-value assets                                                                              | (17,000)           |
| Effect from discounting at the incremental borrowing rate as of January 1, 2019                             | (11,676,028)       |
| <b>Liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 2019</b> | <b>209,036,772</b> |
| Liabilities from finance leases as of 31 December 2018                                                      | -                  |
| Liabilities from leases as of 1 January 2019                                                                | 209,036,772        |



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## 4. Summary of significant accounting policies (continued)

### 4.9 Leases (continued)

#### Nature of the effect of adoption of IFRS 16 (continued)

#### Amounts recognised in the interim consolidated statement of financial position

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

|                            | Property and equipment –<br>right-of use assets<br>SR | Lease<br>liabilities<br>SR |
|----------------------------|-------------------------------------------------------|----------------------------|
| As at 1 January 2019       | 227,616,107                                           | 209,036,772                |
| Depreciation expense       | (6,977,447)                                           | -                          |
| Finance cost               | -                                                     | 1,959,718                  |
| Payments                   | -                                                     | (10,210,750)               |
| <b>As at 31 March 2019</b> | <b>220,638,660</b>                                    | <b>200,785,740</b>         |

Set out below, are the amounts recognised in the interim consolidated statement of income:

|                                                                                 | For the three months<br>ended<br>31 March 2019<br>SR |
|---------------------------------------------------------------------------------|------------------------------------------------------|
| Depreciation expense of right-of-use assets                                     | 6,977,447                                            |
| Finance cost on lease liabilities                                               | 1,959,718                                            |
| Rent expense - short-term leases                                                | 2,181,430                                            |
| Rent expense - leases of low-value assets                                       | 17,000                                               |
| <b>Total amounts recognised in the interim consolidated statement of income</b> | <b>11,135,595</b>                                    |

### 4.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **Recognition**

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

#### **Classification**

The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification depends on the Group's contractual terms of the financial assets cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial liabilities are not reclassified.

#### **Measurement**

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through the interim consolidated statement of income and other comprehensive income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the profit or loss are expensed in the interim consolidated statement of income and other comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the profit or loss or other comprehensive income (irrevocable election at the time of recognition).

#### **De-recognition**

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the interim consolidated statement of income and other comprehensive income.



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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments (continued)**

#### **Offsetting**

Financial assets and liabilities are offset and the net amount is presented in the interim consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **Impairment**

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses ("ECL") on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

##### **A- Stage 1: 12-months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

##### **B- Stage 2: Lifetime ECL - not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

##### **C- Stage 3: Lifetime ECL - credit impaired**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the interim consolidated statement of income and other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments (continued)**

Objective evidence that financial assets are impaired may include indications that a debtor or a company of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

### **4.12 Cash and cash equivalents**

Cash and cash equivalents in the interim consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

### **4.13 Inventories**

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items, near to expiry items and damages. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

### **4.14 Provisions**

#### **General**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the interim consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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## **4. Summary of significant accounting policies (continued)**

### **4.15 Employees' end-of-service benefits**

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The plan is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in interim consolidated statement of income on the defined benefit liability are recognized immediately in the interim consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to interim consolidated statement of income in subsequent periods.

Past service costs are recognized in interim consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the interim consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

### **4.16 Zakat and Value Added Tax (VAT)**

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the interim consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries since 31 December 2009. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The subsidiary registered in free zone - Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the interim consolidated statement of financial position.



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## **4. Summary of significant accounting policies (continued)**

### **4.17 Standards issued but not yet effective**

The following is an overview of accounting standard changes that the Group will be required to adopt in future years. The Group continues to assess the impact of these standards on the interim consolidated financial statements.

#### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. This standard is not applicable to the Group.

#### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. This is not applicable to the Group since the Group is not operating in complex multinational tax environment.

#### **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

#### **Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its interim consolidated financial statements.



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## **4. Summary of significant accounting policies (continued)**

### **4.17 Standards issued but not yet effective (continued)**

#### **Annual Improvements 2015-2017 Cycle (issued in December 2017)**

These improvements include:

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

- **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its interim consolidated financial statements.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its interim consolidated financial statements.

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## **5. Significant accounting judgments, estimates, assumptions**

### **5.1 Estimates and assumptions**

The preparation of the Group's interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the interim consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### **Revenue Recognition**

The application of IFRS 15 has required management to make the following judgements:

- **Satisfaction of performance obligations**

The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

- **Determination of transaction prices**

The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount, insurance claims rejection or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

- **Transfer of control in contracts with customers**

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

#### **Allowance for doubtful debts**

For accounts receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### **Employees' end-of-service benefits**

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### **Impairment of non-financial assets**

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### **Useful lives of property and equipment**

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

#### **Provision for inventories**

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.



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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### **Fair value measurement of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the interim consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

### **5.2 Critical judgements in applying accounting standards**

The following critical judgements have been applied in the interim consolidated financial statements:

#### **Component parts of property and equipment**

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

#### **Determination of control and significant influence**

##### **Management's judgement in assessing control over interim consolidated subsidiaries:**

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.



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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.2 Critical judgements in applying accounting standards (continued)**

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

#### **Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of 5 to 15 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

## **6. Segment Information**

Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Financial Officer as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments.

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Group.

The identified key segments are Hospitals, Pharmacies, and others.



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## 6. Segment Information (continued)

The segment results for the period ended 31 March 2019 and the reconciliation of the segment measures to the respective statutory items included in the interim consolidated financial information are as follows:

| As at 31 March 2019              | Hospitals    | Pharmacies | Others | Total |
|----------------------------------|--------------|------------|--------|-------|
|                                  | SR' millions |            |        |       |
| Saudi Arabia:                    |              |            |        |       |
| Total assets                     | 5,788        | 215        | 1,308  | 7,311 |
| Total liabilities                | 2,185        | 247        | 793    | 3,225 |
| Outside Saudi Arabia             |              |            |        |       |
| Total assets                     | 559          | -          | -      | 559   |
| Total liabilities                | 66           | -          | -      | 66    |
| Total                            |              |            |        |       |
| Total assets                     | 6,347        | 215        | 1,308  | 7,870 |
| Total liabilities                | 2,251        | 247        | 793    | 3,291 |
| For the period ended 31 March 19 |              |            |        |       |
| Saudi Arabia:                    |              |            |        |       |
| Revenue                          | 914          | 207        | 15     | 1,136 |
| Gross profit                     | 325          | 71         | 11     | 407   |
| Outside Saudi Arabia:            |              |            |        |       |
| Revenue                          | 110          | -          | 1      | 111   |
| Gross profit                     | 15           | -          | 1      | 16    |
| Total                            |              |            |        |       |
| Revenue                          | 1,024        | 207        | 16     | 1,247 |
| Gross profit*                    | 340          | 71         | 12     | 423   |
| Unallocated income (expenses)    |              |            |        |       |
| Selling and marketing            |              |            |        | (58)  |
| General and administrative       |              |            |        | (117) |
| Operating income                 |              |            |        | 248   |
| Share of income of associates    |              |            |        | 2     |
| Finance costs                    |              |            |        | (6)   |
| Other income                     |              |            |        | 16    |
| Income before zakat              |              |            |        | 260   |
| Zakat                            |              |            |        | (26)  |
| Income for the period            |              |            |        | 234   |





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## 6. Segment Information (continued)

| As at<br>31 December 2018 | Hospitals    | Pharmacies | Others | Total |
|---------------------------|--------------|------------|--------|-------|
|                           | SR' millions |            |        |       |
| Saudi Arabia:             |              |            |        |       |
| Total assets              | 5,661        | 234        | 1,071  | 6,966 |
| Total liabilities         | 1,894        | 234        | 774    | 2,902 |
| Outside Saudi Arabia      |              |            |        |       |
| Total assets              | 566          | -          | 9      | 575   |
| Total liabilities         | 76           | -          | 6      | 82    |
| Total                     |              |            |        |       |
| Total assets              | 6,227        | 234        | 1,080  | 7,541 |
| Total liabilities         | 1,970        | 234        | 780    | 2,984 |

| Period ended<br>31 March 2018<br>(Unaudited) | Hospitals    | Pharmacies | Others | Total |
|----------------------------------------------|--------------|------------|--------|-------|
|                                              | SR' millions |            |        |       |
| <b>Saudi Arabia:</b>                         |              |            |        |       |
| Revenue                                      | 874          | 189        | 7      | 1,070 |
| Gross profit                                 | 274          | 64         | 3      | 341   |
| <b>Outside Saudi Arabia:</b>                 |              |            |        |       |
| Revenue                                      | 96           | -          | 3      | 99    |
| Gross profit                                 | 17           | -          | 3      | 20    |
| <b>Total</b>                                 |              |            |        |       |
| Revenue                                      | 970          | 189        | 10     | 1,169 |
| Gross profit*                                | 291          | 64         | 6      | 361   |
| <b>Unallocated income (expenses)</b>         |              |            |        |       |
| Selling and marketing                        |              |            |        | (40)  |
| General and administrative                   |              |            |        | (100) |
| Operating income                             |              |            |        | 221   |
| Share of income of associates                |              |            |        | 2     |
| Finance costs                                |              |            |        | (4)   |
| Other income                                 |              |            |        | 19    |
| Income before zakat                          |              |            |        | 238   |
| Zakat                                        |              |            |        | (22)  |
| Income for the period                        |              |            |        | 216   |

\*Cost of revenue includes employees' cost amounting to SR 312.4 million (2018: SR 316.1 million).



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## 7. Cash and cash equivalents

|                                | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|--------------------------------|------------------------------|---------------------------------|
| Short-term deposits with banks | 827,838,424                  | 778,113,229                     |
| Cash at banks                  | 665,441,975                  | 581,764,177                     |
| Cash on hand                   | 7,330,261                    | 9,241,021                       |
|                                | <b>1,500,610,660</b>         | <b>1,369,118,427</b>            |

## 8. Accounts receivable

|                                    | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|------------------------------------|------------------------------|---------------------------------|
| Accounts receivable – trade        | 1,399,920,534                | 1,433,550,401                   |
| Less: allowance for doubtful debts | (153,677,692)                | (122,450,006)                   |
|                                    | <b>1,246,242,842</b>         | <b>1,311,100,395</b>            |

The movement in the allowance for doubtful debts is as follows:

|                                     | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|-------------------------------------|------------------------------|---------------------------------|
| At the beginning of the period/year | 122,450,006                  | 82,131,210                      |
| Charged for the year (note 22)      | 35,206,738                   | 81,696,100                      |
| Related to transfer of a subsidiary | (3,979,052)                  | -                               |
| Write-off during the period/year    | -                            | (41,377,304)                    |
| At the end of the period/year       | <b>153,677,692</b>           | <b>122,450,006</b>              |

As at 31 March 2019 and 31 December 2018 the ageing analysis of unimpaired trade receivables is as follows:

|                  | Total<br>SR          | Less than one year<br>SR | Greater than one<br>year<br>SR |
|------------------|----------------------|--------------------------|--------------------------------|
| 31 March 2019    | <b>1,246,242,842</b> | 1,198,418,066            | 47,824,776                     |
| 31 December 2018 | <b>1,311,100,395</b> | 1,250,647,886            | 60,452,509                     |



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## 8. Accounts receivable (continued)

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and they are therefore unsecured. As at 31 March 2019 accounts receivable of SR 153,677,692 (as at 31 December 2018: SR 122,450,006) were impaired and fully provided for. Amounts written off during the period relate to individually identified accounts that are considered to be irrecoverable.

As at 31 March 2019, approximately 95% of the Group's accounts receivable's balance was due from various insurance companies and governmental entities (31 December 2018: SR 94%).

The Group's credit terms require receivables to be repaid within 30-90 days of the claim date depending on the type of customer, which is in line with healthcare industry. Due to short credit period offered to customers, a significant amount of accounts receivable are neither past due nor impaired.

## 9. Inventories

|                                 | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------------|------------------------------|---------------------------------|
| Pharmaceuticals                 | 167,904,994                  | 165,332,944                     |
| Medical supplies                | 82,639,311                   | 111,614,241                     |
| Others                          | 31,841,694                   | 27,965,593                      |
|                                 | 282,385,999                  | 304,912,778                     |
| Less: provision for inventories | (3,112,402)                  | (2,376,123)                     |
|                                 | 279,273,597                  | 302,536,655                     |

Cost of inventories recognized in the interim consolidated statement of income for the period ended 31 March 2019 amounted to SR 247 million (31 March 2018: SR 241.5 million).

## 10. Prepaid expenses and other assets

|                       | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|-----------------------|------------------------------|---------------------------------|
| Prepaid expenses      | 71,897,621                   | 101,284,735                     |
| Advances to employees | 45,407,463                   | 46,272,976                      |
| Accrued Revenue       | 15,022,753                   | 20,607,505                      |
| Others                | 49,051,440                   | 42,060,663                      |
|                       | 181,379,277                  | 210,225,879                     |



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## 11. Investments in associates

The Group investments in associates comprise of:

- 50% interest in Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013). Ajaji Dental objectives include establishment and management of hospitals, dentistry centers and laboratories tests and x-rays centers, dentistry colleges and institutes and import and distribute medical equipment.
- 40% interest in Serco Saudi Services Company (previously Antab for Operations and Contracting Company) ("Antab"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013). Antab objectives include works and maintenance to buildings construction, electricity, mechanical, cooling systems, and building cleaning.

The Group's interest in its associates is accounted for using the equity method in the interim consolidated financial statements. The financial information of the associates are not material at the Group level therefore, summarized financial information of the associates have not been presented.

During the period, the movement of investments in associates is as follows:

| For the period ended 31 March 2019 | Opening balance<br>SR | Share in net income<br>SR | Ending balance<br>SR |
|------------------------------------|-----------------------|---------------------------|----------------------|
| Ajaji Dental                       | 33,850,963            | 1,385,867                 | 35,236,830           |
| Antab                              | 9,637,217             | 175,649                   | 9,812,866            |
| <b>Total</b>                       | <b>43,488,180</b>     | <b>1,561,516</b>          | <b>45,049,696</b>    |
| For the period ended 31 March 2018 | Opening balance<br>SR | Share in net income<br>SR | Ending balance<br>SR |
| Ajaji Dental                       | 34,450,816            | 1,287,287                 | 35,738,103           |
| Antab                              | 9,227,138             | 397,831                   | 9,624,969            |
| <b>Total</b>                       | <b>43,677,954</b>     | <b>1,685,118</b>          | <b>45,363,072</b>    |



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### 12. Property and equipment

|                        | Land          |  | Buildings and leasehold improvements |  | Medical and general equipment |  | Motor vehicles and ambulances |  | Furniture, fixtures and office equipment |  | Capital work-in-progress* |  | Right-of-use assets |  | Total         |  |
|------------------------|---------------|--|--------------------------------------|--|-------------------------------|--|-------------------------------|--|------------------------------------------|--|---------------------------|--|---------------------|--|---------------|--|
|                        | SR            |  | SR                                   |  | SR                            |  | SR                            |  | SR                                       |  | SR                        |  | SR                  |  | SR            |  |
| <b>Cost:</b>           |               |  |                                      |  |                               |  |                               |  |                                          |  |                           |  |                     |  |               |  |
| At 1 January 2018      | 1,399,776,664 |  | 1,551,992,959                        |  | 1,000,753,676                 |  | 11,882,107                    |  | 398,744,030                              |  | 315,463,267               |  | -                   |  | 4,678,612,703 |  |
| Additions              | 172,055,340   |  | 3,161,390                            |  | 33,325,929                    |  | -                             |  | 30,331,449                               |  | 591,254,135               |  | -                   |  | 830,128,243   |  |
| Disposals/transfers    | -             |  | 757,313                              |  | (6,375,770)                   |  | (1,666,447)                   |  | (1,317,291)                              |  | (4,169,095)               |  | -                   |  | (12,771,290)  |  |
| At 31 December 2018    | 1,571,832,004 |  | 1,555,911,662                        |  | 1,027,703,835                 |  | 10,215,660                    |  | 427,758,188                              |  | 902,548,307               |  | -                   |  | 5,495,969,656 |  |
| Transfer of subsidiary | -             |  | (918,743)                            |  | (256,181)                     |  | (209,500)                     |  | (2,292,246)                              |  | -                         |  | -                   |  | (3,676,670)   |  |
| Additions              | -             |  | 225,511                              |  | 11,938,764                    |  | -                             |  | 12,461,700                               |  | 120,084,125               |  | 227,616,107         |  | 372,326,207   |  |
| Disposals/transfers    | -             |  | 13,275,254                           |  | (3,825,779)                   |  | (570,000)                     |  | (595,497)                                |  | (13,691,287)              |  | -                   |  | (5,407,309)   |  |
| At 31 March 2019       | 1,571,832,004 |  | 1,568,493,684                        |  | 1,035,560,639                 |  | 9,436,160                     |  | 437,332,145                              |  | 1,008,941,145             |  | 227,616,107         |  | 5,859,211,884 |  |
| <b>Depreciation:</b>   |               |  |                                      |  |                               |  |                               |  |                                          |  |                           |  |                     |  |               |  |
| At 1 January 2018      | -             |  | 300,987,841                          |  | 479,169,860                   |  | 9,413,977                     |  | 226,907,725                              |  | -                         |  | -                   |  | 1,016,479,403 |  |
| Charge for the year    | -             |  | 53,251,126                           |  | 99,055,895                    |  | 769,008                       |  | 47,111,104                               |  | -                         |  | -                   |  | 200,187,133   |  |
| Disposals/transfers    | -             |  | (192,312)                            |  | (2,953,121)                   |  | (1,666,425)                   |  | (2,908,021)                              |  | -                         |  | -                   |  | (7,719,879)   |  |
| At 31 December 2018    | -             |  | 354,046,655                          |  | 575,272,634                   |  | 8,516,560                     |  | 271,110,808                              |  | -                         |  | -                   |  | 1,208,946,657 |  |
| Transfer of subsidiary | -             |  | (281,724)                            |  | (97,135)                      |  | (197,125)                     |  | (1,092,977)                              |  | -                         |  | -                   |  | (1,668,961)   |  |
| Charge for the year    | -             |  | 12,642,906                           |  | 24,179,523                    |  | 172,411                       |  | 12,334,954                               |  | -                         |  | 6,977,447           |  | 56,307,241    |  |
| Disposals/transfers    | -             |  | 365,101                              |  | (3,429,745)                   |  | (570,000)                     |  | (457,463)                                |  | -                         |  | -                   |  | (4,092,107)   |  |
| At 31 March 2019       | -             |  | 366,772,938                          |  | 595,925,277                   |  | 7,921,846                     |  | 281,895,322                              |  | -                         |  | 6,977,447           |  | 1,259,492,830 |  |
| <b>Net book value:</b> |               |  |                                      |  |                               |  |                               |  |                                          |  |                           |  |                     |  |               |  |
| At 31 March 2019       | 1,571,832,004 |  | 1,201,720,746                        |  | 439,635,362                   |  | 1,514,314                     |  | 155,436,823                              |  | 1,008,941,145             |  | 220,638,660         |  | 4,599,719,054 |  |
| At 31 December 2018    | 1,571,832,004 |  | 1,201,865,007                        |  | 452,431,201                   |  | 1,699,100                     |  | 156,647,380                              |  | 902,548,307               |  | -                   |  | 4,287,022,999 |  |

\*Capital work-in-progress represents cost incurred to date on different hospital projects of the Group.

\*\* Property and equipment includes land, building and medical equipment amounting to the extent of SR 391,624,915 (31 December 2018: SR 550,641,500) pledged against the loans obtained from the Ministry of Finance (note 27).

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## 12. Property and equipment (continued)

The depreciation charge has been allocated in the interim consolidated statement of income as follows:

|                                               | For the period ended |                                    |
|-----------------------------------------------|----------------------|------------------------------------|
|                                               | 31 March 2019<br>SR  | 31 March 2018<br>SR<br>(Unaudited) |
| Cost of revenue                               | <b>46,489,888</b>    | 41,326,829                         |
| General and administrative expenses (note 23) | <b>9,438,465</b>     | 8,392,731                          |
| Selling and marketing expenses (note 22)      | <b>378,888</b>       | 379,752                            |
|                                               | <b>56,307,241</b>    | 50,099,312                         |

## 13. Accounts payable

|                                      | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|--------------------------------------|------------------------------|---------------------------------|
|                                      | SR                           | SR                              |
| Accounts payable                     | <b>444,645,888</b>           | 459,366,072                     |
| Contractors' payables and retentions | <b>64,688,983</b>            | 68,630,879                      |
| Others                               | <b>3,476,121</b>             | 3,613,995                       |
|                                      | <b>512,810,992</b>           | 531,610,946                     |

\*Included in the accounts payable are balances payable to related parties amounting to SR 52,359,549 (31 December 2018: SR 54,279,081).

## 14. Related party disclosures

Related parties represent shareholders, Director and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

### Related party transactions

Significant transactions with related parties in the ordinary course of business which are included in the interim consolidated financial statements are summarized as follows:

| Nature of transaction                             | Related party                                        | Relationship          | For the period ended |                                    |
|---------------------------------------------------|------------------------------------------------------|-----------------------|----------------------|------------------------------------|
|                                                   |                                                      |                       | 31 March 2019<br>SR  | 31 March 2018<br>SR<br>(Unaudited) |
| Capital work-in-progress                          | Masah Contracting Company                            | Other related party   | <b>4,583,161</b>     | 13,249,097                         |
| Purchases and services                            | Antab Serco.                                         | Associate             | <b>16,381,249</b>    | 14,631,107                         |
| Revenue                                           | Ajaji Dental                                         | Associate             | <b>9,426,575</b>     | 9,706,085                          |
| Board of directors and its committee remuneration | Members of the Board of Directors and its committees | Other related parties | <b>424,995</b>       | 450,000                            |

Balances payable to related parties are disclosed in note 13.



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## 14. Related party disclosures (continued)

### Compensation of key management personnel of the Group

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

|                                                     | For the period ended |                                    |
|-----------------------------------------------------|----------------------|------------------------------------|
|                                                     | 31 March 2019<br>SR  | 31 March 2018<br>SR<br>(Unaudited) |
| Short-term employee benefits                        | 1,153,374            | 1,181,700                          |
| Post-employment and medical benefits                | 30,500               | 30,500                             |
| Board of Directors and its committees remuneration  | 424,995              | 450,000                            |
| Total compensation paid to key management personnel | 1,608,869            | 1,662,200                          |

## 15. Accrued expenses and other liabilities

|                                          | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|------------------------------------------|------------------------------|---------------------------------|
| Accrued employees' salaries and benefits | 306,411,896                  | 301,417,509                     |
| Dividends payable (note 21)              | 165,015,210                  | 103,360,353                     |
| Accrued expenses                         | 91,141,985                   | 75,972,940                      |
| Others                                   | 27,069,328                   | 22,486,563                      |
|                                          | 589,638,419                  | 503,237,365                     |

## 16. Zakat payable

The Group's Zakat provision for the period ended 31 March 2019 amounted to SR 26,328,177 (31 March 2018: SR 21,610,014) which is charged to the interim consolidated statement of income and determined in accordance with the GAZT regulations.

### A- Zakat provision

The movement in Zakat provision as of 31 March 2019 and 31 December 2018 is as follows:

|                                  | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|----------------------------------|------------------------------|---------------------------------|
| Balance at beginning of the year | 79,135,807                   | 82,388,707                      |
| Charge for the period/year       | 26,328,177                   | 81,329,717                      |
| Paid during the period/year      | (56,753,899)                 | (84,582,617)                    |
|                                  | 48,710,085                   | 79,135,807                      |





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## 16. Zakat payable (continued)

### B- Zakat status

The Company has filed its consolidated zakat returns (for the Company and fully owned subsidiaries) to GAZT and obtained zakat certificates for all years up to 31 December 2018. The final Zakat assessments have been received for all years up to 2016 and the Company has recorded all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments.

Asharq Alawsat Pharmacies Company has obtained Zakat certificate up to 31 December 2018. The final Zakat assessments have been received for all years up to 2016 and the Company has recorded all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments.

Al Afia Pharmacies Company have obtained the Zakat certificate up to 31 December 2018. Sehat Al Sharq Medical Limited Company, Gharb Jeddah Hospital Company and Al Wosta Medical Limited Company have received a facilitation letter from GAZT for the year 31 December 2017, as these companies are still under development and have no operating income. During 2018, Sehat Al Sharq Medical Limited Company has received the final Zakat assessments for all the years upto 2016 and no differences have been identified from the actual returns submitted.

## 17. Government grant

|                                   | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|-----------------------------------|------------------------------|---------------------------------|
| As at 1 January                   | 50,140,095                   | -                               |
| Received during the period/year   | -                            | 50,140,095                      |
| Recognized during the period/year | (545,004)                    | -                               |
| As at 31 December                 | 49,595,091                   | 50,140,095                      |
| Current                           | 2,180,004                    | 2,706,944                       |
| Non-current                       | 47,415,087                   | 47,433,151                      |
|                                   | 49,595,091                   | 50,140,095                      |

Balance of the grant represents the recognition of the fair value of the interest free loan obtained in October 2018 from Ministry of Finance to fund the construction of the new hospital in Khobar and the purchase of medical and non-medical equipment. The conditions and contingencies attached to the grant has been met.



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## 18. Employees' end-of-service benefits

### A- Net defined benefit expense recognized in profit or loss

|                                     | For the period ended |                                    |
|-------------------------------------|----------------------|------------------------------------|
|                                     | 31 March 2019<br>SR  | 31 March 2018<br>SR<br>(Unaudited) |
| Current service cost                | 10,778,962           | 10,468,648                         |
| Interest cost on benefit obligation | 2,789,670            | 2,062,182                          |
| Net defined benefit expense         | 13,568,632           | 12,530,830                         |

### B- Changes in the present value of the employees' end-of-service benefits:

|                                                                            | SR           |
|----------------------------------------------------------------------------|--------------|
| Employees' end-of-service benefits as at 1 January 2018                    | 220,103,792  |
| Interest cost on defined benefit obligation                                | 8,793,969    |
| Current service cost                                                       | 41,398,353   |
| Actuarial gain on the employees' end-of-service benefits recognized in OCI | (8,103,771)  |
| Benefits paid                                                              | (28,139,827) |
| Employees' end-of-service benefits as at 31 December 2018                  | 234,052,516  |
| Transfer of a subsidiary                                                   | (1,315,141)  |
| Interest cost on defined benefit obligation                                | 2,789,670    |
| Current service cost                                                       | 10,778,962   |
| Actuarial loss on the employees' end-of-service benefits recognized in OCI | 1,496,175    |
| Benefits paid                                                              | (5,293,064)  |
| Employees' end-of-service benefits as at 31 March 2019                     | 242,509,118  |

### C- Significant assumptions

|                         | 31 March 2019<br>% | 31 December 2018<br>% |
|-------------------------|--------------------|-----------------------|
| Discount rate           | 4.77               | 4.77                  |
| Future salary increases | 3.00               | 3.00                  |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## 18. Employees' end-of-service benefits (continued)

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 March 2019:

| 31 March 2019<br>Sensitivity level | Change in as-<br>sumption | Base value<br>SR | Impact on employees' end-of-service benefits |                              |
|------------------------------------|---------------------------|------------------|----------------------------------------------|------------------------------|
|                                    |                           |                  | Increase in assumption<br>SR                 | Decrease in assumption<br>SR |
| Discount rate                      | 1%                        | 242,509,118      | 233,995,028                                  | 257,197,830                  |
| Future salary increases            | 1%                        | 242,509,118      | 254,433,260                                  | 236,353,355                  |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation because of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

## 19. Issued share capital

The Company's authorised, issued and paid-up share capital comprise of 350,000,000 shares of SR 10 each amounting to SR 3,500,000,000

As at 31 March 2019 and 31 December 2018, the shareholding of the Company was as follows:

|                                                      | Number of<br>Shares | Shareholding<br>% |
|------------------------------------------------------|---------------------|-------------------|
| Dr. Sulaiman Abdulaziz Sulaiman Al Habib             | 169,885,330         | 48.54%            |
| Muhammad Abdulaziz Al Habib and Sons Holding Company | 169,885,330         | 48.54%            |
| Mr. Hisham Sulaiman Abdulaziz Al Habib               | 7,000,000           | 2.00%             |
| Mr. Mohammad Sulaiman Abdulaziz Al Habib             | 3,229,340           | 0.92%             |
|                                                      | <b>350,000,000</b>  | <b>100.00%</b>    |

## 20. Statutory reserve

In accordance with Saudi Regulations for Companies and the Group's bylaws, the Company has established a statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders currently.

## 21. Dividend distribution

The Board of Directors in their meetings during 2019 decided to distribute interim dividends of SR 0.60 per share totaling to SR 210,000,000 (2018: dividends of SR 1.14 per share totaling to SR 400,000,000) which are due for approval during the Company's upcoming general assembly.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## 22. Selling and marketing expenses

|                                                       | For the period ended |                                    |
|-------------------------------------------------------|----------------------|------------------------------------|
|                                                       | 31 March 2019<br>SR  | 31 March 2018<br>SR<br>(Unaudited) |
| Allowance for doubtful debts (note 8)                 | 35,206,738           | 21,660,653                         |
| Promotion and advertisement                           | 10,755,446           | 8,841,842                          |
| Employees' salaries, wages and other related benefits | 10,200,347           | 8,093,154                          |
| Depreciation (note 12)                                | 378,888              | 379,752                            |
| Others                                                | 1,904,706            | 1,630,296                          |
|                                                       | 58,446,125           | 40,605,697                         |

## 23. General and administrative expenses

|                                                       | For the period ended |                                    |
|-------------------------------------------------------|----------------------|------------------------------------|
|                                                       | 31 March 2019<br>SR  | 31 March 2018<br>SR<br>(Unaudited) |
| Employees' salaries, wages and other related benefits | 71,344,065           | 63,599,158                         |
| Depreciation (note 12)                                | 9,438,465            | 8,392,731                          |
| Directors' remuneration and management incentive      | 7,424,995            | 450,000                            |
| Licenses and government fees                          | 4,705,857            | 1,302,429                          |
| Rent (note 26)                                        | 2,892,230            | 4,537,527                          |
| Utilities and communication                           | 4,089,270            | 3,190,968                          |
| Professional fees                                     | 2,711,268            | 2,781,749                          |
| Housekeeping                                          | 2,654,327            | 4,354,232                          |
| Bank charges and commissions                          | 2,105,751            | 2,665,767                          |
| Travel                                                | 1,598,457            | 590,310                            |
| Repair and maintenance                                | 1,039,268            | 2,181,217                          |
| Fees and subscriptions                                | 365,452              | 542,408                            |
| Others                                                | 6,375,190            | 5,193,254                          |
|                                                       | 116,744,595          | 99,781,750                         |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## 24. Other income

|                                            | For the period ended |                                    |
|--------------------------------------------|----------------------|------------------------------------|
|                                            | 31 March 2019<br>SR  | 31 March 2018<br>SR<br>(Unaudited) |
| Finance income                             | 6,464,968            | 1,375,736                          |
| Rental income                              | 3,575,240            | 3,701,548                          |
| Scientific support from suppliers          | 2,800,266            | 2,595,628                          |
| HRDF receipts                              | -                    | 9,818,780                          |
| Loss on disposal of property and equipment | (233,482)            | (338,890)                          |
| Others                                     | 3,972,280            | 2,145,493                          |
|                                            | 16,579,272           | 19,298,295                         |

## 25. Earnings per share

Basic and diluted earnings per share ("EPS") is calculated by dividing the income for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the operating income, income and share data used in the basic and diluted EPS computations:

### Basic and diluted operating income per share.

|                                            | 2019<br>SR  | 2018<br>SR<br>(Unaudited) |
|--------------------------------------------|-------------|---------------------------|
| Operating income for the period            | 248,176,062 | 221,009,616               |
| Weighted average number of ordinary shares | 350,000,000 | 350,000,000               |
| Basic and diluted earnings per share       | 0.71        | 0.63                      |

### Basic and diluted earnings per share.

|                                                                    | 2019<br>SR  | 2018<br>SR<br>(Unaudited) |
|--------------------------------------------------------------------|-------------|---------------------------|
| Income for the period attributable to equity holders of the parent | 234,080,241 | 216,526,599               |
| Weighted average number of ordinary shares                         | 350,000,000 | 350,000,000               |
| Basic and diluted earnings per share                               | 0.67        | 0.62                      |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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**Notes to the interim consolidated financial statements (continued)**  
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## 26. Commitments and contingencies

### Operating lease commitments – Group as a lessee

Commitments for minimum lease payments under non-cancellable operating leases are as follows:

|                                             | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------------------------------|------------------------------|---------------------------------|
| Within one year                             | <b>14,309,898</b>            | 51,374,431                      |
| After one year but not more than five years | -                            | 137,518,083                     |
| More than five years                        | -                            | 34,018,716                      |
|                                             | <b>14,309,898</b>            | 222,911,230                     |

Operating lease payments represent rentals payable by the Group for renting lands and buildings.

Payments under operating lease recognized as an expense during the period ended 31 March 2019 amounted to SR 2,081,014 (31 March 2018 SR: 12,539,948).

### Capital commitments

The Group has capital commitment for construction of hospitals, as follows:

|                     | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|---------------------|------------------------------|---------------------------------|
| Capital commitments | <b>387,284,557</b>           | 415,646,751                     |

### Letters of credit and guarantee

The Group has contingencies related to, as follows:

|                      | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|----------------------|------------------------------|---------------------------------|
| Letters of credit    | <b>93,060,374</b>            | 56,209,004                      |
| Letters of guarantee | <b>73,518,806</b>            | 72,914,138                      |
|                      | <b>166,579,180</b>           | 129,123,142                     |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## 27. Financial assets and liabilities

### 27.1 Long-term borrowings

|                                              | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|----------------------------------------------|------------------------------|---------------------------------|
| Current-portion of loans and borrowings:     |                              |                                 |
| Local banks (i)                              | 239,116,755                  | 214,309,407                     |
| Ministry of Finance (ii)                     | 14,203,407                   | 14,203,407                      |
|                                              | 253,320,162                  | 228,512,814                     |
| Non-current portion of loans and borrowings: |                              |                                 |
| Local banks (i)                              | 996,595,403                  | 951,735,826                     |
| Ministry of Finance (ii)                     | 377,421,509                  | 386,521,242                     |
|                                              | 1,374,016,912                | 1,338,257,068                   |

#### A- Loans from local banks

The Group was financed through Islamic facilities in the form of long-term and short-term loans (Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes. The Group is subject to compliance with certain financial covenants, such as maintenance of leverage ratio, with which the Group is in compliance. Aggregate maturities of loans from local banks are as follows:

|                      | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|----------------------|------------------------------|---------------------------------|
| Within one year      | 239,116,755                  | 214,309,407                     |
| One to five years    | 546,266,736                  | 606,407,159                     |
| More than five years | 450,328,667                  | 345,328,667                     |
|                      | 1,235,712,158                | 1,166,045,233                   |

#### B- Loans from Ministry of Finance (MoF)

The Group's long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the Company and its subsidiaries. The loan repayment instalments are settled on equal yearly installments. Certain assets are pledged against the loans obtained from the MoF (note 12). Aggregate maturities of loans from MoF are as follows:

|                      | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|----------------------|------------------------------|---------------------------------|
| Within one year      | 14,203,407                   | 14,203,407                      |
| One to five years    | 101,915,654                  | 111,015,387                     |
| More than five years | 275,505,855                  | 275,505,855                     |
|                      | 391,624,916                  | 400,724,649                     |





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## 27. Financial assets and liabilities (continued)

### 27.2 Lease liability

Following is the aggregate maturities of lease liability:

|                      | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|----------------------|------------------------------|---------------------------------|
| Within one year      | 53,157,426                   | -                               |
| One to five years    | 134,333,064                  | -                               |
| More than five years | 52,942,000                   | -                               |
|                      | 240,432,490                  | -                               |

|                                        | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|----------------------------------------|------------------------------|---------------------------------|
| Future minimum lease payment           | 240,432,490                  | -                               |
| Less: un-amortized finance charges     | (39,646,750)                 | -                               |
| Present value of minimum lease payment | 200,785,740                  | -                               |
| Less: curren-portion of lease payment  | (45,367,157)                 | -                               |
|                                        | 155,418,583                  | -                               |

The Group has lease contracts for renting commercial buildings, accommodations and offices.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## **27. Financial assets and liabilities (continued)**

### **27.3 Risk management**

The Group's principal financial liabilities mainly comprise long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into hedging activities.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commission rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loan. The sensitivity analyses in the following sections relate to the position as at 31 December 2018.

#### **Commission rate risk**

Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term (note 27.1) and term deposits (note 7) with floating commission rates. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The Group analysis its commission rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of defined markup shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions. The Group is not exposed to any significant commission rate risk.

#### **Currency risk**

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## 27. Financial assets and liabilities (continued)

### 27.3 Risk management (continued)

#### Credit risk

Credit risk is the risk a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalents, term deposits and accounts receivables as follows:

|                                | As at<br>31 March 2019<br>SR | As at<br>31 December 2018<br>SR |
|--------------------------------|------------------------------|---------------------------------|
| Accounts receivable            | 1,246,242,842                | 1,311,100,395                   |
| Short-term deposits with banks | 827,838,424                  | 778,113,229                     |
| Cash at banks                  | 665,441,975                  | 581,764,177                     |
|                                | 2,739,523,241                | 2,670,977,801                   |

#### Accounts receivable

Receivables credit risk is managed subject to the Group's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Group comprise primarily of Insurance Companies, Government and its related ministries and others. The Group seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups. The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The credit terms are extended to customers where the Group does not expect any inability to pay.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Group evaluates the concentration of risk with respect to receivables as low, as its customers are located in various regions across GCC.

#### Short-term deposits with banks and cash at banks

Credit risk from balances with banks and financial institution is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## 27. Financial assets and liabilities (continued)

### 27.3 Risk management (continued)

#### Credit risk (continued)

##### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Group maintains sufficient liquidity. Senior management continuously reviews information on the Group's liquidity developments.

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations.

The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 March 2019 and 31 December 2018, based on contractual payment dates and current market interest rates:

| As at 31 March 2019            | On demand            | Within one year    | One to five years  | More than five years | Total                |
|--------------------------------|----------------------|--------------------|--------------------|----------------------|----------------------|
|                                | SR                   | SR                 | SR                 | SR                   | SR                   |
| Long-term loans                | -                    | 253,320,162        | 648,182,390        | 725,834,522          | 1,627,337,074        |
| Lease liability                | -                    | 45,893,866         | 97,943,203         | 56,948,671           | 200,785,740          |
| Accounts payable               | 512,810,992          | -                  | -                  | -                    | 512,810,992          |
| Accruals and other liabilities | 589,638,419          | -                  | -                  | -                    | 589,638,419          |
|                                | <b>1,102,449,411</b> | <b>299,214,028</b> | <b>746,125,593</b> | <b>782,783,193</b>   | <b>2,930,572,225</b> |

| As at 31 December 2018         | On demand            | Within one year    | One to five years  | More than five years | Total                |
|--------------------------------|----------------------|--------------------|--------------------|----------------------|----------------------|
|                                | SR                   | SR                 | SR                 | SR                   | SR                   |
| Long-term loans                | -                    | 228,512,814        | 717,422,546        | 620,834,522          | 1,566,769,882        |
| Accounts payable               | 531,610,946          | -                  | -                  | -                    | 531,610,946          |
| Accruals and other liabilities | 503,237,365          | -                  | -                  | -                    | 503,237,365          |
|                                | <b>1,034,848,311</b> | <b>228,512,814</b> | <b>717,422,546</b> | <b>620,834,522</b>   | <b>2,601,618,193</b> |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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**Notes to the interim consolidated financial statements (continued)**  
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## **28. Capital management**

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the period ended 31 March 2019 and 31 March 2018.

## **29. Fair values**

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents and accounts receivable. Financial liabilities consist of long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values at reporting date largely.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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**Notes to the interim consolidated financial statements (continued)**  
**31 March 2019**

### 30. Transfer of a subsidiary

On 1 January 2019, the Company has transferred Rawafed Al Seha International Company to a related party at net book value.

Following is the financial information of the subsidiary at date of transaction:

|                                                                 | SR          |
|-----------------------------------------------------------------|-------------|
| <b>Assets</b>                                                   |             |
| Cash and cash equivalents                                       | 2,772,641   |
| Accounts receivable                                             | 21,815,289  |
| Due from related parties                                        | 19,506,388  |
| Advances to suppliers and contractors                           | 3,445,295   |
| Inventories                                                     | 34,829,345  |
| Prepaid expenses and other assets                               | 1,749,507   |
| Property and equipment                                          | 2,007,709   |
| Total assets                                                    | 86,126,174  |
| <b>Liabilities</b>                                              |             |
| Accounts payable                                                | 14,744,988  |
| Advances from customers                                         | 610,058     |
| Due to related parties                                          | 54,043,351  |
| Accrued expenses and other liabilities                          | 1,650,662   |
| Employees' end-of-service benefits                              | 1,315,141   |
| Total liabilities                                               | 72,364,200  |
| Net assets disposed                                             | 13,761,974  |
| <b>Net cash flow from arising on transfer of the subsidiary</b> |             |
| Cash and cash equivalents disposed                              | (2,772,641) |

### 31. Approval of the interim consolidated financial statements

These interim consolidated financial statements were approved for issuance by the Board of Directors on 17 Ramadan 1440H (corresponding to 22 May 2019).



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries  
(Saudi Closed Joint Stock Company)  
Consolidated Financial Statements  
For the year ended 31 December 2018**





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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF Dr. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY (SAUDI CLOSED JOINT STOCK COMPANY)

### Opinion

We have audited the consolidated financial statements of Dr. Sulaiman Al Habib Medical Services Group Company – Saudi Closed Joint Stock Company (the “Company”) and its subsidiaries (collectively with the Company the “Group”), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS  
OF Dr. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY) - (continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - (continued)**

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young



Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. (354)

Riyadh: 14 Jumada AlThani 1440H  
(19 February 2019)





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of financial position**  
**As at 31 December 2018**

|                                                     | Notes | 31 December 2018 | 31 December 2017<br>SR | 1 January 2017<br>SR |
|-----------------------------------------------------|-------|------------------|------------------------|----------------------|
|                                                     |       | SR               | (note 30)              | (note 30)            |
| <b>Assets</b>                                       |       |                  |                        |                      |
| <b>Current assets</b>                               |       |                  |                        |                      |
| Cash and cash equivalents                           | 7     | 1,369,118,427    | 1,140,536,949          | 871,343,009          |
| Accounts receivable                                 | 8     | 1,311,100,395    | 1,664,214,581          | 1,938,534,025        |
| Advances to suppliers and contractors               |       | 17,671,064       | 7,655,147              | 12,906,857           |
| Inventories                                         | 9     | 302,536,655      | 308,558,458            | 261,321,613          |
| Prepaid expenses and other assets                   | 10    | 210,225,879      | 172,755,757            | 143,375,668          |
| Total current assets                                |       | 3,210,652,420    | 3,293,720,892          | 3,227,481,172        |
| <b>Non-current assets</b>                           |       |                  |                        |                      |
| Investments in associates                           | 11    | 43,488,180       | 43,677,953             | 43,881,020           |
| Property and equipment                              | 12    | 4,287,022,999    | 3,662,133,300          | 3,448,375,211        |
| Total non-current assets                            |       | 4,330,511,179    | 3,705,811,253          | 3,492,256,231        |
| Total assets                                        |       | 7,541,163,599    | 6,999,532,145          | 6,719,737,403        |
| <b>Liabilities and equity</b>                       |       |                  |                        |                      |
| <b>Liabilities</b>                                  |       |                  |                        |                      |
| <b>Current liabilities</b>                          |       |                  |                        |                      |
| Current portion of long-term loans                  | 27.1  | 228,512,814      | 281,508,777            | 276,435,032          |
| Accounts payable                                    | 13    | 531,610,946      | 482,733,731            | 468,239,067          |
| Advances from customers                             |       | 18,957,753       | 15,951,656             | 40,800,240           |
| Amounts due to related parties                      | 14    | -                | 12,479,495             | 20,979,495           |
| Accrued expenses and other liabilities              | 15    | 503,237,365      | 428,017,816            | 366,466,134          |
| Zakat payable                                       | 16    | 79,135,807       | 82,388,707             | 48,530,096           |
| Current portion of government grant                 | 17    | 2,706,944        | -                      | -                    |
| Total current liabilities                           |       | 1,364,161,629    | 1,303,080,182          | 1,221,450,064        |
| <b>Non-current liabilities</b>                      |       |                  |                        |                      |
| Long-term loans                                     | 27.1  | 1,338,257,068    | 927,266,682            | 904,159,367          |
| Government grant                                    | 17    | 47,433,151       | -                      | -                    |
| Employees' end-of-service benefits                  | 18    | 234,052,516      | 220,103,792            | 180,128,907          |
| Total non-current liabilities                       |       | 1,619,742,735    | 1,147,370,474          | 1,084,288,274        |
| Total liabilities                                   |       | 2,983,904,364    | 2,450,450,656          | 2,305,738,338        |
| <b>Equity</b>                                       |       |                  |                        |                      |
| Issued share capital                                | 19    | 3,500,000,000    | 3,500,000,000          | 3,500,000,000        |
| Statutory reserve                                   | 20    | 380,849,457      | 300,718,722            | 234,880,523          |
| Retained earnings                                   |       | 447,172,841      | 517,892,452            | 539,139,485          |
| Equity attributable to equity holders of the parent |       | 4,328,022,298    | 4,318,611,174          | 4,274,020,008        |
| Non-controlling interests                           |       | 229,236,937      | 230,470,315            | 139,979,057          |
| Total equity                                        |       | 4,557,259,235    | 4,549,081,489          | 4,413,999,065        |
| Total liabilities and equity                        |       | 7,541,163,599    | 6,999,532,145          | 6,719,737,403        |

The accompanying notes form an integral part of these consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of income**  
**For the year ended 31 December 2018**

|                                                                                           | Notes | 2018                   | 2017            |
|-------------------------------------------------------------------------------------------|-------|------------------------|-----------------|
|                                                                                           |       | SR                     | SR<br>(note 30) |
| Revenue                                                                                   |       | <b>4,587,633,045</b>   | 4,379,026,023   |
| Cost of revenue                                                                           |       | <b>(3,225,623,659)</b> | (3,113,641,753) |
| Gross profit                                                                              |       | <b>1,362,009,386</b>   | 1,265,384,270   |
| Selling and marketing expenses                                                            | 22    | <b>(158,486,568)</b>   | (197,590,733)   |
| General and administrative expenses                                                       | 23    | <b>(401,999,279)</b>   | (412,533,507)   |
| Operating income                                                                          |       | <b>801,523,539</b>     | 655,260,030     |
| Share of income of associates                                                             | 11    | <b>5,810,227</b>       | 7,296,933       |
| Finance costs                                                                             |       | <b>(19,318,705)</b>    | (19,409,073)    |
| Other income                                                                              | 24    | <b>93,388,631</b>      | 83,512,367      |
| Income before zakat                                                                       |       | <b>881,403,692</b>     | 726,660,257     |
| Zakat                                                                                     | 16    | <b>(81,329,717)</b>    | (70,755,477)    |
| Income for the year                                                                       |       | <b>800,073,975</b>     | 655,904,780     |
| <b>Attributable to:</b>                                                                   |       |                        |                 |
| Equity holders of the parent                                                              |       | <b>801,307,353</b>     | 656,166,762     |
| Non-controlling interests                                                                 |       | <b>(1,233,378)</b>     | (261,982)       |
|                                                                                           |       | <b>800,073,975</b>     | 655,904,780     |
| Operating income and earnings per share:                                                  | 25    |                        |                 |
| Basic and diluted operating income per share attributable to equity holders of the parent |       | <b>2.29</b>            | 1.87            |
| Basic and diluted earnings per share attributable to equity holders of the parent         |       | <b>2.29</b>            | 1.87            |

The accompanying notes form an integral part of these consolidated financial statements.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2018**

|                                                                                        | Notes | 2018               | 2017            |
|----------------------------------------------------------------------------------------|-------|--------------------|-----------------|
|                                                                                        |       | SR                 | SR<br>(note 30) |
| Income for the year                                                                    |       | <b>800,073,975</b> | 655,904,780     |
| <b>Other comprehensive income</b>                                                      |       |                    |                 |
| <b>Items that will not to be reclassified to profit or loss in subsequent periods:</b> |       |                    |                 |
| Remeasurement gain / (loss) on employees' end-of-service benefits                      | 18    | <b>8,103,771</b>   | (11,575,596)    |
| Net other comprehensive loss for the year                                              |       | <b>8,103,771</b>   | (11,575,596)    |
| Total comprehensive income for the year                                                |       | <b>808,177,746</b> | 644,329,184     |
| <b>Attributable to:</b>                                                                |       |                    |                 |
| Equity holders of the parent company                                                   |       | <b>809,411,124</b> | 644,591,166     |
| Non-controlling interests                                                              |       | <b>(1,233,378)</b> | (261,982)       |
|                                                                                        |       | <b>808,177,746</b> | 644,329,184     |

The accompanying notes form an integral part of these consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**

**(Saudi Closed Joint Stock Company)**

**Consolidated statement of changes in equity**

**For the year ended 31 December 2018**

|                                        | Attributable to equity holders of the parent |  |                   |  |                   |  |               |  |                           |  |               |  |
|----------------------------------------|----------------------------------------------|--|-------------------|--|-------------------|--|---------------|--|---------------------------|--|---------------|--|
|                                        | Issued share capital                         |  | Statutory reserve |  | Retained earnings |  | Total         |  | Non-controlling interests |  | Total equity  |  |
|                                        | SR                                           |  | SR                |  | SR                |  | SR            |  | SR                        |  | SR            |  |
| As at 1 January 2017                   | 3,500,000,000                                |  | 234,880,523       |  | 539,139,485       |  | 4,274,020,008 |  | 139,979,057               |  | 4,413,999,065 |  |
| Income (loss) for the year             | -                                            |  | -                 |  | 656,166,762       |  | 656,166,762   |  | (261,982)                 |  | 655,904,780   |  |
| Other comprehensive (loss)             | -                                            |  | -                 |  | (11,575,596)      |  | (11,575,596)  |  | -                         |  | (11,575,596)  |  |
| Total comprehensive income             | -                                            |  | -                 |  | 644,591,166       |  | 644,591,166   |  | (261,982)                 |  | 644,329,184   |  |
| Transfer to statutory reserve          | -                                            |  | 65,838,199        |  | (65,838,199)      |  | -             |  | -                         |  | -             |  |
| Additions to non-controlling interests | -                                            |  | -                 |  | -                 |  | -             |  | 90,753,240                |  | 90,753,240    |  |
| Dividends (note 21)                    | -                                            |  | -                 |  | (600,000,000)     |  | (600,000,000) |  | -                         |  | (600,000,000) |  |
| As at 31 December 2017                 | 3,500,000,000                                |  | 300,718,722       |  | 517,892,452       |  | 4,318,611,174 |  | 230,470,315               |  | 4,549,081,489 |  |
| Income (loss) for the year             | -                                            |  | -                 |  | 801,307,353       |  | 801,307,353   |  | (1,233,378)               |  | 800,073,975   |  |
| Other comprehensive (loss)             | -                                            |  | -                 |  | 8,103,771         |  | 8,103,771     |  | -                         |  | 8,103,771     |  |
| Total comprehensive income             | -                                            |  | -                 |  | 809,411,124       |  | 809,411,124   |  | (1,233,378)               |  | 808,177,746   |  |
| Transfer to statutory reserve          | -                                            |  | 80,130,735        |  | (80,130,735)      |  | -             |  | -                         |  | -             |  |
| Dividends (note 21)                    | -                                            |  | -                 |  | (800,000,000)     |  | (800,000,000) |  | -                         |  | (800,000,000) |  |
| As at 31 December 2018                 | 3,500,000,000                                |  | 380,849,457       |  | 447,172,841       |  | 4,328,022,298 |  | 229,236,937               |  | 4,557,259,235 |  |

The accompanying notes form an integral part of these consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2018**

|                                                                          | Notes  | 2018          | 2017          |
|--------------------------------------------------------------------------|--------|---------------|---------------|
|                                                                          |        | SR            | SR            |
| <b>Operating activities</b>                                              |        |               |               |
| Income before zakat                                                      |        | 881,403,692   | 726,660,257   |
| Non-cash adjustments to reconcile income before zakat to net cash flows: |        |               |               |
| Depreciation                                                             | 12     | 200,187,133   | 201,780,395   |
| Share of income of associates                                            | 11     | (5,810,227)   | (7,296,933)   |
| Loss on disposal of property and equipment                               | 24     | 597,103       | 298,844       |
| Allowance for doubtful debts                                             | 8 & 22 | 81,696,100    | 126,191,314   |
| Provision for inventories                                                |        | 2,306,444     | 2,454,585     |
| Finance costs                                                            |        | 19,318,705    | 19,409,073    |
| Employees' end-of-service benefits                                       | 18     | 50,192,322    | 50,450,253    |
|                                                                          |        | 1,229,891,272 | 1,119,947,788 |
| <b>Working capital adjustments:</b>                                      |        |               |               |
| Accounts receivable                                                      |        | 271,418,086   | 148,128,130   |
| Advances to suppliers and contractors                                    |        | (10,015,917)  | 5,251,710     |
| Due to related parties                                                   |        | (12,479,495)  | (8,500,000)   |
| Inventories                                                              |        | 3,715,359     | (49,691,430)  |
| Prepaid expenses and other assets                                        |        | (37,470,122)  | (29,380,089)  |
| Accounts payable                                                         |        | 48,877,215    | 14,494,664    |
| Advances from customers                                                  |        | 3,006,097     | (24,848,584)  |
| Accrued expenses and other liabilities                                   |        | 63,153,785    | (22,234,375)  |
| Cash generated from operations                                           |        | 1,560,096,280 | 1,153,167,814 |
| Zakat paid                                                               | 16     | (84,582,617)  | (36,896,866)  |
| Employees' end-of-service benefits paid                                  | 18     | (28,139,827)  | (22,050,964)  |
| Net cash from operating activities                                       |        | 1,447,373,836 | 1,094,219,984 |
| <b>Investing activities</b>                                              |        |               |               |
| Purchase of property and equipment                                       | 12     | (830,128,243) | (421,399,145) |
| Proceeds from sale of property and equipment                             |        | 4,454,308     | 5,561,817     |
| Dividends from associates                                                | 11     | 6,000,000     | 7,500,000     |
| Net cash used in investing activities                                    |        | (819,673,935) | (408,337,328) |
| <b>Financing activities</b>                                              |        |               |               |
| Proceeds from long-term loans, net                                       |        | 408,134,518   | 28,181,060    |
| Finance costs paid                                                       |        | (18,777,280)  | (18,608,938)  |
| Dividends paid                                                           |        | (788,475,661) | (517,014,078) |
| Changes in non-controlling interests                                     |        | -             | 90,753,240    |
| Net cash used in financing activities                                    |        | (399,118,423) | (416,688,716) |
| Net increase in cash and cash equivalents                                |        | 228,581,478   | 269,193,940   |
| Cash and cash equivalents at the beginning of the year                   | 7      | 1,140,536,949 | 871,343,009   |
| Cash and cash equivalents at the end of the year                         | 7      | 1,369,118,427 | 1,140,536,949 |

The accompanying notes form an integral part of these consolidated financial statements.





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements**  
**31 December 2018**

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## **1. Corporate information and activities**

Dr. Sulaiman Al Habib Medical Services Group Company (the “Company”) (a Saudi closed joint stock company) is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993). The registered office is located at Olaya District, P.O. Box 91877, Riyadh 11643, KSA.

The Company operates under medical license no. 014-101-012-012-00129 dated 26 Jumad Thani 1428H (corresponding to 11 July 2007) issued by the Ministry of Health. The Company also operates its drug stores under license No. 6375/P dated 13 Rabi Awal 1432H (corresponding to 16 February 2011) issued by Food and Drugs Administration organization.

The Company objectives include establishing and managing hospitals, medical centres, laboratories and radiology, purchasing of lands for the purpose of constructing buildings and investing in these buildings by selling and leasing for the benefit of the Company and invest in other companies through holding a controlling position. In addition, the Company also does trading in wholesale and retail of medicines, cosmetics, medical equipment and beauty products.

The Company operates a branch in Riyadh, Kingdom of Saudi Arabia “Branch of Dr. Sulaiman Al Habib Medical Services Group Company” (“the Branch”) under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The objectives of the Branch include trading in wholesale and retail of cosmetics and maintenance of medical equipment. The Branch operates its drug store under license no. 06-01-00231 dated 24 Muharram 1435H (corresponding to 27 November 2013) issued by Food and Drugs Administration organization.

The Company operates a branch in the Kingdom of Bahrain “Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch” (“the Foreign Branch”) under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the Foreign Branch include management and development of medical units in addition to providing medical supplies.

The consolidated financial statements include the financial information of the branches mentioned above and subsidiaries mentioned in note 3.

## **2. Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants (collectively referred to as “IFRS” as endorsed in Kingdom of Saudi Arabia”).

These consolidated financial statements are the Group’s first annual financial statements prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and, IFRS 1 “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”) as endorsed in Kingdom of Saudi Arabia has been applied. Refer to note 30 for further information.

These consolidated financial statements are prepared on a historical cost basis except for government grants and long-term loans from Ministry of Finance, which are presented on a fair value basis. The consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2018**

### 3. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (collectively referred to as “the Group”), mainly domiciled in Kingdom of Saudi Arabia (“KSA”) and United Arab Emirates (“UAE”) as at 31 December 2018, 31 December 2017 and 1 January 2017:

|                                                        | Country of incorporation and business | Activities               | Ownership %      |                  |                |
|--------------------------------------------------------|---------------------------------------|--------------------------|------------------|------------------|----------------|
|                                                        |                                       |                          | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| Sehat Al Olaya Medical Complex Company                 | KSA                                   | Hospital                 | 100%             | 100%             | 100%           |
| Asharq Alawsat Pharmacies Company(a)                   | KSA                                   | Pharmacy                 | 100%             | 100%             | 100%           |
| Dr. Sulaiman Al Habib Hospital FZ – LLC                | UAE                                   | Hospital                 | 100%             | 100%             | 100%           |
| Al Mustaqbal for Hospitals Development Company         | KSA                                   | Hospital                 | 100%             | 100%             | 100%           |
| Buraidah Al Takhassusi Hospital for Healthcare Company | KSA                                   | Hospital                 | 100%             | 100%             | 100%           |
| Bone, Joint and Spine Hospital Company(b)              | KSA                                   | Hospital                 | -                | 100%             | 100%           |
| Al Rayan Hospital for Healthcare Company               | KSA                                   | Hospital                 | 100%             | 100%             | 100%           |
| Home Healthcare Company                                | KSA                                   | Home Healthcare services | 100%             | 100%             | 100%           |
| Antab Al Riyadh for Operation and Maintenance Company  | KSA                                   | Anciliary services       | 100%             | 100%             | 100%           |
| Al Gharb Al Takhassusi Hospital For Healthcare Company | KSA                                   | Hospital                 | 100%             | 100%             | 100%           |
| Al Mokhtabarar Diagnostic Medical Company              | KSA                                   | Laboratory Services      | 100%             | 100%             | 100%           |
| Sehat Al Suwaidi Medical Company                       | KSA                                   | Hospital                 | 100%             | 100%             | 100%           |
| Hulool Al Sahabah for IT & Communication Company       | KSA                                   | IT Support Services      | 100%             | 100%             | 100%           |
| Al Rayan for Maintenance and Operation Company         | KSA                                   | Anciliary services       | 100%             | 100%             | 100%           |
| Rawafed Al Seha International Company                  | KSA                                   | Trading services         | 100%             | 100%             | 100%           |
| Al Afia Pharmacies for Medicines Company(a)            | KSA                                   | Pharmacy                 | 100%             | 100%             | 100%           |
| Dar Al Seha Investment Company                         | KSA                                   | Hospital                 | 100%             | 100%             | -              |
| Sehat Al Sharq Medical Limited Company                 | KSA                                   | Hospital                 | 50%              | 50%              | 50%            |
| Al Wosta Medical Limited Company                       | KSA                                   | Hospital                 | 50%              | 50%              | 50%            |
| Gharb Jeddah Hospital Company                          | KSA                                   | Hospital                 | 50%              | 50%              | -              |
| Shamal Al Riyadh for Healthcare Company (c)            | KSA                                   | Hospital                 | 100%             | -                | -              |
| Al Muhammadiya Hospital for Healthcare Company (d)     | KSA                                   | Hospital                 | 100%             | -                | -              |

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2018**

### 3. Basis of consolidation (continued)

- a- The other partner has assigned his shares for the benefit of the Company.
- b- Effective 1 January 2018, Bone, Joint and Spine Hospital Company was transferred as a branch to Sehat Al Olaya Medical Complex Company. All legal requirements related to the transfer were completed. Transfer was done at net book value of the assets and liabilities.
- c- Shamal Al-Riyadh for Healthcare Company was established on 24 Jumad Thani 1439H (corresponding to 12 March 2018).
- d- Al Muhammadiya Hospital for Healthcare Company was established on 19 Rajab 1439H (corresponding to 5 April 2018).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2018**

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## **4. Summary of significant accounting policies**

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

### **4.1 Business combination**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

## **4. Summary of significant accounting policies (continued)**

### **4.1 Business combination (continued)**

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in consolidated statement of income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.



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## **4. Summary of significant accounting policies (continued)**

### **4.2 Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of income reflects the Group's share of earnings of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit of an associate is shown on the face of the consolidated statement of income outside operating profit and represents earnings after zakat and tax wherever applicable.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as 'Share of profit of associates' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

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## **4. Summary of significant accounting policies (continued)**

### **4.3 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 presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

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## **4. Summary of significant accounting policies (continued)**

### **4.4 Revenue recognition**

The Group has elected full retrospective application of IFRS 15 with effect from 1 January 2017. As a result of full retrospective application, the Group has applied the accounting policy below for revenue recognition in the preparation of its consolidated financial statements.

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.





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## **4. Summary of significant accounting policies (continued)**

### **4.4 Revenue recognition (continued)**

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- b- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

#### **Patient services**

The patient services revenue is recognized when the services are rendered to the patient net off for any discount or rebates and expected rejections at the time of providing services to the patients.

#### **Sale of goods**

The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net off any discount or rebates and expected rejections at the time of delivery of goods to the patients.

#### **Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of income.

#### **Others**

All other revenues are recognized on an accrual basis.

Upon the adoption of IFRS 15, for advance from customer or accounts receivable, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.



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## **4. Summary of significant accounting policies (continued)**

### **4.5 Foreign currencies**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income, if material.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the statement of financial position date.
- Consolidated statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gains or losses on sale.

### **4.6 Government grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

For the year ended 31 December 2017, in the statutory consolidated financial statements prepared under Saudi Organization for Certified Public Accountants ("SOCPA") Generally Accepted Accounting Standards, the loans received from the Ministry of Finance ("MoF") for the construction of hospitals are classified as long-term loans. Management opted for the exemption provided under IFRS 1 to keep the similar classification of loan obtained till 31 December 2017 and to adopt application of IAS - 20 "Accounting for Government Grants and Disclosure of Government Assistance" for new loans (within the scope of IAS - 20) obtained on and after the date of adoption of IFRS for its statutory consolidated financials statements.



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## 4. Summary of significant accounting policies (continued)

### 4.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

Depreciation is calculated on all property and equipment, other than land and capital work-in-progress, at the following useful lives calculated to write off the cost of each asset on a straight-line basis over its expected useful life:

|                                          | Years                                                        |
|------------------------------------------|--------------------------------------------------------------|
| Buildings                                | 10 – 33                                                      |
| Leasehold improvements                   | The estimated useful life or lease period whichever is lower |
| Medical and general equipment            | 5 – 10                                                       |
| Motor vehicles and ambulances            | 4 – 10                                                       |
| Furniture, fixtures and office equipment | 4 – 6.67                                                     |

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.



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#### **4.8 Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as income immediately in the consolidated statement of income.

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## **4. Summary of significant accounting policies (continued)**

### **4.9 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### **Group as a lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfer substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the lease property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

#### **Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis a rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### **4.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs incurred on or after the date of transition (1 January 2017) for all qualifying assets are capitalized. The borrowing costs capitalized under the previous SOCPA Generally Accepted Accounting Standards on qualifying assets to the date of transition to IFRS are included in the carrying amount of assets at that date.



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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group has early adopted as of 1 January 2017 and applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the year ended 31 December 2017.

#### **Recognition**

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

#### **Classification**

The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification depends on the Group's contractual terms of the financial assets cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial liabilities are not reclassified.

#### **Measurement**

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through the consolidated statement of income and other comprehensive income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the profit or loss are expensed in the consolidated statement of income and other comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the profit or loss or other comprehensive income (irrevocable election at the time of recognition).

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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments (continued)**

#### **De-recognition**

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income and other comprehensive income.

#### **Offsetting**

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **Impairment**

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses (“ECL”) on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

##### **A- Stage 1: 12-months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

##### **B- Stage 2: Lifetime ECL - not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.





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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments (continued)**

#### **Impairment (continued)**

##### **C- Stage 3: Lifetime ECL - credit impaired**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the consolidated statement of income and other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Objective evidence that financial assets are impaired may include indications that a debtor or a company of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

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## **4. Summary of significant accounting policies (continued)**

### **4.12 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

## **4. Summary of significant accounting policies (continued)**

### **4.13 Inventories**

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items, near to expiry items and damages. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

### **4.14 Provisions**

#### **General**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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## **4. Summary of significant accounting policies (continued)**

### **4.15 Employees' end-of-service benefits**

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The plan is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in consolidated statement of income on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Past service costs are recognized in consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

### **4.16 Zakat and Value Added Tax (VAT)**

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries since 31 December 2009. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The subsidiary registered in free zone - Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.

### **4.16 Zakat and Value Added Tax (VAT) (continued)**

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

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## 4. Summary of significant accounting policies (continued)

### 4.17 Standards issued but not yet effective

The following is an overview of accounting standard changes that the Group will be required to adopt in future years. The Group continues to assess the impact of these standards on the consolidated financial statements.

#### IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

#### Transition to IFRS 16

The Group plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Currently the Group is performing detailed impact assessment and the management is of the view that adoption of IFRS 16 will not have material impact on the consolidated financial statements.

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## **4. Summary of significant accounting policies (continued)**

### **4.17 Standards issued but not yet effective (continued)**

#### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. This standard is not applicable to the Group.

#### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. This is not applicable to the Group since the Group is not operating in complex multinational tax environment.

#### **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

#### **Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

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## **4. Summary of significant accounting policies (continued)**

### **4.17 Standards issued but not yet effective (continued)**

#### **Annual Improvements 2015-2017 Cycle (issued in December 2017)**

These improvements include:

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

- **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.



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## **4. Summary of significant accounting policies (continued)**

### **4.17 Standards issued but not yet effective (continued)**

#### **Annual Improvements 2015-2017 Cycle (issued in December 2017) (continued)**

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.



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## **5. Significant accounting judgments, estimates, assumptions**

### **5.1 Estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### **Revenue Recognition**

The application of IFRS 15 has required management to make the following judgements:

- **Satisfaction of performance obligations**

The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

- **Determination of transaction prices**

The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount, insurance claims rejection or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

- **Transfer of control in contracts with customers**

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### **Allowance for doubtful debts**

For accounts receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

#### **Employees' end-of-service benefits**

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### **Impairment of non-financial assets**

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### **Useful lives of property and equipment**

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### **Provision for inventories**

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

#### **Fair value measurement of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

### **5.2 Critical judgements in applying accounting standards**

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

#### **Component parts of property and equipment**

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **Determination of control and significant influence**

Management's judgement in assessing control over consolidated subsidiaries:

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.



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## 6. Segment Information

Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Financial Officer as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments.

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Group.

The identified key segments are Hospitals, Pharmacies, and others.

The segment results for the year ended 31 December 2018 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

| Year ended<br>31 December 2018 | Hospitals | Pharmacies | Others | Total        |
|--------------------------------|-----------|------------|--------|--------------|
| SR' millions                   |           |            |        |              |
| Saudi Arabia:                  |           |            |        |              |
| Revenue                        | 3,406     | 737        | 49     | <b>4,192</b> |
| Gross profit                   | 1,006     | 244        | 49     | <b>1,299</b> |
| Outside Saudi Arabia:          |           |            |        |              |
| Revenue                        | 390       | -          | 6      | <b>396</b>   |
| Gross profit                   | 57        | -          | 6      | <b>63</b>    |
| Total                          |           |            |        |              |
| Revenue                        | 3,796     | 737        | 55     | <b>4,588</b> |
| Gross profit*                  | 1,063     | 244        | 55     | <b>1,362</b> |
| Unallocated income (expenses)  |           |            |        |              |
| Selling and marketing          |           |            |        | <b>(158)</b> |
| General and administrative     |           |            |        | <b>(402)</b> |
| Operating income               |           |            |        | <b>802</b>   |
| Share of income of associates  |           |            |        | <b>6</b>     |
| Finance costs                  |           |            |        | <b>(19)</b>  |
| Other income                   |           |            |        | <b>93</b>    |
| Income before zakat            |           |            |        | <b>882</b>   |
| Zakat                          |           |            |        | <b>(81)</b>  |
| Income for the year            |           |            |        | <b>801</b>   |
| As at 31 December 2018         |           |            |        |              |
| Saudi Arabia:                  |           |            |        |              |
| Total assets                   | 5,661     | 234        | 1,071  | <b>6,966</b> |
| Total liabilities              | 1,894     | 234        | 774    | <b>2,902</b> |
| Outside Saudi Arabia           |           |            |        |              |
| Total assets                   | 566       | -          | 9      | <b>575</b>   |
| Total liabilities              | 76        | -          | 6      | <b>82</b>    |
| Total                          |           |            |        |              |
| Total assets                   | 6,227     | 234        | 1,080  | <b>7,541</b> |
| Total liabilities              | 1,970     | 234        | 780    | <b>2,984</b> |



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**6. Segment Information (continued)**

| Year ended<br>31 December 2017 | Hospitals | Pharmacies | Others | Total        |
|--------------------------------|-----------|------------|--------|--------------|
| SR' millions                   |           |            |        |              |
| Saudi Arabia:                  |           |            |        |              |
| Revenue                        | 3,304     | 680        | 18     | <b>4,002</b> |
| Gross profit*                  | 936       | 227        | 17     | <b>1,180</b> |
| Outside Saudi Arabia:          |           |            |        |              |
| Revenue                        | 367       | -          | 10     | <b>377</b>   |
| Gross profit                   | 75        | -          | 10     | <b>85</b>    |
| Total                          |           |            |        |              |
| Revenue                        | 3,671     | 680        | 28     | <b>4,379</b> |
| Gross profit                   | 1,011     | 227        | 27     | <b>1,265</b> |
| Unallocated income (expenses)  |           |            |        |              |
| Selling and marketing          |           |            |        | <b>(198)</b> |
| General and administrative     |           |            |        | <b>(412)</b> |
| Operating income               |           |            |        | <b>655</b>   |
| Share of income of associates  |           |            |        | <b>7</b>     |
| Finance costs                  |           |            |        | <b>(19)</b>  |
| Other income                   |           |            |        | <b>84</b>    |
| Income before zakat            |           |            |        | <b>727</b>   |
| Zakat                          |           |            |        | <b>(71)</b>  |
| Income for the year            |           |            |        | <b>656</b>   |
| As at 31 December 2017         |           |            |        |              |
| Saudi Arabia:                  |           |            |        |              |
| Total assets                   | 5,230     | 237        | 981    | <b>6,448</b> |
| Total liabilities              | 1,247     | 215        | 926    | <b>2,388</b> |
| Outside Saudi Arabia           |           |            |        |              |
| Total assets                   | 541       | -          | 11     | <b>552</b>   |
| Total liabilities              | 61        | -          | 1      | <b>62</b>    |
| Total                          |           |            |        |              |
| Total assets                   | 5,771     | 237        | 992    | <b>7,000</b> |
| Total liabilities              | 1,308     | 215        | 927    | <b>2,450</b> |



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## 6. Segment Information (continued)

|                        | Hospitals    | Pharmacies | Others | Total |
|------------------------|--------------|------------|--------|-------|
|                        | SR' millions |            |        |       |
| As at 31 December 2016 |              |            |        |       |
| Saudi Arabia:          |              |            |        |       |
| Total assets           | 559          | 240        | 5,737  | 6,536 |
| Total liabilities      | 914          | 195        | 1,102  | 2,211 |
| Outside Saudi Arabia   |              |            |        |       |
| Total assets           | 184          | -          | -      | 184   |
| Total liabilities      | 95           | -          | -      | 95    |
| Total                  |              |            |        |       |
| Total assets           | 743          | 240        | 5,737  | 6,720 |
| Total liabilities      | 1,009        | 195        | 1,102  | 2,306 |

\*Cost of revenue includes employees' cost amounting to SR 1,793.6 million (2017: SR 1,793.5 million).

## 7. Cash and cash equivalents

|                                | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|--------------------------------|---------------------------|---------------------------|-------------------------|
|                                | SR                        | SR                        | SR                      |
| Short-term deposits with banks | <b>778,113,229</b>        | 702,500,000               | 205,000,000             |
| Cash at banks                  | <b>581,764,177</b>        | 431,719,961               | 659,866,971             |
| Cash on hand                   | <b>9,241,021</b>          | 6,316,988                 | 6,476,038               |
|                                | <b>1,369,118,427</b>      | 1,140,536,949             | 871,343,009             |





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## 8. Accounts receivable

|                                    | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|------------------------------------|---------------------------|---------------------------|-------------------------|
|                                    | SR                        | SR                        | SR                      |
| Accounts receivable – trade        | <b>1,433,550,401</b>      | 1,746,345,791             | 1,981,856,877           |
| Less: allowance for doubtful debts | <b>(122,450,006)</b>      | (82,131,210)              | (43,322,852)            |
|                                    | <b>1,311,100,395</b>      | 1,664,214,581             | 1,938,534,025           |

The movement in the allowance for doubtful debts is as follows:

|                                | As at<br>31 December 2018<br>SR | As at<br>31 December 2017<br>SR |
|--------------------------------|---------------------------------|---------------------------------|
| At the beginning of the year   | <b>82,131,210</b>               | 43,322,852                      |
| Charged for the year (note 22) | <b>81,696,100</b>               | 126,191,314                     |
| Utilised during the year       | <b>(41,377,304)</b>             | (87,382,956)                    |
| At the end of the year         | <b>122,450,006</b>              | 82,131,210                      |

As at 31 December 2018, 31 December 2017 and 1 January 2017, the ageing analysis of unimpaired trade receivables is as follows:

|                         | Total                | Less than one year   | Greater than one year |
|-------------------------|----------------------|----------------------|-----------------------|
|                         | SR                   | SR                   | SR                    |
| <b>31 December 2018</b> | <b>1,311,100,395</b> | <b>1,250,647,886</b> | <b>60,452,509</b>     |
| 31 December 2017        | 1,664,214,581        | 1,337,912,292        | 326,302,289           |
| 1 January 2017          | 1,938,534,025        | 1,542,825,974        | 395,708,051           |

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and they are therefore unsecured. As at 31 December 2018 accounts receivable of SR 122,450,006 (as at 31 December 2017: SR 82,131,210 and as at 1 January 2017: SR 43,322,852) were impaired and fully provided for. Amounts written off during the year relate to individually identified accounts that are considered to be irrecoverable.

As at 31 December 2018, approximately 94% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2017: SR 94% and 1 January 2017: 95%).

The Group's credit terms require receivables to be repaid within 30-90 days of the claim date depending on the type of customer, which is in line with healthcare industry. Due to short credit period offered to customers, a significant amount of accounts receivable are neither past due nor impaired.



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## 9. Inventories

|                                 | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|---------------------------------|---------------------------|---------------------------|-------------------------|
|                                 | SR                        | SR                        | SR                      |
| Pharmaceuticals inventories     | 165,332,944               | 161,900,170               | 93,240,567              |
| Medical supplies                | 111,614,241               | 121,797,390               | 77,957,714              |
| Others                          | 27,965,593                | 27,909,635                | 94,679,306              |
|                                 | 304,912,778               | 311,607,195               | 265,877,587             |
| Less: provision for inventories | (2,376,123)               | (3,048,737)               | (4,555,974)             |
|                                 | 302,536,655               | 308,558,458               | 261,321,613             |

Cost of inventories recognized in the consolidated statement of income for the year ended 31 December 2018 amounted to SR 980,428,317 (2017: SR 884,887,532).

## 10. Prepaid expenses and other assets

|                       | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|-----------------------|---------------------------|---------------------------|-------------------------|
|                       | SR                        | SR                        | SR                      |
| Prepaid expenses      | 101,284,735               | 77,214,380                | 70,419,872              |
| Advances to employees | 46,272,976                | 44,119,992                | 36,795,141              |
| Others                | 62,668,168                | 51,421,385                | 36,160,655              |
|                       | 210,225,879               | 172,755,757               | 143,375,668             |



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## 11. Investments in associates

The Group investment in associates comprise of:

- 50% interest in Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013). Ajaji Dental objectives include establishment and management of hospitals, dentistry centers and laboratories tests and x-rays centers, dentistry colleges and institutes and import and distribute medical equipment.
- 40% interest in Serco Saudi Services Company (previously Antab for Operations and Contracting Company) ("Antab"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013). Antab objectives include works and maintenance to buildings construction, electricity, mechanical, cooling systems, and building cleaning.

The Group's interest in its associates is accounted for using the equity method in the consolidated financial statements. The financial information of the associates are not material at the Group level therefore, summarized financial information of the associates have not been presented.

During the year, the movement of investments in associates is as follows:

| 2018         | Opening balance   | Share in net income | Dividends          | Ending balance    |
|--------------|-------------------|---------------------|--------------------|-------------------|
|              | SR                | SR                  | SR                 | SR                |
| Ajaji Dental | 34,450,815        | 5,400,148           | (6,000,000)        | 33,850,963        |
| Antab        | 9,227,138         | 410,079             | -                  | 9,637,217         |
| <b>Total</b> | <b>43,677,953</b> | <b>5,810,227</b>    | <b>(6,000,000)</b> | <b>43,488,180</b> |
| 2017         | Opening balance   | Share in net income | Dividends          | Ending balance    |
|              | SR                | SR                  | SR                 | SR                |
| Ajaji Dental | 36,397,770        | 5,553,045           | (7,500,000)        | 34,450,815        |
| Antab        | 7,483,250         | 1,743,888           | -                  | 9,227,138         |
| <b>Total</b> | <b>43,881,020</b> | <b>7,296,933</b>    | <b>(7,500,000)</b> | <b>43,677,953</b> |

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## 12. Property and equipment

|                            | Land                 | Buildings and leasehold improvements | Medical and general equipment | Motor vehicles and ambulances | Furniture, fixtures and office equipment | Capital work-in-progress* | Total                |
|----------------------------|----------------------|--------------------------------------|-------------------------------|-------------------------------|------------------------------------------|---------------------------|----------------------|
|                            | SR                   | SR                                   | SR                            | SR                            | SR                                       | SR                        | SR                   |
| <b>Cost</b>                |                      |                                      |                               |                               |                                          |                           |                      |
| At 1 January 2017          | 1,309,023,424        | 1,513,229,129                        | 929,546,280                   | 12,262,662                    | 299,283,687                              | 207,891,183               | 4,271,236,365        |
| Additions                  | 90,753,240           | 32,488,153                           | 58,314,400                    | 946,985                       | 20,917,585                               | 217,978,782               | 421,399,145          |
| Disposals/transfers        | -                    | 6,275,677                            | 12,892,996                    | (1,327,540)                   | 78,542,758                               | (110,406,698)             | (14,022,807)         |
| <b>At 31 December 2017</b> | <b>1,399,776,664</b> | <b>1,551,992,959</b>                 | <b>1,000,753,676</b>          | <b>11,882,107</b>             | <b>398,744,030</b>                       | <b>315,463,267</b>        | <b>4,678,612,703</b> |
| Additions                  | 172,055,340          | 3,161,390                            | 33,325,929                    | -                             | 30,331,449                               | 591,254,135               | 830,128,243          |
| Disposals/transfers        | -                    | 757,313                              | (6,375,770)                   | (1,666,447)                   | (1,317,291)                              | (4,169,095)               | (12,771,290)         |
| <b>At 31 December 2018</b> | <b>1,571,832,004</b> | <b>1,555,911,662</b>                 | <b>1,027,703,835</b>          | <b>10,215,660</b>             | <b>427,758,188</b>                       | <b>902,548,307</b>        | <b>5,495,969,656</b> |
| <b>Depreciation</b>        |                      |                                      |                               |                               |                                          |                           |                      |
| At 1 January 2017          | -                    | 248,212,258                          | 384,611,827                   | 10,204,623                    | 179,832,446                              | -                         | 822,861,154          |
| Charge for the year        | -                    | 52,835,889                           | 99,379,303                    | 973,071                       | 48,592,132                               | -                         | 201,780,395          |
| Disposals/transfers        | -                    | (60,306)                             | (4,821,270)                   | (1,763,717)                   | (1,516,853)                              | -                         | (8,162,146)          |
| <b>At 31 December 2017</b> | <b>-</b>             | <b>300,987,841</b>                   | <b>479,169,860</b>            | <b>9,413,977</b>              | <b>226,907,725</b>                       | <b>-</b>                  | <b>1,016,479,403</b> |
| Charge for the year        | -                    | 53,251,126                           | 99,055,895                    | 769,008                       | 47,111,104                               | -                         | 200,187,133          |
| Disposals/transfers        | -                    | (192,312)                            | (2,953,121)                   | (1,666,425)                   | (2,908,021)                              | -                         | (7,719,879)          |
| <b>At 31 December 2018</b> | <b>-</b>             | <b>354,046,655</b>                   | <b>575,272,634</b>            | <b>8,516,560</b>              | <b>271,110,808</b>                       | <b>-</b>                  | <b>1,208,946,657</b> |
| <b>Net book value</b>      |                      |                                      |                               |                               |                                          |                           |                      |
| <b>At 31 December 2018</b> | <b>1,571,832,004</b> | <b>1,201,865,007</b>                 | <b>452,431,201</b>            | <b>1,699,100</b>              | <b>156,647,380</b>                       | <b>902,548,307</b>        | <b>4,287,022,999</b> |
| At 31 December 2017        | 1,399,776,664        | 1,251,005,118                        | 521,583,816                   | 2,468,130                     | 171,836,305                              | 315,463,267               | 3,662,133,300        |
| At 1 January 2017          | 1,309,023,424        | 1,265,016,871                        | 544,934,453                   | 2,058,039                     | 119,451,241                              | 207,891,183               | 3,448,375,211        |

\* Capital work-in-progress represents cost incurred to date on different hospital projects of the Group.

\*\* Property and equipment includes land, building and medical equipment amounting to the extent of SR 550,641,500 (2017: SR 440,347,100) pledged against the loans obtained from the Ministry of Finance (note 27).



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## 12. Property and equipment (continued)

The depreciation charge has been allocated in the consolidated statement of income as follows:

|                                               | For the year ended     |                        |
|-----------------------------------------------|------------------------|------------------------|
|                                               | 31 December 2018<br>SR | 31 December 2017<br>SR |
| Cost of revenue                               | <b>165,721,815</b>     | 167,018,930            |
| General and administrative expenses (note 23) | <b>32,904,331</b>      | 33,409,563             |
| Selling and marketing expenses (note 22)      | <b>1,560,987</b>       | 1,351,902              |
|                                               | <b>200,187,133</b>     | 201,780,395            |

## 13. Accounts payable

|                                      | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|--------------------------------------|---------------------------|---------------------------|-------------------------|
|                                      | SR                        | SR                        | SR                      |
| Accounts payable                     | <b>459,366,072</b>        | 457,574,818               | 443,105,329             |
| Contractors' payables and retentions | <b>68,630,879</b>         | 24,010,060                | 24,356,886              |
| Others                               | <b>3,613,995</b>          | 1,148,853                 | 776,852                 |
|                                      | <b>531,610,946</b>        | 482,733,731               | 468,239,067             |

\*Included in the accounts payable are balances payable to related parties amounting to SR 54,279,081 (2017: SR 48,537,235)

## 14. Related party disclosures

Related parties represent shareholders, Director and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

### Related party transactions

Significant transactions and balances with related parties in the ordinary course of business which are included in the consolidated financial statements are summarized as follows:

| Nature of transaction                             | Related party                                        | Relationship        | 2018              | 2017        |
|---------------------------------------------------|------------------------------------------------------|---------------------|-------------------|-------------|
|                                                   |                                                      |                     | SR                | SR          |
| Capital work-in-progress                          | Masah Contracting Company                            | Other related party | <b>50,954,337</b> | 125,811,776 |
| Capital work-in-progress                          | Namara Specialist Establishment for Trading          | Other related party | <b>734,955</b>    | 672,071     |
| Purchases and services                            | Antab Serco.                                         | Associate           | <b>59,180,042</b> | 68,671,635  |
| Revenue                                           | Ajaji Dental                                         | Associate           | <b>38,105,669</b> | 38,541,461  |
| Board of directors and its committee remuneration | Members of the Board of Directors and its committees | Affiliates          | <b>1,814,000</b>  | 1,626,000   |



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## 14. Related party disclosures (continued)

### Related party balances

Significant year-end balances from transactions with related parties are as follows:

| Due to related parties:                   | Related party         | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|-------------------------------------------|-----------------------|---------------------------|---------------------------|-------------------------|
|                                           |                       | SR                        | SR                        | SR                      |
| Mr. Hisham Sulaiman Abdulaziz Al Habib    | Shareholder           | -                         | 9,476,033                 | 9,476,033               |
| Dr. Abdulaziz Ibrahim Abdullah Al Ajaji   | Other related parties | -                         | 1,570,086                 | 7,095,086               |
| Mr. Abdulaziz Sulaiman Abdulaziz Al Habib | Other related parties | -                         | 1,433,376                 | 4,408,376               |
|                                           |                       | -                         | 12,479,495                | 20,979,495              |

### Compensation of key management personnel of the Group

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

|                                                     | For the year ended     |                        |
|-----------------------------------------------------|------------------------|------------------------|
|                                                     | 31 December 2018<br>SR | 31 December 2017<br>SR |
| Short-term employee benefits                        | <b>4,766,536</b>       | 4,651,902              |
| Post-employment and medical benefits                | <b>122,000</b>         | 121,760                |
| Board of Directors and its committees remuneration  | <b>1,814,000</b>       | 1,626,000              |
| Total compensation paid to key management personnel | <b>6,702,536</b>       | 6,399,662              |

## 15. Accrued expenses and other liabilities

|                                          | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|------------------------------------------|---------------------------|---------------------------|-------------------------|
|                                          | SR                        | SR                        | SR                      |
| Accrued employees' salaries and benefits | <b>301,417,509</b>        | 279,731,199               | 296,700,329             |
| Dividends payable (note 21)              | <b>103,360,353</b>        | 91,836,014                | 8,850,092               |
| Accrued expenses                         | <b>75,972,940</b>         | 44,642,210                | 40,221,782              |
| Others                                   | <b>22,486,563</b>         | 11,808,393                | 20,693,931              |
|                                          | <b>503,237,365</b>        | 428,017,816               | 366,466,134             |



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## 16. Zakat payable

The Group's Zakat provision expense for the year ended 31 December 2018 amounted to SR 81,329,717 (2017: SR 70,755,477) which is charged to the consolidated statement of income in accordance with the GAZT regulations.

### A- Zakat base

The principal elements of the Zakat base are as follows::

|                         | As at<br>31 December 2018<br>SR | As at<br>31 December 2017<br>SR* |
|-------------------------|---------------------------------|----------------------------------|
| Shareholders' equity    | <b>4,554,968,629</b>            | 4,322,986,273                    |
| Non-current assets      | <b>(5,134,606,414)</b>          | (4,376,659,975)                  |
| Non-current liabilities | <b>1,762,776,515</b>            | 1,054,760,713                    |
| Adjusted net income     | <b>1,010,223,858</b>            | 1,048,246,501                    |
| Zakat base              | <b>2,193,362,588</b>            | 2,049,333,512                    |

### B- Zakat provision

The movement in Zakat provision as of 31 December is as follows:

|                                  | As at<br>31 December 2018<br>SR | As at<br>31 December 2017<br>SR |
|----------------------------------|---------------------------------|---------------------------------|
| Balance at beginning of the year | <b>82,388,707</b>               | 48,530,096                      |
| Charge for the year              | <b>81,329,717</b>               | 70,755,477                      |
| Paid during the year             | <b>(84,582,617)</b>             | (36,896,866)                    |
|                                  | <b>79,135,807</b>               | 82,388,707                      |

\*For the comparative figures, while preparing the consolidated statement, the Group has not adjusted the Zakat base to reflect the adjustments of transition to IFRS. These numbers are presented under SOCPA Generally Accepted Accounting Standards.

### C- Zakat status

The Company has filed its consolidated zakat returns (for the Company and fully owned subsidiaries) to GAZT and obtained zakat certificates for all years up to 31 December 2017. The final Zakat assessments have been received for all years up to 2016 and the Company has recorded all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments.

Asharq Alawsat Pharmacies Company has obtained Zakat certificate up to 2017. During 2017, Asharq Alawsat Pharmacies Company has received the final Zakat assessments for the years from 2008 until 2016, which include Zakat differences where Asharq Alawsat Pharmacies Company has submitted an objection and is under review by GAZT. Management believes that objection will be settled in Asharq Alawsat Pharmacies Company's favor.

Al Afia Pharmacies Company have obtained the Zakat certificate up to 2017. Sehat Al Sharq Medical Limited Company, Gharb Jeddah Hospital Company and Al Wosta Medical Limited Company have received a facilitation letter from GAZT for the year 2017, as these companies are still under development and have no operating income. During 2018, Sehat Al Sharq Medical Limited Company has received the final Zakat assessments for all the years upto 2016 and no differences have been identified from the actual returns submitted.





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## 17. Government grant

|                          | As at<br>31 December 2018<br>SR | As at<br>31 December 2017<br>SR | As at<br>1 January 2017<br>SR |
|--------------------------|---------------------------------|---------------------------------|-------------------------------|
| As at 1 January          | -                               | -                               | -                             |
| Received during the year | 50,140,095                      | -                               | -                             |
| As at 31 December        | 50,140,095                      | -                               | -                             |
| Current                  | 2,706,944                       | -                               | -                             |
| Non-current              | 47,433,151                      | -                               | -                             |
|                          | 50,140,095                      | -                               | -                             |

The grant represents the recognition of the fair value of the interest free loan obtained in October 2018 from Ministry of Finance to fund the construction of the new hospital and the purchase of medical and non-medical equipment. The conditions and contingencies attached to the grant has been met.

## 18. Employees' end-of-service benefits

### A- Net defined benefit expense recognized in profit or loss

|                                     | For the year ended     |                        |
|-------------------------------------|------------------------|------------------------|
|                                     | 31 December 2018<br>SR | 31 December 2017<br>SR |
| Current service cost                | 41,398,353             | 42,683,960             |
| Interest cost on benefit obligation | 8,793,969              | 7,766,293              |
| Net defined benefit expense         | 50,192,322             | 50,450,253             |

### B- Changes in the present value of the defined benefit obligation:

|                                                                    | SR                 |
|--------------------------------------------------------------------|--------------------|
| Employees' end-of-service benefits as at 1 January 2017            | 180,128,907        |
| Interest cost on defined benefit obligation                        | 7,766,293          |
| Current service cost                                               | 42,683,960         |
| Actuarial loss on the defined benefit obligation recognized in OCI | 11,575,596         |
| Benefits paid                                                      | (22,050,964)       |
| Employees' end-of-service benefits as at 31 December 2017          | 220,103,792        |
| Interest cost on defined benefit obligation                        | 8,793,969          |
| Current service cost                                               | 41,398,353         |
| Actuarial gain on the defined benefit obligation recognized in OCI | (8,103,771)        |
| Benefits paid                                                      | (28,139,827)       |
| <b>Employees' end-of-service benefits as at 31 December 2018</b>   | <b>234,052,516</b> |



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## 18. Employees' end-of-service benefits (continued)

### C- Significant assumptions

|                         | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|-------------------------|------------------|------------------|----------------|
|                         | %                | %                | %              |
| Discount rate           | 4.77             | 4.00             | 4.59           |
| Future salary increases | 3.00             | 3.00             | 3.00           |

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 December 2018:

| 31 December 2018        |                      |             | Impact on employees' end-of-service benefits |                        |
|-------------------------|----------------------|-------------|----------------------------------------------|------------------------|
| Sensitivity level       | Change in assumption | Base value  | Increase in assumption                       | Decrease in assumption |
|                         |                      | SR          | SR                                           | SR                     |
| Discount rate           | 1%                   | 234,052,516 | 223,312,192                                  | 245,519,143            |
| Future salary increases | 1%                   | 234,052,516 | 242,868,185                                  | 225,572,403            |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation because of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

## 19. Issued share capital

The Company's authorised, issued and paid-up share capital comprise of 350,000,000 shares of SR 10 each amounting to SR 3,500,000,000

As at 31 December, the shareholding of the Company was as follows:

|                                                      | As at 31 December 2018 and<br>31 December 2017 |              | As at 1 January 2017 |              |
|------------------------------------------------------|------------------------------------------------|--------------|----------------------|--------------|
|                                                      | Number of                                      | Shareholding | Number of            | Shareholding |
|                                                      | shares                                         | %            | shares               | %            |
| Dr. Sulaiman Abdulaziz Sulaiman Al Habib             | 169,885,330                                    | 48.54%       | 179,830,000          | 51.4%        |
| Muhammad Abdulaziz Al Habib and Sons Holding Company | 169,885,330                                    | 48.54%       | -                    | -            |
| Mr. Hisham Sulaiman Abdulaziz Al Habib               | 7,000,000                                      | 2.00%        | 10,010,000           | 2.8%         |
| Mr. Mohammad Sulaiman Abdulaziz Al Habib             | 3,229,340                                      | 0.92%        | 14,000,000           | 4.0%         |
| Mr. Saleh Mohammed Abdulaziz Al Habib                | -                                              | -            | 7,000,000            | 2.0%         |
| Sheikh Mohammed Abdulaziz Sulaiman Al Habib          | -                                              | -            | 139,160,000          | 39.8%        |
|                                                      | 350,000,000                                    | 100%         | 350,000,000          | 100%         |



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## 20. Statutory reserve

In accordance with Saudi Regulations for Companies and the Group's bylaws, the Company has established a statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders currently.

## 21. Dividend distribution

The Board of Directors in their meeting during 2018 decided to distribute interim dividends of SR 2.29 per share totaling to SR 800,000,000 (2017: dividends of SR 1.71 per share totaling to SR 600,000,000) which are subject to the approval of the Company's upcoming general assembly.

The interim dividends for the year 2017 were approved by the general assembly on 15 Ramadan 1439H (corresponding to 30 May 2018).

## 22. Selling and marketing expenses

|                                                       | For the year ended     |                        |
|-------------------------------------------------------|------------------------|------------------------|
|                                                       | 31 December 2018<br>SR | 31 December 2017<br>SR |
| Allowance for doubtful debts (note 8)                 | 81,696,100             | 126,191,314            |
| Promotion and advertisement                           | 31,945,012             | 30,968,199             |
| Employees' salaries, wages and other related benefits | 36,125,985             | 30,438,602             |
| Depreciation (note 12)                                | 1,560,987              | 1,351,902              |
| Others                                                | 7,158,484              | 8,640,716              |
|                                                       | 158,486,568            | 197,590,733            |

## 23. General and administrative expenses

|                                                       | For the year ended     |                        |
|-------------------------------------------------------|------------------------|------------------------|
|                                                       | 31 December 2018<br>SR | 31 December 2017<br>SR |
| Employees' salaries, wages and other related benefits | 259,736,108            | 275,700,036            |
| Depreciation (note 12)                                | 32,904,331             | 33,409,563             |
| Rent                                                  | 16,178,368             | 20,861,236             |
| Utilities and communication                           | 15,967,431             | 13,601,149             |
| Consultation and professional fees                    | 13,183,336             | 13,067,460             |
| Housekeeping                                          | 11,446,922             | 8,283,618              |
| Repair and maintenance                                | 9,060,188              | 9,122,678              |
| Licenses and government fees                          | 8,895,028              | 4,361,978              |
| Bank charges and commissions                          | 8,472,162              | 7,553,586              |
| Travel expenses                                       | 3,359,167              | 2,574,894              |
| Fees and subscriptions                                | 2,102,754              | 3,074,143              |
| Others                                                | 20,693,484             | 20,923,166             |
|                                                       | 401,999,279            | 412,533,507            |



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## 24. Other income

|                                            | For the year ended     |                        |
|--------------------------------------------|------------------------|------------------------|
|                                            | 31 December 2018<br>SR | 31 December 2017<br>SR |
| Scientific support from suppliers          | 21,323,003             | 26,477,104             |
| Rental income                              | 15,747,159             | 13,188,720             |
| Finance income                             | 13,121,967             | 7,891,646              |
| HRDF receipts                              | 10,058,642             | 15,098,813             |
| Loss on disposal of property and equipment | (597,103)              | (298,844)              |
| Others                                     | 33,734,963             | 21,154,928             |
|                                            | 93,388,631             | 83,512,367             |

## 25. Earnings per share

Basic and diluted earnings per share ("EPS") is calculated by dividing the income for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the operating income, income and share data used in the basic and diluted EPS computations:

### Basic and diluted operating income per share.

|                                                                            | 2018        | 2017        |
|----------------------------------------------------------------------------|-------------|-------------|
|                                                                            | SR          | SR          |
| Operating income for the year attributable to equity holders of the parent | 801,523,539 | 655,260,030 |
| Weighted average number of ordinary shares                                 | 350,000,000 | 350,000,000 |
| Basic and diluted earnings per share                                       | 2.29        | 1.87        |

### Basic and diluted earnings per share.

|                                                                  | 2018        | 2017        |
|------------------------------------------------------------------|-------------|-------------|
|                                                                  | SR          | SR          |
| Income for the year attributable to equity holders of the parent | 801,307,353 | 656,166,762 |
| Weighted average number of ordinary shares                       | 350,000,000 | 350,000,000 |
| Basic and diluted earnings per share                             | 2.29        | 1.87        |



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## 26. Commitments and contingencies

### Operating lease commitments – Group as a lessee

Commitments for minimum lease payments under non-cancellable operating leases are as follows:

|                                             | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|---------------------------------------------|---------------------------|---------------------------|-------------------------|
|                                             | SR                        | SR                        | SR                      |
| Within one year                             | <b>51,374,431</b>         | 59,949,949                | 64,098,508              |
| After one year but not more than five years | <b>137,518,083</b>        | 154,871,359               | 180,057,950             |
| More than five years                        | <b>34,018,716</b>         | 37,865,579                | 56,062,510              |
|                                             | <b>222,911,230</b>        | 252,686,887               | 300,218,968             |

Operating lease payments represent rentals payable by the Group for renting lands and buildings.

Payments under operating lease recognized as an expense during the year ended 31 December 2018 amounted to SR 53,002,199 (2017 SR: 64,513,954).

### Capital commitments

The Group has capital commitment for construction of hospitals, as follows:

|                     | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|---------------------|---------------------------|---------------------------|-------------------------|
|                     | SR                        | SR                        | SR                      |
| Capital commitments | <b>415,646,751</b>        | 400,413,553               | 205,362,814             |

### Letter of credits and guarantees

The Group has guarantees related to, as follows:

|                      | As at<br>31 December 2018 | As at<br>31 December 2017 | As at<br>1 January 2017 |
|----------------------|---------------------------|---------------------------|-------------------------|
|                      | SR                        | SR                        | SR                      |
| Letters of credit    | <b>56,209,004</b>         | 41,567,167                | 24,717,187              |
| Letters of guarantee | <b>72,914,138</b>         | 46,440,358                | 40,507,790              |
|                      | <b>129,123,142</b>        | 88,007,525                | 65,224,977              |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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**Notes to the consolidated financial statements (continued)**  
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## 27. Financial assets and liabilities

### 27.1 Long-term borrowings

|                                                     | As at<br>31 December 2018<br>SR | As at<br>31 December 2017<br>SR | As at<br>1 January 2017<br>SR |
|-----------------------------------------------------|---------------------------------|---------------------------------|-------------------------------|
| <b>Current-portion of loans and borrowings:</b>     |                                 |                                 |                               |
| Loans from local banks (i)                          | <b>214,309,407</b>              | 266,487,083                     | 261,413,339                   |
| Loans from Ministry of Finance (ii)                 | <b>14,203,407</b>               | 15,021,694                      | 15,021,693                    |
|                                                     | <b>228,512,814</b>              | 281,508,777                     | 276,435,032                   |
| <b>Non-current portion of loans and borrowings:</b> |                                 |                                 |                               |
| Loans from local banks (i)                          | <b>951,735,826</b>              | 581,786,613                     | 543,657,605                   |
| Loans from Ministry of Finance (ii)                 | <b>386,521,242</b>              | 345,480,069                     | 360,501,762                   |
|                                                     | <b>1,338,257,068</b>            | 927,266,682                     | 904,159,367                   |

#### A- Loans from local banks

The Group was financed through Islamic facilities in the form of long-term and short-term loans (Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes. The Group is subject to compliance with certain financial covenants, such as maintenance of leverage ratio, with which the Group is in compliance. Aggregate maturities of loans from local banks are as follows:

|                   | As at<br>31 December 2018<br>SR | As at<br>31 December 2017<br>SR | As at<br>1 January 2017<br>SR |
|-------------------|---------------------------------|---------------------------------|-------------------------------|
| Within one year   | <b>214,309,407</b>              | 266,487,083                     | 261,413,339                   |
| One to five years | <b>951,735,826</b>              | 581,786,613                     | 543,657,605                   |
|                   | <b>1,166,045,233</b>            | 848,273,696                     | 805,070,944                   |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2018**

## 27. Financial assets and liabilities (continued)

### 27.1 Long-term borrowings (continued)

#### B- Loans from Ministry of Finance (MoF)

The Group's long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the Company and its subsidiaries. The loan repayment instalments are settled on equal yearly installments. Certain assets are pledged against the loans obtained from the MoF (note 12). Aggregate maturities of loans from MoF are as follows:

|                      | As at<br>31 December 2018<br>SR | As at<br>31 December 2017<br>SR | As at<br>1 January 2017<br>SR |
|----------------------|---------------------------------|---------------------------------|-------------------------------|
| Within one year      | <b>14,203,407</b>               | 15,021,694                      | 15,021,693                    |
| One to five years    | <b>111,015,387</b>              | 90,086,775                      | 80,086,775                    |
| More than five years | <b>275,505,855</b>              | 255,393,294                     | 280,414,987                   |
|                      | <b>400,724,649</b>              | 360,501,763                     | 375,523,455                   |

IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" has not been applied on government loans existing at the date of transition to IFRSs and the corresponding benefit of the government loan at a below-market rate of interest as a government grant has not been recognized (refer note 4.6 and note 30).

### 27.2 Risk management

The Group's principal financial liabilities mainly comprise long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into hedging activities.





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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**Notes to the consolidated financial statements (continued)**  
**31 December 2018**

## 27. Financial assets and liabilities (continued)

### 27.2 Risk management (continued)

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commission rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loan. The sensitivity analyses in the following sections relate to the position as at 31 December 2018.

#### Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term (note 27.1) and term deposits (note 7) with floating commission rates. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The Group analysis its commission rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of defined markup shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions. The Group is not exposed to any significant commission rate risk.

#### Currency risk

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk.

#### Credit risk

Credit risk is the risk a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalents, term deposits and accounts receivables as follows:

|                                | As at<br>31 December 2018<br>SR | As at<br>31 December 2017<br>SR | As at<br>1 January 2017<br>SR |
|--------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Accounts receivable            | 1,311,100,395                   | 1,664,214,581                   | 1,938,534,025                 |
| Short-term deposits with banks | 778,113,229                     | 702,500,000                     | 205,000,000                   |
| Cash at banks                  | 581,764,177                     | 431,719,961                     | 659,866,971                   |
|                                | 2,670,977,801                   | 2,798,434,542                   | 2,803,400,996                 |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2018**

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## **27. Financial assets and liabilities (continued)**

### **27.2 Risk management (continued)**

#### **Accounts receivable**

Receivables credit risk is managed subject to the Group's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Group comprise primarily of Insurance Companies, Government and its related ministries and others (Royal families, individuals, Commercial Companies, etc.). The Group seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups. The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The credit terms are extended to customers where the Group does not expect any inability to pay.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Group evaluates the concentration of risk with respect to receivables as low, as its customers are located in various regions across GCC.

#### **Short-term deposits with banks and cash at banks**

Credit risk from balances with banks and financial institution is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Group maintains sufficient liquidity. Senior management continuously reviews information on the Group's liquidity developments.

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations.

The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
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## 27. Financial assets and liabilities (continued)

### 27.2 Risk management (continued)

#### Liquidity risk (continued)

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

| As at 31 December 2018         | On demand            | Within one year    | One to five years    | More than five years | Total                |
|--------------------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
|                                | SR                   | SR                 | SR                   | SR                   | SR                   |
| Long-term loans                | -                    | 228,512,814        | 1,062,751,213        | 275,505,855          | 1,566,769,882        |
| Accounts payable               | 531,610,946          | -                  | -                    | -                    | 531,610,946          |
| Accruals and other liabilities | 503,237,365          | -                  | -                    | -                    | 503,237,365          |
|                                | <b>1,034,848,311</b> | <b>228,512,814</b> | <b>1,062,751,213</b> | <b>275,505,855</b>   | <b>2,601,618,193</b> |

| As at 31 December 2017         | On demand          | Within one year    | One to five years  | More than five years | Total                |
|--------------------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
|                                | SR                 | SR                 | SR                 | SR                   | SR                   |
| Long-term loans                | -                  | 281,508,777        | 671,873,388        | 255,393,294          | 1,208,775,459        |
| Accounts payable               | 482,733,731        | -                  | -                  | -                    | 482,733,731          |
| Accruals and other liabilities | 428,017,816        | -                  | -                  | -                    | 428,017,816          |
| Due to related parties         | 12,479,495         | -                  | -                  | -                    | 12,479,495           |
|                                | <b>923,231,042</b> | <b>281,508,777</b> | <b>671,873,388</b> | <b>255,393,294</b>   | <b>2,132,006,501</b> |

| As at 1 January 2017           | On demand          | Within one year    | One to five years  | More than five years | Total                |
|--------------------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
|                                | SR                 | SR                 | SR                 | SR                   | SR                   |
| Long-term loans                | -                  | 276,435,032        | 623,744,380        | 280,414,987          | 1,180,594,399        |
| Accounts payable               | 468,239,067        | -                  | -                  | -                    | 468,239,067          |
| Accruals and other liabilities | 366,466,134        | -                  | -                  | -                    | 366,466,134          |
| Due to related parties         | 20,979,495         | -                  | -                  | -                    | 20,979,495           |
|                                | <b>855,684,696</b> | <b>276,435,032</b> | <b>623,744,380</b> | <b>280,414,987</b>   | <b>2,036,279,095</b> |

## 28. Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2018**

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## 29. Fair values

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents and accounts receivable. Financial liabilities consist of long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values at reporting date largely.

## 30. First-time adoption of IFRSs as endorsed in KSA

For all financial years up to and including the year ended 31 December 2017, the Group prepared its consolidated financial statements in accordance with Generally Accepted Accounting Standards issued by SOCPA in KSA (referred to as "SOCPA Generally Accepted Accounting Standards"). The Group has applied IFRS as endorsed in KSA for preparation of its consolidated financial statements for the period beginning 1 January 2018, as well as for presenting the relevant comparative period data.

In compliance with requirements of IFRS 1 as endorsed in KSA, the consolidated financial statements were prepared after incorporating required adjustments to reflect the transition to IFRSs as endorsed in KSA from the previous SOCPA Generally Accepted Accounting Standards. The Group has analyzed the impact on the consolidated statement of financial position as at the transition date (1 January 2017) and 31 December 2017, and the consolidated statement of income ended 31 December 2017.

### Exemptions applied:

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under

IFRS. The Group has applied the following exemptions referred in note 4.6

### Estimates:

The estimates at 1 January 2017 and 31 December 2017 are consistent with those made for the same dates in accordance with SOCPA Generally Accepted Accounting Standards (after adjustments to reflect any differences in accounting policies) apart from Employees' end-of-service benefits where application of SOCPA Generally Accepted Accounting Standards did not require estimation.

The estimates used by the Group to present these amounts in accordance with IFRSs as endorsed in KSA effective from 1 January 2018 from the previous SOCPA Generally Accepted Accounting Standards reflect conditions at 1 January 2017 and 31 December 2017.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2018**

### 30. First-time adoption of IFRSs as endorsed in KSA (continued)

The following table illustrates the reconciliation of total comprehensive income reported in accordance with SOCPA Generally Accepted Accounting Standards to IFRS as endorsed in KSA.

| Reconciliation of total comprehensive income                                                                              | For the year ended<br>2017<br>SR |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| Net income attributable to equity holders of the parent company under SOCPA Generally Accepted Accounting Standards       | 658,381,990                      |
| Impact due to componentization of property and equipment (A)                                                              | (1,734,122)                      |
| Actuarial valuation of employees' end-of-service benefits (B)                                                             | 4,887,026                        |
| Other adjustments (C)                                                                                                     | (5,368,132)                      |
| <b>Net income attributable to equity holders of the parent company under IFRS as endorsed in KSA</b>                      | <b>656,166,762</b>               |
| Remeasurement loss on employees' end-of-service benefits                                                                  | (11,575,596)                     |
| <b>Total comprehensive income for the year attributable to equity holders of the parent under IFRS as endorsed in KSA</b> | <b>644,591,166</b>               |

| Reconciliation of equity                                                                                        | 31 December 2017<br>SR | 1 January 2017<br>SR |
|-----------------------------------------------------------------------------------------------------------------|------------------------|----------------------|
| Equity attributable to equity holders of the parent company under SOCPA Generally Accepted Accounting Standards | 4,332,482,854          | 4,274,100,864        |
| Impact due to componentization of property and equipment (A)                                                    | (7,597,415)            | (5,863,293)          |
| Actuarial valuation of employees' end-of-service benefits (B)                                                   | (906,133)              | 5,782,437            |
| Other adjustments (C)                                                                                           | (5,368,132)            | -                    |
| <b>Equity attributable to equity holders of the parent company under IFRS as endorsed in KSA</b>                | <b>4,318,611,174</b>   | <b>4,274,020,008</b> |

#### A- Impact due to componentization of property and equipment

Under IFRSs as endorsed in KSA, property and equipment should be componentized and the useful lives for each significant component be identified separately. Such componentization practice was not followed generally by companies in KSA. As part of the transition to IFRSs as endorsed in KSA, management has applied the concept of assets components retrospectively and accounted for its impact on the useful lives.

#### B- Actuarial valuation of employees' end-of-service benefits

Under IFRS as endorsed in KSA, employees' end-of-service benefits are required to be calculated using actuarial valuations. Historically, the Group has calculated these obligations based on the local regulations in KSA at the reporting date without considering expected future service periods of employees, salary increments and discount rates.

#### C- Other adjustments

Other adjustments represents variable consideration, re-allocation and apportionment of allowance for doubtful debts and others.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements (continued)**  
**31 December 2018**

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**31. Approval of the consolidated financial statements**

These consolidated financial statements were approved for issuance by the Board of Directors on 12 Jumada AlThani 1440H (corresponding to 17 February 2019).



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries  
(Saudi Closed Joint Stock Company)  
Special-purpose Consolidated Financial Statements  
For the years ended 31 December 2017 and 31 December 2016**





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**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF Dr. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
SAUDI CLOSED JOINT STOCK COMPANY**

**Opinion**

We have audited the special-purpose consolidated financial statements of Dr. Sulaiman Al Habib Medical Services Group Company – Saudi Closed Joint Stock Company (the “Company”) and its subsidiaries (collectively with the Company the “Group”), which comprise the special-purpose consolidated statement of financial position as at 31 December 2017 and 31 December 2016 and the related special-purpose consolidated statement of income, special-purpose consolidated statement of comprehensive income, special-purpose consolidated statement of changes in equity and special-purpose consolidated statement of cash flows for the years then ended, and notes to the special-purpose consolidated financial statements, including a summary of significant accounting policies (referred to as “special-purpose consolidated financial statements”).

In our opinion, the accompanying special-purpose consolidated financial statements present fairly, in all material respects, the special-purpose consolidated financial position of the Group as at 31 December 2017 and 31 December 2016, and its special-purpose consolidated financial performance and its special-purpose consolidated cash flows for the years then ended in accordance with the basis of preparation set out in note 2 to the special-purpose consolidated financial statements.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the special-purpose Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the special-purpose consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter – Basis of Preparation, Distribution and Use**

We draw attention to Note 2 to the special-purpose consolidated financial statements, which describes the basis of preparation. These special-purpose consolidated financial statements were prepared by management for inclusion in the prospectus in connection with the Group's application for proposed initial public offering with the Capital Market Authority in the Kingdom of Saudi Arabia. As a result, the special-purpose consolidated financial statements may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

**Other Matter**

The Group has prepared separate statutory sets of consolidated financial statements for the years ended 31 December 2017 and 31 December 2016 in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia on which we issued a separate unqualified auditor's reports to the shareholders dated 5 Jumada al-Thani 1439H (corresponding to 21 February 2018) and 24 Jumada Awal 1438H (corresponding to 21 February 2017) respectively.



**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF Dr. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
SAUDI CLOSED JOINT STOCK COMPANY (continued)**

**Responsibilities of Management and Those Charged with Governance for the Special-Purpose Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the special-purpose consolidated financial statements in accordance with the basis of preparation set out in note 2 to the special-purpose consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of special-purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special-purpose consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Special-Purpose Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special-purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special-purpose consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special-purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF Dr. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
SAUDI CLOSED JOINT STOCK COMPANY (continued)**

**Auditor's Responsibilities for the Audit of the Special-Purpose Consolidated Financial Statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special-purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special-purpose consolidated financial statements, including the disclosures, and whether the special-purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the special-purpose consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. (354)



Riyadh: 16 Sha'aban 1440H  
(21 April 2019)



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Special-purpose consolidated statement of financial position**  
**As at 31 December 2017 and 31 December 2016**

|                                                     | Notes | 31 December 2017 | 31 December 2016 |
|-----------------------------------------------------|-------|------------------|------------------|
|                                                     |       | SR               | SR               |
| <b>Assets</b>                                       |       |                  |                  |
| <b>Current assets</b>                               |       |                  |                  |
| Cash and cash equivalents                           | 7     | 1,140,536,949    | 871,343,009      |
| Accounts receivable                                 | 8     | 1,664,214,581    | 1,938,534,025    |
| Advances to suppliers and contractors               |       | 7,655,147        | 12,906,857       |
| Inventories                                         | 9     | 308,558,458      | 261,321,613      |
| Prepaid expenses and other assets                   | 10    | 172,755,757      | 143,375,668      |
| Total current assets                                |       | 3,293,720,892    | 3,227,481,172    |
| <b>Non-current assets</b>                           |       |                  |                  |
| Investments in associates                           | 11    | 43,677,953       | 43,881,020       |
| Property and equipment                              | 12    | 3,662,133,300    | 3,448,375,211    |
| Total non-current assets                            |       | 3,705,811,253    | 3,492,256,231    |
| Total assets                                        |       | 6,999,532,145    | 6,719,737,403    |
| <b>Liabilities and equity</b>                       |       |                  |                  |
| <b>Liabilities</b>                                  |       |                  |                  |
| <b>Current liabilities</b>                          |       |                  |                  |
| Current portion of long-term loans                  | 26.1  | 281,508,777      | 276,435,032      |
| Accounts payable                                    | 13    | 482,733,731      | 468,239,067      |
| Advances from customers                             |       | 15,951,656       | 40,800,240       |
| Amounts due to related parties                      | 14    | 12,479,495       | 20,979,495       |
| Accrued expenses and other liabilities              | 15    | 428,017,816      | 366,466,134      |
| Zakat payable                                       | 16    | 82,388,707       | 48,530,096       |
| Total current liabilities                           |       | 1,303,080,182    | 1,221,450,064    |
| <b>Non-current liabilities</b>                      |       |                  |                  |
| Long-term loans                                     | 26.1  | 927,266,682      | 904,159,367      |
| Employees' end-of-service benefits                  | 17    | 220,103,792      | 180,128,907      |
| Total non-current liabilities                       |       | 1,147,370,474    | 1,084,288,274    |
| Total liabilities                                   |       | 2,450,450,656    | 2,305,738,338    |
| <b>Equity</b>                                       |       |                  |                  |
| Issued share capital                                | 18    | 3,500,000,000    | 3,500,000,000    |
| Statutory reserve                                   | 19    | 300,718,722      | 234,880,523      |
| Retained earnings                                   |       | 517,892,452      | 539,139,485      |
| Equity attributable to equity holders of the parent |       | 4,318,611,174    | 4,274,020,008    |
| Non-controlling interests                           |       | 230,470,315      | 139,979,057      |
| Total equity                                        |       | 4,549,081,489    | 4,413,999,065    |
| Total liabilities and equity                        |       | 6,999,532,145    | 6,719,737,403    |

The accompanying notes form an integral part of these special-purpose consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Special-purpose consolidated statement of income**  
**For the years ended 31 December 2017 and 31 December 2016**

|                                                                                           | Notes | 2017                   | 2016            |
|-------------------------------------------------------------------------------------------|-------|------------------------|-----------------|
|                                                                                           |       | SR                     | SR              |
| Revenue                                                                                   |       | <b>4,379,026,023</b>   | 4,617,236,132   |
| Cost of revenue                                                                           |       | <b>(3,113,641,753)</b> | (2,974,157,815) |
| Gross profit                                                                              |       | <b>1,265,384,270</b>   | 1,643,078,317   |
| Selling and marketing expenses                                                            | 21    | <b>(197,590,733)</b>   | (343,556,869)   |
| General and administrative expenses                                                       | 22    | <b>(412,533,507)</b>   | (369,223,349)   |
| Operating income                                                                          |       | <b>655,260,030</b>     | 930,298,099     |
| Share of income of associates                                                             | 11    | <b>7,296,933</b>       | 13,654,261      |
| Finance costs                                                                             |       | <b>(19,409,073)</b>    | (2,191,657)     |
| Other income                                                                              | 23    | <b>83,512,367</b>      | 113,414,423     |
| Income before zakat                                                                       |       | <b>726,660,257</b>     | 1,055,175,126   |
| Zakat                                                                                     | 16    | <b>(70,755,477)</b>    | (39,840,639)    |
| Income for the year                                                                       |       | <b>655,904,780</b>     | 1,015,334,487   |
| <b>Attributable to:</b>                                                                   |       |                        |                 |
| Equity holders of the parent                                                              |       | <b>656,166,762</b>     | 1,015,576,379   |
| Non-controlling interests                                                                 |       | <b>(261,982)</b>       | (241,892)       |
|                                                                                           |       | <b>655,904,780</b>     | 1,015,334,487   |
| Operating income and earnings per share:                                                  | 24    |                        |                 |
| Basic and diluted operating income per share attributable to equity holders of the parent |       | <b>1.87</b>            | 2.66            |
| Basic and diluted earnings per share attributable to equity holders of the parent         |       | <b>1.87</b>            | 2.90            |

The accompanying notes form an integral part of these special-purpose consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Special-purpose consolidated statement of comprehensive income**  
**For the years ended 31 December 2017 and 31 December 2016**

|                                                                                        | Notes | 2017                | 2016          |
|----------------------------------------------------------------------------------------|-------|---------------------|---------------|
|                                                                                        |       | SR                  | SR            |
| Income for the year                                                                    |       | <b>655,904,780</b>  | 1,015,334,487 |
| <b>Other comprehensive income</b>                                                      |       |                     |               |
| <b>Items that will not to be reclassified to profit or loss in subsequent periods:</b> |       |                     |               |
| Re-measurement loss on employees' end-of-service benefits                              | 17    | <b>(11,575,596)</b> | (6,653,887)   |
| Net other comprehensive loss for the year                                              |       | <b>(11,575,596)</b> | (6,653,887)   |
| Total comprehensive income for the year                                                |       | <b>644,329,184</b>  | 1,008,680,600 |
| <b>Attributable to:</b>                                                                |       |                     |               |
| Equity holders of the parent company                                                   |       | <b>644,591,166</b>  | 1,008,922,492 |
| Non-controlling interests                                                              |       | <b>(261,982)</b>    | (241,892)     |
|                                                                                        |       | <b>644,329,184</b>  | 1,008,680,600 |

The accompanying notes form an integral part of these special-purpose consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**

**(Saudi Closed Joint Stock Company)**

**Special-purpose consolidated statement of changes in equity**

**For the years ended 31 December 2017 and 31 December 2016**

|                                        | Attributable to equity holders of the parent |                    |                    |                      |                           |                      | Non-controlling interests |    | Total equity |    |
|----------------------------------------|----------------------------------------------|--------------------|--------------------|----------------------|---------------------------|----------------------|---------------------------|----|--------------|----|
|                                        | Issued share capital                         | Statutory reserve  | Retained earnings  | Total                | Non-controlling interests | Total                | SR                        | SR | SR           | SR |
|                                        |                                              |                    |                    |                      |                           |                      |                           |    |              |    |
| As at 1 January 2016                   | 3,500,000,000                                | 133,886,804        | 1,064,789          | 3,634,951,593        | 87,137,177                | 3,722,088,770        |                           |    |              |    |
| Income (loss) for the year             | -                                            | -                  | 1,015,576,379      | 1,015,576,379        | (241,892)                 | 1,015,334,487        |                           |    |              |    |
| Other comprehensive (loss)             | -                                            | -                  | (6,653,887)        | (6,653,887)          | -                         | (6,653,887)          |                           |    |              |    |
| Total comprehensive income             | -                                            | -                  | 1,008,922,492      | 1,008,922,492        | (241,892)                 | 1,008,680,600        |                           |    |              |    |
| Transfer to statutory reserve          | -                                            | 100,993,719        | (100,993,719)      | -                    | -                         | -                    |                           |    |              |    |
| Additions to non-controlling interests | -                                            | -                  | -                  | -                    | 53,083,772                | 53,083,772           |                           |    |              |    |
| Dividends (note 20)                    | -                                            | -                  | (369,854,077)      | (369,854,077)        | -                         | (369,854,077)        |                           |    |              |    |
| As at 31 December 2016                 | 3,500,000,000                                | 234,880,523        | 539,139,485        | 4,274,020,008        | 139,979,057               | 4,413,999,065        |                           |    |              |    |
| Income (loss) for the year             | -                                            | -                  | 656,166,762        | 656,166,762          | (261,982)                 | 655,904,780          |                           |    |              |    |
| Other comprehensive (loss)             | -                                            | -                  | (11,575,596)       | (11,575,596)         | -                         | (11,575,596)         |                           |    |              |    |
| Total comprehensive income             | -                                            | -                  | 644,591,166        | 644,591,166          | (261,982)                 | 644,329,184          |                           |    |              |    |
| Transfer to statutory reserve          | -                                            | 65,838,199         | (65,838,199)       | -                    | -                         | -                    |                           |    |              |    |
| Additions to non-controlling interests | -                                            | -                  | -                  | -                    | 90,753,240                | 90,753,240           |                           |    |              |    |
| Dividends (note 20)                    | -                                            | -                  | (600,000,000)      | (600,000,000)        | -                         | (600,000,000)        |                           |    |              |    |
| <b>As at 31 December 2017</b>          | <b>3,500,000,000</b>                         | <b>300,718,722</b> | <b>517,892,452</b> | <b>4,318,611,174</b> | <b>230,470,315</b>        | <b>4,549,081,489</b> |                           |    |              |    |

The accompanying notes form an integral part of these special-purpose consolidated financial statements.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Special-purpose consolidated statement of cash flows**  
**For the years ended 31 December 2017 and 31 December 2016**

|                                                                                 | Notes  | 2017<br>SR    | 2016<br>SR      |
|---------------------------------------------------------------------------------|--------|---------------|-----------------|
| <b>Operating activities</b>                                                     |        |               |                 |
| Income before zakat                                                             |        | 726,660,257   | 1,055,175,126   |
| <b>Non-cash adjustments to reconcile profit before zakat to net cash flows:</b> |        |               |                 |
| Depreciation                                                                    | 12     | 201,780,395   | 163,513,072     |
| Share of income of associates                                                   | 11     | (7,296,933)   | (13,654,261)    |
| Loss / (gain) on disposal of property and equipment                             | 23     | 298,844       | (1,658,388)     |
| Provision for doubtful receivables                                              | 8 & 21 | 126,191,314   | 278,162,724     |
| Provision for slow moving inventories                                           |        | 2,454,585     | 3,829,438       |
| Finance costs                                                                   |        | 19,409,073    | 2,191,657       |
| Employees' end-of-service benefits                                              | 17     | 50,450,253    | 47,115,506      |
|                                                                                 |        | 1,119,947,788 | 1,534,674,874   |
| <b>Working capital adjustments:</b>                                             |        |               |                 |
| Accounts receivable                                                             |        | 148,128,130   | (528,471,671)   |
| Advances to suppliers and contractors                                           |        | 5,251,710     | 19,452,588      |
| Due to related parties, net                                                     |        | (8,500,000)   | 8,188,965       |
| Inventories                                                                     |        | (49,691,430)  | (14,142,512)    |
| Prepaid expenses and other assets                                               |        | (29,380,089)  | (25,742,608)    |
| Accounts payable                                                                |        | 14,494,664    | 90,277,232      |
| Advances from customers                                                         |        | (24,848,584)  | 5,908,332       |
| Accrued expenses and other liabilities                                          |        | (22,234,375)  | (113,924,633)   |
| Cash generated from operations                                                  |        | 1,153,167,814 | 976,220,567     |
| Zakat paid                                                                      | 16     | (36,896,866)  | (60,006,653)    |
| Employees' end-of-service benefits paid                                         | 17     | (22,050,964)  | (14,304,359)    |
| Net cash from operating activities                                              |        | 1,094,219,984 | 901,909,555     |
| <b>Investing activities</b>                                                     |        |               |                 |
| Purchase of property and equipment                                              | 12     | (421,399,145) | (1,242,133,415) |
| Proceeds from sale of property and equipment                                    |        | 5,561,817     | 5,853,531       |
| Dividends from associates                                                       | 11     | 7,500,000     | -               |
| Acquisition of a subsidiary, net of cash and cash equivalents acquired          |        | -             | (14,569,584)    |
| Net cash used in investing activities                                           |        | (408,337,328) | (1,250,849,468) |
| <b>Financing activities</b>                                                     |        |               |                 |
| Proceeds from long-term loans, net                                              |        | 28,181,060    | 269,160,456     |
| Finance costs paid                                                              |        | (18,608,938)  | (2,037,158)     |
| Dividends paid                                                                  |        | (517,014,078) | (199,854,077)   |
| Changes in non-controlling interests                                            |        | 90,753,240    | 53,083,772      |
| Net cash (used in) / from financing activities                                  |        | (416,688,716) | 120,352,993     |
| Net increase / (decrease) in cash and cash equivalents                          |        | 269,193,940   | (228,586,920)   |
| Cash and cash equivalents at the beginning of the year                          |        | 871,343,009   | 1,099,929,929   |
| Cash and cash equivalents at the end of the year                                | 7      | 1,140,536,949 | 871,343,009     |
| <b>Significant non-cash transactions:</b>                                       |        |               |                 |
| Settlement of advance payment to shareholder                                    |        | -             | 170,000,000     |

The accompanying notes form an integral part of these special-purpose consolidated financial statements.





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the special-purpose consolidated financial statements**  
**31 December 2017 and 31 December 2016**

## 1. Corporate information and activities

Dr. Sulaiman Al Habib Medical Services Group Company (the “Company”) (a Saudi closed joint stock company) is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993). The registered office is located at Olaya District, P.O. Box 91877, Riyadh 11643, KSA.

The Company operates under medical license no. 014-101-012-012-00129 dated 26 Jumad Thani 1428H (corresponding to 11 July 2007) issued by the Ministry of Health. The Company also operates its drug stores under license No. 6375/P dated 13 Rabi Awal 1432H (corresponding to 16 February 2011) issued by Food and Drugs Administration organization.

The Company objectives include establishing and managing hospitals, medical centres, laboratories and radiology, purchasing of lands for the purpose of constructing buildings and investing in these buildings by selling and leasing for the benefit of the Company and invest in other companies through holding a controlling position. In addition, the Company also does trading in wholesale and retail of medicines, cosmetics, medical equipment and beauty products.

The Company operates a branch in Riyadh, Kingdom of Saudi Arabia “Branch of Dr. Sulaiman Al Habib Medical Services Group Company” (“the Branch”) under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The objectives of the Branch include trading in wholesale and retail of cosmetics and maintenance of medical equipment. The Branch operates its drug store under license no. 06-01-00231 dated 24 Muharram 1435H (corresponding to 27 November 2013) issued by Food and Drugs Administration organization.

The Company operates a branch in the Kingdom of Bahrain “Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch” (“the Foreign Branch”) under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the Foreign Branch include management and development of medical units in addition to providing medical supplies.

The special-purpose consolidated financial statements include the financial information of the branches mentioned above and subsidiaries mentioned in note 3.

## 2. Basis of preparation

These special-purpose consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2016 have been prepared in accordance with the accounting policies, judgments, estimates and assumptions described below in note 4 and 5.

The management has adopted International Financial Reporting Standards (“IFRS”) and its interpretations as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants for preparation of the consolidated financial statements for the year ended 31 December 2018. These special-purpose consolidated financial statements for the years ended 31 December 2017 and 2016 are prepared solely for comparative purposes and to be included in the prospectus in connection with the Group’s application for proposed initial public offering with the Capital Market Authority in the Kingdom of Saudi Arabia. As a result, these special-purpose consolidated financial statements may not be suitable for another purpose.

The management has prepared separate statutory sets of financial statements for the years ended 31 December 2017 and 2016 were prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia, which primarily comprised of accounting standards issued by the Saudi Arabian Organization for Certified Public Accountants (“SOCPA”).



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the special-purpose consolidated financial statements (continued)**  
**31 December 2017 and 31 December 2016**

### 3. Basis of consolidation

These special-purpose consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (collectively referred to as "the Group"), mainly domiciled in Kingdom of Saudi Arabia ("KSA") and United Arab Emirates ("UAE") as at 31 December 2017 and 31 December 2016:

|                                                        | Country of incorporation and business | Activities               | Ownership %      |                  |
|--------------------------------------------------------|---------------------------------------|--------------------------|------------------|------------------|
|                                                        |                                       |                          | 31 December 2017 | 31 December 2016 |
| Sehat Al Olaya Medical Complex Company                 | KSA                                   | Hospital                 | 100%             | 100%             |
| Asharq Alawsat Pharmacies Company(a)                   | KSA                                   | Pharmacy                 | 100%             | 100%             |
| Dr. Sulaiman Al Habib Hospital FZ - LLC                | UAE                                   | Hospital                 | 100%             | 100%             |
| Al Mustaqbal for Hospitals Development Company         | KSA                                   | Hospital                 | 100%             | 100%             |
| Buraidah Al Takhassusi Hospital for Healthcare Company | KSA                                   | Hospital                 | 100%             | 100%             |
| Bone, Joint and Spine Hospital Company                 | KSA                                   | Hospital                 | 100%             | 100%             |
| Al Rayan Hospital for Healthcare Company               | KSA                                   | Hospital                 | 100%             | 100%             |
| Home Healthcare Company                                | KSA                                   | Home Healthcare services | 100%             | 100%             |
| Antab Al Riyadh for Operation and Maintenance Company  | KSA                                   | Anciliary services       | 100%             | 100%             |
| Al Gharb Al Takhassusi Hospital For Healthcare Company | KSA                                   | Hospital                 | 100%             | 100%             |
| Al Mokhtabarat Diagnostic Medical Company              | KSA                                   | Laboratory Services      | 100%             | 100%             |
| Sehat Al Suwaidi Medical Company                       | KSA                                   | Hospital                 | 100%             | 100%             |
| Hulool Al Sahabah for IT & Communication Company       | KSA                                   | IT Support Services      | 100%             | 100%             |
| Al Rayan for Maintenance and Operation Company         | KSA                                   | Anciliary services       | 100%             | 100%             |
| Rawafed Al Seha International Company                  | KSA                                   | Trading services         | 100%             | 100%             |
| Al Afia Pharmacies for Medicines Company(a)            | KSA                                   | Pharmacy                 | 100%             | 100%             |
| Dar Al Seha Investment Company(b)                      | KSA                                   | Hospital                 | 100%             | -                |
| Sehat Al Sharq Medical Limited Company                 | KSA                                   | Hospital                 | 50%              | 50%              |
| Al Wosta Medical Limited Company                       | KSA                                   | Hospital                 | 50%              | 50%              |
| Gharb Jeddah Hospital Company(c)                       | KSA                                   | Hospital                 | 50%              | -                |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the special-purpose consolidated financial statements (continued)**  
**31 December 2017 and 31 December 2016**

### 3. Basis of consolidation (continued)

- a- The other partner has assigned his shares for the benefit of the Company.
- b- Dar Al Seha Investment Company was established on 25 RabiThani 1438 (corresponding to 23 January 2017).
- c- Gharb Jeddah Hospital Company was established on 19 Jumad Awal 1438 (corresponding to 16 February 2017).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the special-purpose consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the special-purpose consolidated financial statements (continued)**  
**31 December 2017 and 31 December 2016**

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## **4. Summary of significant accounting policies**

The following are the significant accounting policies applied by the Group in preparing its special-purpose consolidated financial statements:

### **4.1 Business combination**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in special-purpose consolidated statement of income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the special-purpose consolidated financial statements (continued)**  
**31 December 2017 and 31 December 2016**

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## **4. Summary of significant accounting policies (continued)**

### **4.2 Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The special-purpose consolidated statement of income reflects the Group's share of earnings of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the special-purpose consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit of an associate is shown on the face of the special-purpose consolidated statement of income outside operating profit and represents earnings after zakat and tax wherever applicable.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as 'Share of profit of associates' in the special-purpose consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the special-purpose consolidated statement of income.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the special-purpose consolidated financial statements (continued)**  
**31 December 2017 and 31 December 2016**

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## **4. Summary of significant accounting policies (continued)**

### **4.3 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 presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the special-purpose consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the special-purpose consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

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## 4. Summary of significant accounting policies (continued)

### 4.4 Revenue recognition

The Group recognizes revenue from contracts with customers based on a five-step model:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- b- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

### Patient services

The patient services revenue is recognized when the services are rendered to the patient net off for any discount or rebates and expected rejections at the time of providing services to the patients.



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## **4. Summary of significant accounting policies (continued)**

### **4.4 Revenue recognition (continued)**

#### **Sale of goods**

The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net off any discount or rebates and expected rejections at the time of delivery of goods to the patients.

#### **Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the special-purpose consolidated statement of income.

#### **Others**

All other revenues are recognized on an accrual basis.

For advance from customer or accounts receivable, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

### **4.5 Foreign currencies**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income, if material.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the statement of financial position date.
- Consolidated statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the special-purpose consolidated statement of income as part of the gains or losses on sale.



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## 4. Summary of significant accounting policies (continued)

### 4.6 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to special-purpose consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

### 4.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

Depreciation is calculated on all property and equipment, other than land and capital work-in-progress, at the following useful lives calculated to write off the cost of each asset on a straight-line basis over its expected useful life:

|                                          | Years                                                        |
|------------------------------------------|--------------------------------------------------------------|
| Buildings                                | 10 – 33                                                      |
| Leasehold improvements                   | The estimated useful life or lease period whichever is lower |
| Medical and general equipment            | 5 – 10                                                       |
| Motor vehicles and ambulances            | 4 – 10                                                       |
| Furniture, fixtures and office equipment | 4 – 6.67                                                     |

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.



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## **4. Summary of significant accounting policies (continued)**

### **4.7 Property and equipment (continued)**

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the special-purpose consolidated statement of income as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the special-purpose consolidated statement of income under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.

### **4.8 Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.



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## **4. Summary of significant accounting policies (continued)**

### **4.8 Impairment of non-financial assets (continued)**

Impairment losses of continuing operations are recognized in the special-purpose consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as income immediately in the special-purpose consolidated statement of income.

### **4.9 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### **Group as a lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfer substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the lease property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognized in finance costs in the special-purpose consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the special-purpose consolidated statement of income on a straight-line basis over the lease term.

#### **Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis a rental income. Contingent rents are recognized as revenue in the period in which they are earned.



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## **4. Summary of significant accounting policies (continued)**

### **4.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **4.11 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **Recognition**

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

#### **Classification**

The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification depends on the Group's contractual terms of the financial assets cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in special-purpose consolidated profit or loss or special-purpose statement of consolidated other comprehensive income. Financial liabilities are not reclassified.

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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments (continued)**

#### **Measurement**

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through the special-purpose consolidated statement of income and special-purpose consolidated other comprehensive income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the special-purpose consolidated profit or loss are expensed in the special-purpose consolidated statement of income and special-purpose consolidated statement of other comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the special-purpose consolidated profit or loss or special-purpose consolidated statement of other comprehensive income (irrevocable election at the time of recognition).

#### **De-recognition**

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the special-purpose consolidated statement of income and special-purpose consolidated statement of other comprehensive income.

#### **Offsetting**

Financial assets and liabilities are offset and the net amount is presented in the special-purpose consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.



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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments (continued)**

#### **Impairment**

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses ("ECL") on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

#### **A- a) Stage 1: 12-months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

#### **B- b) Stage 2: Lifetime ECL - not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

#### **C- c) Stage 3: Lifetime ECL - credit impaired**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the special-purpose consolidated statement of income and special-purpose consolidated statement of other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Objective evidence that financial assets are impaired may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



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## **4. Summary of significant accounting policies (continued)**

### **4.11 Financial instruments (continued)**

#### **Impairment (continued)**

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

### **4.12 Cash and cash equivalents**

Cash and cash equivalents in the special-purpose consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

### **4.13 Inventories**

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

### **4.14 Provisions**

#### **General**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the special-purpose consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.





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## **4. Summary of significant accounting policies (continued)**

### **4.15 Employees' end-of-service benefits**

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The plan is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in special-purpose consolidated statement of income on the defined benefit liability are recognized immediately in the special-purpose consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to special-purpose consolidated statement of income in subsequent periods.

Past service costs are recognized in special-purpose consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the special-purpose consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

### **4.16 Zakat**

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the special-purpose consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries since 31 December 2009. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The subsidiary registered in free zone – Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.

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## **5. Significant accounting judgments, estimates, assumptions**

### **5.1 Estimates and assumptions**

The preparation of the Group's special-purpose consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the special-purpose consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### **Revenue recognition**

Management require to make the following judgements:

##### **Satisfaction of performance obligations**

The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

##### **Determination of transaction prices**

The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount, insurance claims rejection or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

##### **Transfer of control in contracts with customers**

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

##### **Allowance for doubtful debts**

For accounts receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.



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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### **Revenue recognition (continued)**

##### **Employees' end-of-service benefits**

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

##### **Impairment of non-financial assets**

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### **Useful lives of property and equipment**

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

#### **Provision for inventories**

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

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## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### **Fair value measurement of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the special-purpose consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

### **5.2 Critical judgements in applying accounting standards**

The following critical judgements have the most significant effect on the amounts recognized in the special-purpose consolidated financial statements:

#### **Component parts of property and equipment**

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

#### **Determination of control and significant influence**

Management's judgement in assessing control over consolidated subsidiaries:

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.



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## 5. Significant accounting judgments, estimates, assumptions (continued)

### 5.2 Critical judgements in applying accounting standards (continued)

#### Determination of control and significant influence (continued)

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

## 6. Segment Information

Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Financial Officer as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments.

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Group.

The identified key segments are Hospitals, Pharmacies, and others.

The segment results for the year ended 31 December 2017 and the reconciliation of the segment measures to the respective statutory items included in the special-purpose consolidated financial information are as follows:

| Year ended<br>31 December 2017       | Hospitals | Pharmacies | Others | Total |
|--------------------------------------|-----------|------------|--------|-------|
| SR' millions                         |           |            |        |       |
| <b>Saudi Arabia:</b>                 |           |            |        |       |
| Revenue                              | 3,304     | 680        | 18     | 4,002 |
| Gross profit*                        | 936       | 227        | 17     | 1,180 |
| <b>Outside Saudi Arabia:</b>         |           |            |        |       |
| Revenue                              | 367       | -          | 10     | 377   |
| Gross profit                         | 75        | -          | 10     | 85    |
| <b>Total</b>                         |           |            |        |       |
| Revenue                              | 3,671     | 680        | 28     | 4,379 |
| Gross profit                         | 1,011     | 227        | 27     | 1,265 |
| <b>Unallocated income (expenses)</b> |           |            |        |       |
| Selling and marketing                |           |            |        | (198) |
| General and administrative           |           |            |        | (412) |
| Operating income                     |           |            |        | 655   |
| Share of income of associates        |           |            |        | 7     |
| Finance costs                        |           |            |        | (19)  |
| Other income                         |           |            |        | 84    |
| Income before zakat                  |           |            |        | 727   |
| Zakat                                |           |            |        | (71)  |
| Income for the year                  |           |            |        | 656   |



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**6. Segment Information (continued)**

| Year ended<br>31 December 2017 | Hospitals    | Pharmacies | Others     | Total        |
|--------------------------------|--------------|------------|------------|--------------|
| SR' millions                   |              |            |            |              |
| <b>As at 31 December 2017</b>  |              |            |            |              |
| <b>Saudi Arabia:</b>           |              |            |            |              |
| Total assets                   | 5,230        | 237        | 981        | 6,448        |
| Total liabilities              | 1,247        | 215        | 926        | 2,388        |
| Outside Saudi Arabia           |              |            |            |              |
| Total assets                   | 541          | -          | 11         | 552          |
| Total liabilities              | 61           | -          | 1          | 62           |
| <b>Total</b>                   |              |            |            |              |
| <b>Total assets</b>            | <b>5,771</b> | <b>237</b> | <b>992</b> | <b>7,000</b> |
| <b>Total liabilities</b>       | <b>1,308</b> | <b>215</b> | <b>927</b> | <b>2,450</b> |

| Year ended<br>31 December 2016       | Hospitals | Pharmacies | Others | Total |
|--------------------------------------|-----------|------------|--------|-------|
| SR' millions                         |           |            |        |       |
| <b>Saudi Arabia:</b>                 |           |            |        |       |
| Revenue                              | 3,048     | 751        | 409    | 4,208 |
| Gross profit*                        | 1,094     | 251        | 162    | 1,507 |
| <b>Outside Saudi Arabia:</b>         |           |            |        |       |
| Revenue                              | 409       | -          | -      | 409   |
| Gross profit                         | 136       | -          | -      | 136   |
| <b>Total</b>                         |           |            |        |       |
| Revenue                              | 3,457     | 751        | 409    | 4,617 |
| Gross profit                         | 1,230     | 251        | 162    | 1,643 |
| <b>Unallocated income (expenses)</b> |           |            |        |       |
| Selling and marketing                |           |            |        | (342) |
| General and administrative           |           |            |        | (371) |
| Operating income                     |           |            |        | 930   |
| Share of income of associates        |           |            |        | 14    |
| Finance costs                        |           |            |        | (2)   |
| Other income                         |           |            |        | 113   |
| Income before zakat                  |           |            |        | 1,055 |
| Zakat                                |           |            |        | (40)  |
| Income for the year                  |           |            |        | 1,015 |



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## 6. Segment Information (continued)

| Year ended<br>31 December 2016 | Hospitals    | Pharmacies | Others       | Total        |
|--------------------------------|--------------|------------|--------------|--------------|
| SR' millions                   |              |            |              |              |
| <b>As at 31 December 2016</b>  |              |            |              |              |
| <b>Saudi Arabia:</b>           |              |            |              |              |
| Total assets                   | 559          | 240        | 5,737        | 6,536        |
| Total liabilities              | 914          | 195        | 1,102        | 2,211        |
| <b>Outside Saudi Arabia</b>    |              |            |              |              |
| Total assets                   | 184          | -          | -            | 184          |
| Total liabilities              | 95           | -          | -            | 95           |
| <b>Total</b>                   |              |            |              |              |
| <b>Total assets</b>            | <b>744</b>   | <b>240</b> | <b>5,737</b> | <b>6,721</b> |
| <b>Total liabilities</b>       | <b>1,009</b> | <b>195</b> | <b>1,102</b> | <b>2,306</b> |

\* Cost of revenue includes employees' cost amounting to SR 1,806.30 million (2016: SR 1,747.20 million).

## 7. Cash and cash equivalents

|                                | As at<br>31 December 2017 | As at<br>31 December 2016 |
|--------------------------------|---------------------------|---------------------------|
|                                | SR                        | SR                        |
| Short-term deposits with banks | <b>702,500,000</b>        | 205,000,000               |
| Cash at banks                  | <b>431,719,961</b>        | 659,866,971               |
| Cash on hand                   | <b>6,316,988</b>          | 6,476,038                 |
|                                | <b>1,140,536,949</b>      | 871,343,009               |

## 8. Accounts receivable

|                                          | As at<br>31 December 2017 | As at<br>31 December 2016 |
|------------------------------------------|---------------------------|---------------------------|
|                                          | SR                        | SR                        |
| Accounts receivable – trade              | 1,746,345,791             | 1,981,856,877             |
| Less: allowance for doubtful receivables | (82,131,210)              | (43,322,852)              |
|                                          | 1,664,214,581             | 1,938,534,025             |



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## 8. Accounts receivable (continued)

The movement in the allowance for doubtful receivables is as follows:

|                               | As at<br>31 December 2017 | As at<br>31 December 2016 |
|-------------------------------|---------------------------|---------------------------|
|                               | SR                        | SR                        |
| At the beginning of the year  | <b>43,322,852</b>         | 229,610,101               |
| Acquisition of a subsidiary   | -                         | 97,508                    |
| Charge for the year (note 21) | <b>126,191,314</b>        | 278,162,724               |
| Write-off*                    | <b>(87,382,956)</b>       | (464,547,481)             |
| At the end of the year        | <b>82,131,210</b>         | 43,322,852                |

\* During the month of December 2016, the Group's management has signed a final settlement agreement with Ministry of Health ("MoH") for the outstanding claims and accordingly the Group has written-off all the related receivable.

As at 31 December 2017 and 31 December 2016, the ageing analysis of trade receivables that are past due but not impaired is as follows:

|                         | Total                | Less than one year   | Greater than one year |
|-------------------------|----------------------|----------------------|-----------------------|
|                         | SR                   | SR                   | SR                    |
| <b>31 December 2017</b> | <b>1,664,214,581</b> | <b>1,337,912,292</b> | <b>326,302,289</b>    |
| 31 December 2016        | 1,938,534,025        | 1,542,825,974        | 395,708,051           |

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and they are therefore unsecured. As at 31 December 2017 accounts receivable of SR 82,131,210 (as at 31 December 2016: SR 43,322,852) were impaired and fully provided for. Amounts written off during the year relate to individually identified accounts that are considered to be irrecoverable.

As at 31 December 2017, approximately 94% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2016: SR 95%).

The Group's credit terms require receivables to be repaid within 30-90 days of the claim date depending on the type of customer, which is in line with healthcare industry. Due to short credit period offered to customers, a significant amount of accounts receivable are neither past due nor impaired.

## 9. Inventories

|                                 | As at<br>31 December 2017 | As at<br>31 December 2016 |
|---------------------------------|---------------------------|---------------------------|
|                                 | SR                        | SR                        |
| Pharmaceuticals inventories     | <b>161,900,170</b>        | 93,240,567                |
| Medical supplies                | <b>121,797,390</b>        | 77,957,714                |
| Others                          | <b>27,909,635</b>         | 94,679,306                |
|                                 | <b>311,607,195</b>        | 265,877,587               |
| Less: provision for inventories | <b>(3,048,737)</b>        | (4,555,974)               |
|                                 | <b>308,558,458</b>        | 261,321,613               |

Cost of inventories recognized in statement of income for the year ended 31 December 2017 amounted to SR 905,064,080 (2016: SR 909,496,374).





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## 10. Prepaid expenses and other assets

|                       | As at<br>31 December 2017 | As at<br>31 December 2016 |
|-----------------------|---------------------------|---------------------------|
|                       | SR                        | SR                        |
| Prepaid expenses      | 77,214,380                | 70,419,872                |
| Advances to employees | 44,119,992                | 36,795,141                |
| Others                | 51,421,385                | 36,160,655                |
|                       | <b>172,755,757</b>        | 143,375,668               |

## 11. Investments in associates

The Group investment in associates comprise of:

- 50% interest in Ajaji Dental, a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013). Ajaji Dental objectives include establishment and management of hospitals, dentistry centers and laboratories tests and x-rays centers, dentistry colleges and institutes and import and distribute medical equipment.
- 40% interest in Antab, a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013). Antab objectives include works and maintenance to buildings construction, electricity, mechanical, cooling systems, and building cleaning.

The Group's interest in its associates is accounted for using the equity method in the special-purpose consolidated financial statements. The financial information of the associates are not material at group level therefore, summarized financial information of the associates have not been presented.

## 11. Investments in associates (continued)

During the year, the movement of investments in associates is as follows:

| 2017         | Opening balance   | Share in net income | Dividends          | Ending balance    |
|--------------|-------------------|---------------------|--------------------|-------------------|
|              | SR                | SR                  | SR                 | SR                |
| Ajaji Dental | 36,397,770        | 5,553,045           | (7,500,000)        | 34,450,815        |
| Antab        | 7,483,250         | 1,743,888           | -                  | 9,227,138         |
| <b>Total</b> | <b>43,881,020</b> | <b>7,296,933</b>    | <b>(7,500,000)</b> | <b>43,677,953</b> |
| 2016         | Opening balance   | Share in net income | Dividends          | Ending balance    |
|              | SR                | SR                  | SR                 | SR                |
| Ajaji Dental | 24,889,632        | 11,508,138          | -                  | 36,397,770        |
| Antab        | 5,337,127         | 2,146,123           | -                  | 7,483,250         |
| <b>Total</b> | <b>30,226,759</b> | <b>13,654,261</b>   | <b>-</b>           | <b>43,881,020</b> |

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## 12. Property and equipment

|                                | Land                 | Buildings and leasehold improvements | Medical and general equipment | Motor vehicles and ambulances | Furniture, fixtures and office equipment | Capital work-in-progress * | Total                |
|--------------------------------|----------------------|--------------------------------------|-------------------------------|-------------------------------|------------------------------------------|----------------------------|----------------------|
|                                | SR                   | SR                                   | SR                            | SR                            | SR                                       | SR                         | SR                   |
| <b>Cost</b>                    |                      |                                      |                               |                               |                                          |                            |                      |
| At 1 January 2016              | 595,723,154          | 1,098,850,009                        | 754,779,117                   | 12,960,666                    | 283,545,816                              | 295,818,221                | 3,041,676,983        |
| Additions                      | 663,511,175          | 4,140,633                            | 61,178,255                    | 1,290,000                     | 17,256,090                               | 494,757,262                | 1,242,133,415        |
| Acquisition of a subsidiary*** | -                    | 89,250                               | 11,833                        | 49,500                        | 1,545,375                                | -                          | 1,695,958            |
| Disposals/transfers            | 49,789,095           | 410,149,237                          | 113,577,075                   | (2,037,504)                   | (3,063,594)                              | (582,684,300)              | (14,269,991)         |
| At 31 December 2016            | 1,309,023,424        | 1,513,229,129                        | 929,546,280                   | 12,262,662                    | 299,283,687                              | 207,891,183                | 4,271,236,365        |
| Additions                      | 90,753,240           | 32,488,153                           | 58,314,400                    | 946,985                       | 20,917,585                               | 217,978,782                | 421,399,145          |
| Disposals/transfers            | -                    | 6,275,677                            | 12,892,996                    | (1,327,540)                   | 78,542,758                               | (110,406,698)              | (14,022,807)         |
| <b>At 31 December 2017</b>     | <b>1,399,776,664</b> | <b>1,551,992,959</b>                 | <b>1,000,753,676</b>          | <b>11,882,107</b>             | <b>398,744,030</b>                       | <b>315,463,267</b>         | <b>4,678,612,703</b> |
| <b>Depreciation</b>            |                      |                                      |                               |                               |                                          |                            |                      |
| At 1 January 2016              | -                    | 203,845,500                          | 311,256,990                   | 10,943,910                    | 142,595,655                              | -                          | 668,642,055          |
| Charge for the year            | -                    | 43,974,864                           | 79,368,813                    | 1,265,777                     | 38,903,618                               | -                          | 163,513,072          |
| Acquisition of a subsidiary*** | -                    | 89,250                               | 11,833                        | 516                           | 679,276                                  | -                          | 780,875              |
| Disposals/transfers            | -                    | 302,644                              | (6,025,809)                   | (2,005,580)                   | (2,346,103)                              | -                          | (10,074,848)         |
| At 31 December 2016            | -                    | 248,212,258                          | 384,611,827                   | 10,204,623                    | 179,832,446                              | -                          | 822,861,154          |
| Charge for the year            | -                    | 52,835,889                           | 99,379,303                    | 973,071                       | 48,592,132                               | -                          | 201,780,395          |
| Disposals/transfers            | -                    | (60,306)                             | (4,821,270)                   | (1,763,717)                   | (1,516,853)                              | -                          | (8,162,146)          |
| At 31 December 2017            | -                    | 300,987,841                          | 479,169,860                   | 9,413,977                     | 226,907,725                              | -                          | 1,016,479,403        |
| <b>Net book value</b>          |                      |                                      |                               |                               |                                          |                            |                      |
| <b>At 31 December 2017</b>     | <b>1,399,776,664</b> | <b>1,251,005,118</b>                 | <b>521,583,816</b>            | <b>2,468,130</b>              | <b>171,836,305</b>                       | <b>315,463,267</b>         | <b>3,662,133,300</b> |
| At 31 December 2016            | 1,309,023,424        | 1,265,016,871                        | 544,934,453                   | 2,058,039                     | 119,451,241                              | 207,891,183                | 3,448,375,211        |

\* Capital work-in-progress represents cost incurred to date on different hospital projects of the Group.

\*\* Property and equipment includes land, building and medical equipment amounting to the extent of SR 440,525,600 (2016: SR 440,525,600) pledged against the loans obtained from the Ministry of Finance (note 26).

\*\*\* During the year 2016 the Group acquired property and equipment through acquisition of Rawafed Al Seha International Company at net book value and it does not materially differ from fair value.



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## 12. Property and equipment (continued)

The depreciation charge has been allocated in the special-purpose consolidated statement of income as follows:

|                                               | For the year ended     |                        |
|-----------------------------------------------|------------------------|------------------------|
|                                               | 31 December 2017<br>SR | 31 December 2016<br>SR |
| Cost of revenue                               | <b>167,018,930</b>     | 140,882,804            |
| General and administrative expenses (note 22) | <b>33,409,563</b>      | 21,565,548             |
| Selling and marketing expenses (note 21)      | <b>1,351,902</b>       | 1,064,720              |
|                                               | <b>201,780,395</b>     | 163,513,072            |

## 13. Accounts payable

|                                      | As at<br>31 December 2017<br>SR | As at<br>31 December 2016<br>SR |
|--------------------------------------|---------------------------------|---------------------------------|
|                                      | SR                              | SR                              |
| Accounts payable                     | <b>457,574,818</b>              | 443,105,329                     |
| Contractors' payables and retentions | <b>24,027,592</b>               | 24,356,886                      |
| Others                               | <b>1,131,321</b>                | 776,852                         |
|                                      | <b>482,733,731</b>              | 468,239,067                     |

## 14. Related party disclosures

Related parties represent partners, Director and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

### Related party transactions

Significant transactions and balances with related parties in the ordinary course of business which are included in the special-purpose consolidated financial statements are summarized as follows:

| Nature of transaction                             | Related party                                        | Relationship | 2017               | 2016       |
|---------------------------------------------------|------------------------------------------------------|--------------|--------------------|------------|
|                                                   |                                                      |              | SR                 | SR         |
| Capital work-in-progress                          | Masah Contracting Company                            | Affiliate    | <b>125,811,776</b> | 84,856,195 |
| Capital work-in-progress                          | Namara Specialist Establishment for Trading          | Affiliate    | <b>672,071</b>     | 11,471,763 |
| Purchases and services                            | Antab Serco.                                         | Associate    | <b>68,671,635</b>  | 70,433,337 |
| Revenue                                           | Ajaji Dental                                         | Associate    | <b>38,541,461</b>  | 37,477,971 |
| Board of directors and its committee remuneration | Members of the Board of Directors and its committees | Affiliates   | <b>1,626,000</b>   | 2,850,000  |



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## 14. Related party disclosures (continued)

### Related party balances

Significant year-end balances from transactions with related parties are as follows:

|                                           | Related party         | As at<br>31 December 2017 | As at<br>31 December 2016 |
|-------------------------------------------|-----------------------|---------------------------|---------------------------|
|                                           |                       | SR                        | SR                        |
| Due to related parties:                   |                       |                           |                           |
| Mr. Hisham Sulaiman Abdulaziz Al Habib    | Shareholder           | 9,476,033                 | 9,476,033                 |
| Dr. Abdulaziz Ibrahim Abdullah Al Ajaji   | Other related parties | 1,570,086                 | 7,095,086                 |
| Mr. Abdulaziz Sulaiman Abdulaziz Al Habib | Other related parties | 1,433,376                 | 4,408,376                 |
|                                           |                       | 12,479,495                | 20,979,495                |

### Compensation of key management personnel of the Group

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

|                                                            | For the year ended     |                        |
|------------------------------------------------------------|------------------------|------------------------|
|                                                            | 31 December 2017<br>SR | 31 December 2016<br>SR |
| Short-term employee benefits                               | 4,651,902              | 4,754,618              |
| Post-employment and medical benefits                       | 121,760                | 97,419                 |
| Board of Directors and its committees remuneration         | 1,626,000              | 2,850,000              |
| <b>Total compensation paid to key management personnel</b> | <b>6,399,662</b>       | <b>7,702,037</b>       |

## 15. Accrued expenses and other liabilities

|                                          | As at<br>31 December 2017 | As at<br>31 December 2016 |
|------------------------------------------|---------------------------|---------------------------|
|                                          | SR                        | SR                        |
| Accrued employees' salaries and benefits | <b>279,731,199</b>        | 296,700,329               |
| Dividends payable (note 20)              | <b>91,836,014</b>         | 8,850,092                 |
| Accrued expenses                         | <b>44,642,210</b>         | 40,221,782                |
| Others                                   | <b>11,808,393</b>         | 20,693,931                |
|                                          | <b>428,017,816</b>        | 366,466,134               |



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## 16. Zakat payable

The Group's Zakat provision expense for the year ended 31 December 2017 amounted to SR 70,755,477 (2016: 48,168,911) which is charged to the special-purpose consolidated statement of income in accordance with the GAZT regulations.

### A- Zakat base

The principal elements of the Zakat base are as follows:

|                         | As at<br>31 December 2017 | As at<br>31 December 2016 |
|-------------------------|---------------------------|---------------------------|
|                         | SR                        | SR                        |
| Shareholders' equity    | <b>4,322,986,273</b>      | 3,691,464,248             |
| Non-current assets      | <b>(4,376,659,975)</b>    | (3,908,833,428)           |
| Non-current liabilities | <b>1,054,760,713</b>      | 451,401,814               |
| Adjusted net income     | <b>1,048,246,501</b>      | 1,434,318,597             |
| Zakat base              | <b>2,049,333,512</b>      | 1,668,351,231             |

### B- Zakat provision

The movement in Zakat provision as of 31 December is as follows:

|                                      | As at<br>31 December 2017<br>SR | As at<br>31 December 2016<br>SR |
|--------------------------------------|---------------------------------|---------------------------------|
| Balance at beginning of the year     | <b>48,530,096</b>               | 68,082,050                      |
| Charge for the year                  | <b>70,755,477</b>               | 48,168,911                      |
| Paid during the year                 | <b>(36,896,866)</b>             | (60,006,653)                    |
| Adjustments in prior year assessment | -                               | (8,328,272)                     |
| Acquisition of a subsidiary          | -                               | 614,060                         |
|                                      | <b>82,388,707</b>               | 48,530,096                      |

### C- Zakat status

The Company has filed its consolidated zakat returns (for the Company and fully owned subsidiaries) to GAZT and obtained zakat certificates for all years up to 31 December 2016. The final Zakat assessments have been received for all years up to 2014 and the Company has recorded all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments.

Asharq Alawsat Pharmacies Company has obtained Zakat certificate up to 2016. During 2017, Asharq Alawsat Pharmacies Company has received the final Zakat assessments for the years from 2008 until 2016, which include Zakat differences where Asharq Alawsat Pharmacies Company has submitted an objection and is under review by GAZT. Management believes that objection will be settled in Asharq Alawsat Pharmacies Company's favor.

Al Afia Pharmacies Company have obtained the Zakat certificate up to 2016. Sehat Al Sharq Medical Limited Company and Al Wosta Medical Limited Company have received a facilitation letter from GAZT for the year 2016, as both companies are still under development and have no operating income.



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## 17. Employees' end-of-service benefits

### A- Net defined benefit expense recognized in profit or loss

|                                     | For the year ended     |                        |
|-------------------------------------|------------------------|------------------------|
|                                     | 31 December 2017<br>SR | 31 December 2016<br>SR |
| Current service cost                | 42,683,960             | 40,784,617             |
| Interest cost on benefit obligation | 7,766,293              | 6,330,889              |
| Net defined benefit expense         | 50,450,253             | 47,115,506             |

### B- Changes in the present value of the defined benefit obligation:

|                                                                    | SR                 |
|--------------------------------------------------------------------|--------------------|
| Employees' end-of-service benefits as at 1 January 2016            | 139,920,013        |
| Interest cost on defined benefit obligation                        | 6,330,889          |
| Current service cost                                               | 40,784,617         |
| Actuarial loss on the defined benefit obligation recognized in OCI | 6,653,887          |
| Acquisition of a subsidiary                                        | 743,860            |
| Benefits paid                                                      | (14,304,359)       |
| Employees' end-of-service benefits as at 31 December 2016          | 180,128,907        |
| Interest cost on defined benefit obligation                        | 7,766,293          |
| Current service cost                                               | 42,683,960         |
| Actuarial loss on the defined benefit obligation recognized in OCI | 11,575,596         |
| Benefits paid                                                      | (22,050,964)       |
| <b>Employees' end-of-service benefits as at 31 December 2017</b>   | <b>220,103,792</b> |

### C- Significant assumptions

|                         | 31 December 2017 | 31 December 2016 |
|-------------------------|------------------|------------------|
|                         | %                | %                |
| Discount rate           | 4.00             | 4.59             |
| Future salary increases | 3.00             | 3.00             |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## 17. Employees' end-of-service benefits (continued)

### C- Significant assumptions (continued)

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 December 2017:

| 31 December 2017        | Change in assumption | Base value  | Impact on employees' end-of-service benefits |                        |
|-------------------------|----------------------|-------------|----------------------------------------------|------------------------|
| Sensitivity level       |                      |             | Increase in assumption                       | Decrease in assumption |
|                         |                      | SR          | SR                                           | SR                     |
| Discount rate           | 1%                   | 220,103,792 | 210,754,758                                  | 230,049,828            |
| Future salary increases | 1%                   | 220,103,792 | 228,105,821                                  | 212,367,764            |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation because of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

## 18. Issued share capital

The Company's authorised, issued and paid-up share capital comprise of 350,000,000 shares of SR 10 each amounting to SR 3,500,000,000

As at 31 December, the shareholding of the company was as follows:

|                                                      | As at 31 December 2017 |              | As at 31 December 2016 |              |
|------------------------------------------------------|------------------------|--------------|------------------------|--------------|
|                                                      | Number of              | Shareholding | Number of              | Shareholding |
|                                                      | Shares                 | %            | Shares                 | %            |
| Dr. Sulaiman Abdulaziz Sulaiman Al Habib             | 169,885,330            | 48.54%       | 179,830,000            | 51.4%        |
| Muhammad Abdulaziz Al Habib and Sons Holding Company | 169,885,330            | 48.54%       | -                      | -            |
| Mr. Hisham Sulaiman Abdulaziz Al Habib               | 7,000,000              | 2.00%        | 10,010,000             | 2.8%         |
| Mr. Mohammad Sulaiman Abdulaziz Al Habib             | 3,229,340              | 0.92%        | 14,000,000             | 4.0%         |
| Mr. Saleh Mohammed Abdulaziz Al Habib                | -                      | -            | 7,000,000              | 2.0%         |
| Sheikh Mohammed Abdulaziz Sulaiman Al Habib          | -                      | -            | 139,160,000            | 39.8%        |
|                                                      | 350,000,000            | 100%         | 350,000,000            | 100%         |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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## 19. Statutory reserve

In accordance with Saudi Regulations for Companies and the Group's bylaws, the Group has established a statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders currently.

## 20. Dividend distribution

The Board of Directors in their meeting during 2017 decided to distribute interim dividends of SR 600,000,000 which were approved by the general assembly on 15 Ramadan 1439H (corresponding to 30 May 2018).

The Board of Directors in their meeting during 2016 decided to distribute interim dividends of SR 369,854,077 which were approved by the general assembly on 18 Ramadan 1438H (corresponding to 13 June 2017).

## 21. Selling and marketing expenses

|                                                       | For the year ended     |                        |
|-------------------------------------------------------|------------------------|------------------------|
|                                                       | 31 December 2017<br>SR | 31 December 2016<br>SR |
| Provision for doubtful receivables (note 8)           | 126,191,314            | 278,162,724            |
| Promotion and advertisement                           | 30,968,199             | 31,074,281             |
| Employees' salaries, wages and other related benefits | 30,438,602             | 27,254,497             |
| Depreciation (note 12)                                | 1,351,902              | 1,064,720              |
| Others                                                | 8,640,716              | 6,000,647              |
|                                                       | 197,590,733            | 343,556,869            |

## 22. General and administrative expenses

|                                                       | For the year ended     |                        |
|-------------------------------------------------------|------------------------|------------------------|
|                                                       | 31 December 2017<br>SR | 31 December 2016<br>SR |
| Employees' salaries, wages and other related benefits | 275,700,036            | 256,063,311            |
| Depreciation (note 12)                                | 33,409,563             | 21,565,548             |
| Rent                                                  | 20,861,236             | 16,530,788             |
| Utilities and communication                           | 13,601,149             | 12,260,007             |
| Consultation and professional fees                    | 13,067,460             | 7,323,016              |
| Repair and maintenance                                | 9,122,678              | 5,527,986              |
| Housekeeping                                          | 8,283,618              | 7,932,008              |
| Bank charges and commissions                          | 7,553,586              | 8,263,530              |
| Licenses and government fees                          | 4,361,978              | 4,240,104              |
| Fees and subscriptions                                | 3,074,143              | 586,337                |
| Travel expenses                                       | 2,574,894              | 2,599,895              |
| Others                                                | 20,923,166             | 26,330,819             |
|                                                       | 412,533,507            | 369,223,349            |





**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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**31 December 2017 and 31 December 2016**

## 23. Other income

|                                                     | For the year ended     |                        |
|-----------------------------------------------------|------------------------|------------------------|
|                                                     | 31 December 2017<br>SR | 31 December 2016<br>SR |
| Scientific support from suppliers                   | 26,477,104             | 29,436,737             |
| HRDF receipts                                       | 15,098,813             | 24,039,304             |
| Rental income                                       | 13,188,720             | 15,506,809             |
| Finance income                                      | 7,891,646              | 8,889,470              |
| (Loss) / gain on disposal of property and equipment | (298,844)              | 1,658,388              |
| Others                                              | 21,154,928             | 33,883,715             |
|                                                     | 83,512,367             | 113,414,423            |

## 24. Earnings per share

Basic and diluted earnings per share ("EPS") is calculated by dividing the income for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the operating income, income and share data used in the basic and diluted EPS computations:

### Basic and diluted operating income per share.

|                                                                            | 2017        | 2016        |
|----------------------------------------------------------------------------|-------------|-------------|
|                                                                            | SR          | SR          |
| Operating income for the year attributable to equity holders of the parent | 655,260,030 | 930,298,099 |
| Weighted average number of ordinary shares                                 | 350,000,000 | 350,000,000 |
| Basic and diluted earnings per share                                       | 1.87        | 2.66        |

### Basic and diluted earnings per share.

|                                                                  | 2017        | 2016          |
|------------------------------------------------------------------|-------------|---------------|
|                                                                  | SR          | SR            |
| Income for the year attributable to equity holders of the parent | 656,166,762 | 1,015,576,379 |
| Weighted average number of ordinary shares                       | 350,000,000 | 350,000,000   |
| Basic and diluted earnings per share                             | 1.87        | 2.90          |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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**31 December 2017 and 31 December 2016**

## 25. Commitments and contingencies

### Operating lease commitments – Group as a lessee

Commitments for minimum lease payments under non-cancellable operating leases are as follows:

|                                             | As at<br>31 December 2017 | As at<br>31 December 2016 |
|---------------------------------------------|---------------------------|---------------------------|
|                                             | SR                        | SR                        |
| Within one year                             | <b>59,949,949</b>         | 64,098,508                |
| After one year but not more than five years | <b>154,871,359</b>        | 180,057,950               |
| More than five years                        | <b>37,865,579</b>         | 56,062,510                |
|                                             | <b>252,686,887</b>        | 300,218,968               |

Operating lease payments represent rentals payable by the Group for renting lands and buildings.

Payments under operating lease recognized as an expense during the year ended 31 December 2017 amounted to SR 64,513,954 (31 December 2016 SR: 67,320,443).

### Capital commitments

The Group has capital commitment for construction of hospitals, as follows:

|                     | As at<br>31 December 2017 | As at<br>31 December 2016 |
|---------------------|---------------------------|---------------------------|
|                     | SR                        | SR                        |
| Capital commitments | <b>400,413,553</b>        | 205,362,814               |

### Letter of credits and guarantees

The Group has guarantees related to, as follows:

|                      | As at<br>31 December 2017 | As at<br>31 December 2016 |
|----------------------|---------------------------|---------------------------|
|                      | SR                        | SR                        |
| Letters of credit    | <b>41,567,167</b>         | 24,717,187                |
| Letters of guarantee | <b>46,440,358</b>         | 40,507,790                |
|                      | <b>88,007,525</b>         | 65,224,977                |



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**31 December 2017 and 31 December 2016**

## 26. Financial assets and liabilities

### 26.1 Long-term borrowings

|                                                     | As at<br>31 December 2017<br>SR | As at<br>31 December 2016<br>SR |
|-----------------------------------------------------|---------------------------------|---------------------------------|
| <b>Current-portion of loans and borrowings:</b>     |                                 |                                 |
| Loans from local banks (i)                          | <b>266,487,083</b>              | 261,413,339                     |
| Loans from Ministry of Finance (ii)                 | <b>15,021,694</b>               | 15,021,693                      |
|                                                     | <b>281,508,777</b>              | 276,435,032                     |
| <b>Non-current portion of loans and borrowings:</b> |                                 |                                 |
| Loans from local banks (i)                          | <b>581,786,613</b>              | 543,657,605                     |
| Loans from Ministry of Finance (ii)                 | <b>345,480,069</b>              | 360,501,762                     |
|                                                     | <b>927,266,682</b>              | 904,159,367                     |

#### A- Loans from local banks

The Group was financed through Islamic facilities in the form of long-term and short-term loans (Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes, and personal guarantees of the main shareholders. The Group is subject to compliance with certain financial covenants, such as maintenance of leverage ratio, with which the Group is in compliance. Aggregate maturities of loans from local banks are as follows:

|                   | As at<br>31 December 2017<br>SR | As at<br>31 December 2016<br>SR |
|-------------------|---------------------------------|---------------------------------|
| Within one year   | <b>266,487,083</b>              | 261,413,339                     |
| One to five years | <b>581,786,613</b>              | 543,657,605                     |
|                   | <b>848,273,696</b>              | 805,070,944                     |

#### B- Loans from Ministry of Finance (MoF)

The Group's long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the Group and its subsidiaries. The loan repayment instalments are settled on equal yearly installments. Certain assets are pledged against the loans obtained from the MoF (note 12). Aggregate maturities of loans from MoF are as follows:

|                      | As at<br>31 December 2017<br>SR | As at<br>31 December 2016<br>SR |
|----------------------|---------------------------------|---------------------------------|
| Within one year      | <b>15,021,694</b>               | 15,021,693                      |
| One to five years    | <b>90,086,775</b>               | 80,086,775                      |
| More than five years | <b>255,393,294</b>              | 280,414,987                     |
|                      | <b>360,501,763</b>              | 375,523,455                     |

Government loans existing as at 31 December 2017 and 31 December 2016 and accordingly the corresponding benefit of the government loan at a below-market rate of interest as a government grant has not been recognized.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the special-purpose consolidated financial statements (continued)**  
**31 December 2017 and 31 December 2016**

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## **26. Financial assets and liabilities (continued)**

### **26.2 Risk management**

The Group's principal financial liabilities mainly comprise long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into hedging activities.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commission rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loan. The sensitivity analyses in the following sections relate to the position as at 31 December 2017.

#### **Commission rate risk**

Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term, short term loans and term deposits with floating commission rates. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The Group analysis its commission rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of defined markup shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions. The Group is not exposed to any significant commission rate risk.

#### **Currency risk**

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
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**Notes to the special-purpose consolidated financial statements (continued)**  
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## 26. Financial assets and liabilities (continued)

### 26.2 Risk management (continued)

#### Credit risk

Credit risk is the risk a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalents, term deposits and accounts receivables as follows:

|                                | As at<br>31 December 2017<br>SR | As at<br>31 December 2016<br>SR |
|--------------------------------|---------------------------------|---------------------------------|
| Accounts receivable            | 1,664,214,581                   | 1,938,534,025                   |
| Short-term deposits with banks | 702,500,000                     | 205,000,000                     |
| Cash at banks                  | 431,719,961                     | 659,866,971                     |
|                                | 2,798,434,542                   | 2,803,400,996                   |

#### Accounts receivable

Receivables credit risk is managed subject to the Group's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Group comprise primarily of Insurance Companies, Government and its related ministries and others. The Group seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups. The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The credit terms are extended to customers where the Group does not expect any inability to pay.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Group evaluates the concentration of risk with respect to receivables as low, as its customers are located in various regions across GCC.

#### Short-term deposits with banks and cash at banks

Credit risk from balances with banks and financial institution is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the special-purpose consolidated financial statements (continued)**  
**31 December 2017 and 31 December 2016**

## 26. Financial assets and liabilities (continued)

### 26.2 Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Group maintains sufficient liquidity. Senior management continuously reviews information on the Group's liquidity developments.

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations.

The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2017, based on contractual payment dates and current market interest rates:

| As at 31 December 2017         | On demand   | Within one year | One to five years | More than five years | Total                |
|--------------------------------|-------------|-----------------|-------------------|----------------------|----------------------|
|                                | SR          | SR              | SR                | SR                   | SR                   |
| Long-term loans                | -           | 281,508,777     | 671,873,388       | 255,393,294          | <b>1,208,775,459</b> |
| Accounts payable               | 482,733,731 | -               | -                 | -                    | <b>482,733,731</b>   |
| Accruals and other liabilities | 428,017,816 | -               | -                 | -                    | <b>428,017,816</b>   |
| Due to related parties         | 12,479,495  | -               | -                 | -                    | <b>12,479,495</b>    |
|                                | 923,231,042 | 281,508,777     | 671,873,388       | 255,393,294          | <b>2,132,006,501</b> |

| As at 31 December 2016         | On demand   | Within one year | One to five years | More than five years | Total                |
|--------------------------------|-------------|-----------------|-------------------|----------------------|----------------------|
|                                | SR          | SR              | SR                | SR                   | SR                   |
| Long-term loans                | -           | 276,435,032     | 623,744,380       | 280,414,987          | <b>1,180,594,399</b> |
| Accounts payable               | 468,239,067 | -               | -                 | -                    | <b>468,239,067</b>   |
| Accruals and other liabilities | 366,466,134 | -               | -                 | -                    | <b>366,466,134</b>   |
| Due to related parties         | 20,979,495  | -               | -                 | -                    | <b>20,979,495</b>    |
|                                | 855,684,696 | 276,435,032     | 623,744,380       | 280,414,987          | <b>2,036,279,095</b> |



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Notes to the special-purpose consolidated financial statements (continued)**  
**31 December 2017 and 31 December 2016**

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## **27. Capital management**

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

## **28. Fair values**

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents and accounts receivable. Financial liabilities consist of long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values at reporting date largely.

## **29. Approval of the financial statements**

These special-purpose consolidated financial statements were approved for issuance by the management on 16 Sha'aban 1440H (corresponding to 21 April 2019).



**Dr. Sulaiman Al Habib Medical Services Group Company  
(Saudi Closed Joint Stock Company)  
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**





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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF Dr. Sulaiman Al-Habib Medical Services Group Company Saudi Closed Joint Stock Company

### Opinion

We have audited the consolidated financial statements of Dr. Sulaiman Al-Habib Medical Services Group Company – Saudi Closed Joint Stock Company - (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements:

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
Dr. Sulaiman Al-Habib Medical Services Group Company  
Saudi Closed Joint Stock Company (continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young



Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. (354)



Riyadh: 5 Jumada al-Thani 1439H  
(21 February 2018)



**Dr. Sulaiman Al Habib Medical Services Group Company**  
**(Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

|                                        | Note | 2017          | 2016          |
|----------------------------------------|------|---------------|---------------|
|                                        |      | SR            | SR            |
| ASSETS                                 |      |               |               |
| CURRENT ASSETS                         |      |               |               |
| Cash and cash equivalents              | 3    | 1,140,536,949 | 871,343,009   |
| Accounts receivable, net               | 4    | 1,687,144,865 | 1,938,534,025 |
| Advances to suppliers and contractors  |      | 7,655,147     | 12,906,857    |
| Inventories, net                       | 6    | 308,558,458   | 261,321,613   |
| Prepayments and other assets           | 7    | 172,755,757   | 143,375,668   |
| TOTAL CURRENT ASSETS                   |      | 3,316,651,176 | 3,227,481,172 |
| NON-CURRENT ASSETS                     |      |               |               |
| Investments in associates              | 8    | 43,677,953    | 43,881,020    |
| Property and equipment, net            | 9    | 3,652,168,563 | 3,454,238,504 |
| TOTAL NON-CURRENT ASSETS               |      | 3,695,846,516 | 3,498,119,524 |
| TOTAL ASSETS                           |      | 7,012,497,692 | 6,725,600,696 |
| LIABILITIES AND EQUITY                 |      |               |               |
| CURRENT LIABILITIES                    |      |               |               |
| Current portion of long-term loans     | 10   | 281,508,777   | 276,435,032   |
| Accounts payable                       | 11   | 482,733,731   | 468,239,067   |
| Advances from customers                |      | 15,951,656    | 40,800,240    |
| Due to related parties                 | 5    | 12,479,495    | 20,979,495    |
| Accrued expenses and other liabilities | 12   | 428,017,816   | 366,466,134   |
| Provision for Zakat                    | 13   | 82,388,707    | 48,530,096    |
| TOTAL CURRENT LIABILITIES              |      | 1,303,080,182 | 1,221,450,064 |
| NON-CURRENT LIABILITIES                |      |               |               |
| Long-term loans                        | 10   | 927,266,682   | 904,159,367   |
| End-of-service indemnities             |      | 219,197,659   | 185,911,344   |
| TOTAL NON-CURRENT LIABILITIES          |      | 1,146,464,341 | 1,090,070,711 |
| TOTAL LIABILITIES                      |      | 2,449,544,523 | 2,311,520,775 |
| EQUITY                                 |      |               |               |
| SHAREHOLDERS' EQUITY                   |      |               |               |
| Share capital                          | 1    | 3,500,000,000 | 3,500,000,000 |
| Statutory reserve                      | 14   | 300,718,722   | 234,880,523   |
| Retained earnings                      | 19   | 531,764,132   | 539,220,341   |
| TOTAL SHAREHOLDERS' EQUITY             |      | 4,332,482,854 | 4,274,100,864 |
| Non-controlling interest               | 15   | 230,470,315   | 139,979,057   |
| TOTAL EQUITY                           |      | 4,562,953,169 | 4,414,079,921 |
| TOTAL LIABILITIES AND EQUITY           |      | 7,012,497,692 | 6,725,600,696 |

The accompanying notes form an integral part of these consolidated financial statements



**Dr. Sulaiman Al Habib Medical Services Group Company**  
**(Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|                                                  | Note | 2017                   | 2016            |
|--------------------------------------------------|------|------------------------|-----------------|
|                                                  |      | SR                     | SR              |
| Revenues                                         |      | <b>4,687,369,672</b>   | 4,868,000,834   |
| Cost of revenue                                  |      | <b>(3,137,361,747)</b> | (2,979,312,378) |
| GROSS PROFIT                                     |      | <b>1,550,007,925</b>   | 1,888,688,456   |
| Selling and marketing expenses                   | 16   | <b>(496,695,464)</b>   | (591,994,135)   |
| General and administrative expenses              | 17   | <b>(416,013,751)</b>   | (372,035,416)   |
| INCOME FROM MAIN OPERATIONS                      |      | <b>637,298,710</b>     | 924,658,905     |
| Share in net income of associates                | 8    | <b>7,296,933</b>       | 13,654,261      |
| Finance charges                                  |      | <b>(19,409,073)</b>    | (2,191,657)     |
| Other income, net                                | 18   | <b>103,688,915</b>     | 113,414,423     |
| INCOME BEFORE ZAKAT and non-Controlling interest |      | <b>728,875,485</b>     | 1,049,535,932   |
| Zakat                                            | 13   | <b>(70,755,477)</b>    | (39,840,639)    |
| INCOME BEFORE non-controlling interest           |      | <b>658,120,008</b>     | 1,009,695,293   |
| Non-controlling interest                         | 15   | <b>261,982</b>         | 241,892         |
| NET INCOME FOR THE YEAR                          |      | <b>658,381,990</b>     | 1,009,937,185   |
| EARNINGS PER SHARE:                              | 20   |                        |                 |
| Income from main operations                      |      | <b>1.82</b>            | 2.64            |
| Net income                                       |      | <b>1.88</b>            | 2.89            |
| Weighted average number of outstanding shares    |      | <b>350,000,000</b>     | 350,000,000     |

The accompanying notes form an integral part of these consolidated financial statements



**Dr. Sulaiman Al Habib Medical Services Group Company**  
**(Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|                                                         | 2017                 | 2016            |
|---------------------------------------------------------|----------------------|-----------------|
|                                                         | SR                   | SR              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                      |                 |
| Income before zakat and non-controlling interest        | <b>728,875,485</b>   | 1,049,535,932   |
| Adjustments of non-cash items:                          |                      |                 |
| Depreciation                                            | <b>200,046,273</b>   | 162,178,838     |
| Share in net income of associates                       | <b>(7,296,933)</b>   | (13,654,261)    |
| Loss (gain) on disposal of property and equipment       | <b>298,844</b>       | (1,658,388)     |
| Provision for doubtful receivables                      | <b>429,166,831</b>   | 528,927,426     |
| Provision for inventory                                 | <b>2,454,585</b>     | 3,829,438       |
| End-of-service indemnities                              | <b>55,337,279</b>    | 54,088,934      |
| Changes in working capital:                             |                      |                 |
| Accounts receivable                                     | <b>(177,777,671)</b> | (779,236,373)   |
| Advances to suppliers and contractors                   | <b>5,251,710</b>     | 19,452,588      |
| Due from/to related parties, net                        | <b>(8,500,000)</b>   | 8,188,965       |
| Inventories                                             | <b>(49,691,430)</b>  | (14,142,512)    |
| Prepayments and other assets                            | <b>(29,380,089)</b>  | (25,742,608)    |
| Accounts payable                                        | <b>14,494,664</b>    | 90,277,232      |
| Advances from customers                                 | <b>(24,848,584)</b>  | 5,908,332       |
| Accrued expenses and other liabilities                  | <b>(21,434,240)</b>  | (113,770,134)   |
| Cash generated from operations                          | <b>1,116,996,724</b> | 974,183,409     |
| Zakat paid                                              | <b>(36,896,866)</b>  | (60,006,653)    |
| End-of-service indemnities paid                         | <b>(22,050,964)</b>  | (14,304,359)    |
| Net cash from operating activities                      | <b>1,058,048,894</b> | 899,872,397     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                      |                 |
| Purchase of property and equipment                      | <b>(403,836,993)</b> | (1,242,133,415) |
| Proceeds from sale of property and equipment            | <b>5,561,817</b>     | 5,853,531       |
| Dividends from associates                               | <b>7,500,000</b>     | -               |
| Acquisition of a subsidiary                             | -                    | (17,000,000)    |
| Net cash used in investing activities                   | <b>(390,775,176)</b> | (1,253,279,884) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                      |                 |
| Addition to long term loans, net                        | <b>28,181,060</b>    | 269,160,456     |
| Dividends paid                                          | <b>(517,014,078)</b> | (199,854,077)   |
| Change in non-controlling interest                      | <b>90,753,240</b>    | 53,083,772      |
| Net cash (used in) from financing activities            | <b>(398,079,778)</b> | 122,390,151     |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>          | <b>269,193,940</b>   | (231,017,336)   |
| Cash and cash equivalents at the beginning of the year  | <b>871,343,009</b>   | 1,099,929,929   |
| Cash from acquired subsidiary                           | -                    | 2,430,416       |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b> | <b>1,140,536,949</b> | 871,343,009     |
| <b>NON-CASH TRANSACTIONS:</b>                           |                      |                 |
| Settlement of advances to shareholder                   | -                    | 170,000,000     |

The accompanying notes form an integral part of these consolidated financial statements



**Dr. Sulaiman Al Habib Medical Services Group Company**  
**(Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|                                | Note | Share capital<br>SR | Statutory<br>reserve<br>SR | Retained<br>earnings<br>SR | Total<br>SR          |
|--------------------------------|------|---------------------|----------------------------|----------------------------|----------------------|
| <b>2016</b>                    |      |                     |                            |                            |                      |
| At the beginning of the year   |      | 3,500,000,000       | 133,886,804                | 130,952                    | <b>3,634,017,756</b> |
| Net income for the year        |      | -                   | -                          | 1,009,937,185              | <b>1,009,937,185</b> |
| Dividends                      | 19   | -                   | -                          | (369,854,077)              | <b>(369,854,077)</b> |
| Transfer to statutory reserve  |      | -                   | 100,993,719                | (100,993,719)              | -                    |
| Balance as at 31 December 2016 |      | 3,500,000,000       | 234,880,523                | 539,220,341                | <b>4,274,100,864</b> |
| <b>2017</b>                    |      |                     |                            |                            |                      |
| Net income for the year        |      | -                   | -                          | 658,381,990                | <b>658,381,990</b>   |
| Dividends                      | 19   | -                   | -                          | (600,000,000)              | <b>(600,000,000)</b> |
| Transfer to statutory reserve  |      | -                   | 65,838,199                 | (65,838,199)               | -                    |
| Balance as at 31 December 2017 |      | 3,500,000,000       | 300,718,722                | 531,764,132                | <b>4,332,482,854</b> |

The accompanying notes form an integral part of these consolidated financial statements





**Dr. Sulaiman Al Habib Medical Services Group Company**  
**(Saudi Closed Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

## 1. ORGANIZATION AND ACTIVITIES

### Legal entity

Dr. Sulaiman Al Habib Medical Services Group Company ("the Company") (Saudi closed joint stock company) registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993).

The Company operates under medical license No. 014-101-012-012-00129 dated 26 Jumad Thani 1428H (corresponding to 11 July 2007) issued by the Ministry of Health. The Company also operates its drug store under license No. 6375/P dated 13 Rabi Awal 1432H (corresponding to 16 February 2011) issued by Food and Drugs Administration organization.

The Company's objectives including establishing and managing hospitals, medical centers, laboratories and radiology, purchasing of lands for the purpose of constructing buildings and investing in these buildings by selling and leasing for the benefit of the Company and invest in other companies through holding a controlling position. In addition trading in wholesale and retail of medicine, cosmetics, medical equipment and beauty products.

The Company operates a branch in Riyadh, Kingdom of Saudi Arabia "Branch of Dr. Sulaiman Al Habib Medical Services Group Company" ("the Branch") under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The objectives of the Branch include trading in wholesale and retail of cosmetics and maintenance of medical equipment. The Branch operates its drug store under license no. 06-01-00231 dated 24 Muharram 1435H (corresponding to 27 November 2013) issued by Food and Drugs Administration organization.

The Company operates a branch in the Kingdom of Bahrain "Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch" ("the Foreign Branch") under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the Foreign Branch include management and development of medical units in addition to providing medical supplies.

The consolidated financial statements include the financial information of the branches mentioned above.

As at 31 December 2017, the shareholding of the company was as follows:

|                                                      | Number of          | Amount               | Shareholding |
|------------------------------------------------------|--------------------|----------------------|--------------|
|                                                      | Shares             | SR                   | %            |
| Dr. Sulaiman Abdulaziz Sulaiman Al Habib             | 169,885,330        | 1,698,853,300        | 48.54%       |
| Muhammad Abdulaziz Al Habib and Sons Holding Company | 169,885,330        | 1,698,853,300        | 48.54%       |
| Mr. Hisham Sulaiman Abdulaziz Al Habib               | 7,000,000          | 70,000,000           | 2.00%        |
| Mr. Mohammad Sulaiman Abdulaziz Al Habib             | 3,229,340          | 32,293,400           | 0.92%        |
|                                                      | <b>350,000,000</b> | <b>3,500,000,000</b> | <b>100%</b>  |

**Dr. Sulaiman Al Habib Medical Services Group Company**

**(Saudi Closed Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2017**

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared on the accrual basis under the historical cost convention and in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). These policies mentioned below are consistently applied by the Group for all the periods in the consolidated financial statements and certain figures, and for the comparative purpose, have been reclassified when necessary to conform to the presentation and classification in the current year.

According to the decision of the board of SOCPA, effective 1 January 2018, the consolidated financial statements of the Company and its subsidiaries will be prepared under International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the SOCPA.

The following is a summary of significant accounting policies applied by the Group:

### **Use of estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the best of management's knowledge of current information and events and actions at the reporting date, the actual results may ultimately differ from those estimates.





## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (the "Group"). Following are the names of those subsidiaries:

|                                                        | Country of incorporation | Ownership % |      |
|--------------------------------------------------------|--------------------------|-------------|------|
|                                                        |                          | 2017        | 2016 |
| Sehat Al Olaya Medical Complex Company                 | KSA                      | 100%        | 100% |
| Asharq Alawsat Pharmacies Company(a)                   | KSA                      | 100%        | 100% |
| Dr. Sulaiman Al Habib Hospital FZ – LLC                | UAE                      | 100%        | 100% |
| Al Mustaqbal for Hospitals Development Company         | KSA                      | 100%        | 100% |
| Buraidah Al Takhassusi Hospital for Healthcare Company | KSA                      | 100%        | 100% |
| Bone, Joint and Spine Hospital Company                 | KSA                      | 100%        | 100% |
| Al Rayan Hospital for Healthcare Company               | KSA                      | 100%        | 100% |
| Home Healthcare Company                                | KSA                      | 100%        | 100% |
| Antab Al Riyadh for Operation and Maintenance Company  | KSA                      | 100%        | 100% |
| Al Gharb Al Takhassusi Hospital For Healthcare Company | KSA                      | 100%        | 100% |
| Al Mokhtabarat Diagnostic Medical Company              | KSA                      | 100%        | 100% |
| Sehat Al Suwaidi Medical Company                       | KSA                      | 100%        | 100% |
| Hulool Al Sahabah for IT & Communication Company       | KSA                      | 100%        | 100% |
| Al Rayan for Maintenance and Operation Company         | KSA                      | 100%        | 100% |
| Rawafed Al Seha International Company                  | KSA                      | 100%        | 100% |
| Al Afia Pharmacies for Medicines Company(a)            | KSA                      | 100%        | 100% |
| Dar Al Seha Investment Company(b)                      | KSA                      | 100%        | -    |
| Sehat Al Sharq Medical Limited Company                 | KSA                      | 50%         | 50%  |
| Al Wosta Medical Limited Company                       | KSA                      | 50%         | 50%  |
| Gharb Jeddah Hospital Company(c)                       | KSA                      | 50%         | -    |

- a- The other partner has assigned his shares in the equity to the benefit of the Company.
- b- Dar Al Seha Investment Company was established on 25 RabiThani 1438 (corresponding to 23 January 2017).
- c- Gharb Jeddah Hospital Company was established on 19 Jumad Awal 1438 (corresponding to 16 February 2017).

Subsidiaries are those entities in which the Group exercise control, generally having a shareholding equal or more than 50% and/or the voting rights or ability to vote, establishing control on financial and operating decisions so as to obtain benefits from its activities.



## **Dr. Sulaiman Al Habib Medical Services Group Company**

**(Saudi Closed Joint Stock Company)**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2017**

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Basis of consolidation (continued)**

The results of the subsidiaries acquired or disposed-off during the year are included in the consolidated statements of income from the effective date of acquisition, and continue to consolidate until control is stopped or effective date of disposal.

All significant intercompany transactions and balances, are eliminated upon consolidation of the financial statements. The financial statements of the subsidiaries are for the same reporting period as for the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business acquisition and the non-controlling shareholder's share of changes in equity since the date of the acquisition.

### **Revenue**

Revenues are recognized when realized or realizable and when the Group's right to earn the revenue is established and can be measured reliably. The patient services revenue is recognized when the services are rendered to the patient adjusted for any discount or rebates.

The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the risk and rewards have been transferred to them. The sales is recorded net off any discount or rebates.

All other revenues are recognized on an accrual basis.

### **Expenses**

Selling and marketing expense principally comprise of costs incurred in the marketing of the group's services including the provision for doubtful receivables. All other expenses which are not specially part of cost of revenue are classified as general and administrative expenses.

### **Operating lease**

Rental expense for operating leases is charged to the consolidated statement of income on a straight line basis over the term of the operating lease. In the event that lease incentives are offered to enter into operating leases, such incentives are deferred and the aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits of the leased assets is conceived.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank, cash in hand and time deposits available for immediate liquidity with the usual maturities of three months or less.

### **Inventories**

Inventories are carried at the lower of cost or net realizable value (NRV), net of provision for any obsolete or slow moving items. Cost is determined using weighted average method.



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful receivables. Provisions are made when there is an objective evidence of a risk of non-payment, taking into account previous experience of the Group including management current expected losses on previous claims. When an account receivable is determined to be uncollectable, it is written off, firstly against available provision and then to the consolidated statement of income.

### Investments in associates

The Group's investments in associates are accounted for using the equity method of accounting. Associates are those entities in which the Group is in a position to exercise significant influence, but not control or joint control.

According to equity method, investment is stated initially at cost and adjusted thereafter for the post acquisition changes in the Group's share of the net assets of the investee companies. The Group's share in net income or loss of the associates is incorporated in the consolidated statement of income.

Gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the Group's ownership in associates.

The financial statements of the associates are prepared for the same reporting period as that of the Group. Where required, necessary adjustments are made to bring the accounting policies in line with those of the Group.

The Group's associates as of 31 December are as follows:

|                                                                              | Registration<br>Country | Holding % |      |
|------------------------------------------------------------------------------|-------------------------|-----------|------|
|                                                                              |                         | 2017      | 2016 |
| Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental")* | KSA                     | 50%       | 50%  |
| Antab for Operations and Contracting Company ("Antab")                       | KSA                     | 40%       | 40%  |

\* This associate is not considered as a subsidiary as the Group does not have control over it.



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss in accumulated value. Cost includes acquisition cost and expenditures that are directly attributable to the acquisition of the asset till it ready to be use. The finance charges related to the construction of the assets are capitalized during the period required to complete and prepare the asset for its intended use. Subsequent expenditures are capitalized only when it increase the future economic benefits embodied in the item of property and equipment. All maintenance and repair expenditures are recognized as operating expenses.

The property and equipment (except for land and capital work in progress) are depreciated on straight-line basis over the following estimated useful lives of the assets:

|                                          | Years                                                        |
|------------------------------------------|--------------------------------------------------------------|
| Buildings                                | 33                                                           |
| Medical and general equipment            | 5-10                                                         |
| Motor vehicles, ambulances               | 4-10                                                         |
| Furniture, fixtures and office equipment | 4 – 6.67                                                     |
| Leasehold improvements                   | The estimated useful life or lease period whichever is lower |

Capital work in progress are recognized at cost, these assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

### Impairment of non-current assets

Non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use; the assets are written down to their recoverable amount. Impairment losses are recognized immediately as an expense in the consolidated statement of income.

### Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income, if material.



**Dr. Sulaiman Al Habib Medical Services Group Company**

**(Saudi Closed Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2017**

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Foreign currency transactions (continued)**

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the statement of financial position date.
- Retained earnings are translated as follows: retained earnings translated at the end of last year plus net income for the year as per the translated consolidated statement of income less declared dividends translated at the rate prevailing on the date of declaration.
- Consolidated statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gains or losses on sale.

### **Borrowing cost**

Borrowing costs directly attributable to acquisitions or construction of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such times the assets are substantially ready for their intended use or sale. All other borrowing costs are reported as financial charges in the consolidated statement of income in the period in which these are incurred.

### **End of service indemnities**

End of service indemnities are recorded on an accrual basis based on the employees' length of services and paid to the employee at the end of his employment with the group in accordance with Saudi Arabia's labour law and laws of the countries within which the group operates.

### **Zakat**

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Adjustments arising from final Zakat assessments are recorded in the year in which such assessments are approved. Withholding tax is applied based on the GAZT regulations, if any.

The subsidiary registered in free zone – Dubai, United Arab Emirates and the Branch in the Kingdom of Bahrain, are not subject to any zakat or taxation.



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

### 3. CASH AND CASH EQUIVALENTS

|                               | 2017          | 2016        |
|-------------------------------|---------------|-------------|
|                               | SR            | SR          |
| Cash in hand                  | 6,316,988     | 6,476,038   |
| Cash at bank                  | 431,719,961   | 659,866,971 |
| Short-term deposits with bank | 702,500,000   | 205,000,000 |
|                               | 1,140,536,949 | 871,343,009 |

### 4. ACCOUNTS RECEIVABLE, NET

|                                          | 2017          | 2016          |
|------------------------------------------|---------------|---------------|
|                                          | SR            | SR            |
| Accounts receivable – trade              | 2,227,214,428 | 2,222,334,210 |
| Less: provision for doubtful receivables | (540,069,563) | (283,800,185) |
|                                          | 1,687,144,865 | 1,938,534,025 |

The movement in the provision for doubtful receivables is as follows:

|                             | 2017          | 2016          |
|-----------------------------|---------------|---------------|
|                             | SR            | SR            |
| Opening balance             | 283,800,185   | 475,779,682   |
| Acquisition of a subsidiary | -             | 97,508        |
| Provision for the year      | 429,166,831   | 528,927,426   |
| Written-off receivables*    | (172,897,453) | (721,004,431) |
|                             | 540,069,563   | 283,800,185   |

\* During the month of December 2016, the Group's management has signed a final settlement agreement with Ministry of Health ("MoH") for the outstanding claims and accordingly the Group has written-off all the related receivable.



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 5. RELATED PARTIES TRANSACTIONS

The Group has transacted with related parties. The terms of those transactions were approved by the Group's management.

The significant transactions with related parties and the related amounts are as follows:

|                                                    | 2017        | 2016       |
|----------------------------------------------------|-------------|------------|
|                                                    | SR          | SR         |
| Capital work in progress                           | 126,483,847 | 96,327,958 |
| Purchases and services                             | 68,671,635  | 70,433,337 |
| Revenue                                            | 38,541,461  | 37,477,971 |
| Board of Directors and its committees remuneration | 1,626,000   | 2,850,000  |

|                                           | 2017       | 2016       |
|-------------------------------------------|------------|------------|
|                                           | SR         | SR         |
| Due to related parties:                   |            |            |
| Shareholder:                              |            |            |
| Mr. Hisham Sulaiman Abdulaziz Al Habib    | 9,476,033  | 9,476,033  |
| Other parties:                            |            |            |
| Dr. Abdulaziz Ibrahim Abdullah Al Ajaji   | 1,570,086  | 7,095,086  |
| Mr. Abdulaziz Sulaiman Abdulaziz Al Habib | 1,433,376  | 4,408,376  |
|                                           | 12,479,495 | 20,979,495 |

The accounts payable balance (note 11) includes a balance due to a related party amounting to SR 48,537,235 as at 31 December 2017 (2016: SR 40,619,835).

## 6. INVENTORIES, NET

|                                 | 2017        | 2016        |
|---------------------------------|-------------|-------------|
|                                 | SR          | SR          |
| Pharmaceutical inventories      | 161,900,170 | 142,171,904 |
| Medical supplies                | 125,989,041 | 93,162,128  |
| Others                          | 23,717,985  | 30,543,555  |
|                                 | 311,607,196 | 265,877,587 |
| Less: Provision for inventories | (3,048,738) | (4,555,974) |
|                                 | 308,558,458 | 261,321,613 |



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 7. PREPAYMENTS AND OTHER ASSETS

|                       | 2017        | 2016        |
|-----------------------|-------------|-------------|
|                       | SR          | SR          |
| Prepaid expenses      | 77,214,380  | 70,419,872  |
| Advances to employees | 44,119,992  | 36,795,141  |
| Others                | 51,421,385  | 36,160,655  |
|                       | 172,755,757 | 143,375,668 |

## 8. INVESTMENTS IN ASSOCIATES

During the year, the movement of investments in associates as at 31 December is as follows:

| 2017                                                       | Holding % | Opening balance   | Share in net income | Dividends          | Ending balance    |
|------------------------------------------------------------|-----------|-------------------|---------------------|--------------------|-------------------|
|                                                            |           | SR                | SR                  | SR                 | SR                |
| Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company | 50        | 36,397,770        | 5,553,045           | (7,500,000)        | 34,450,815        |
| Antab for Operations and Contracting Company               | 40        | 7,483,250         | 1,743,888           | -                  | 9,227,138         |
| <b>Total</b>                                               |           | <b>43,881,020</b> | <b>7,296,933</b>    | <b>(7,500,000)</b> | <b>43,677,953</b> |
| 2016                                                       | Holding % | Opening balance   | Share in net income | Dividends          | Ending balance    |
|                                                            |           | SR                | SR                  | SR                 | SR                |
| Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company | 50        | 24,889,632        | 11,508,138          | -                  | 36,397,770        |
| Antab for Operations and Contracting Company               | 40        | 5,337,127         | 2,146,123           | -                  | 7,483,250         |
| <b>Total</b>                                               |           | <b>30,226,759</b> | <b>13,654,261</b>   | <b>-</b>           | <b>43,881,020</b> |





Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

9. PROPERTY AND EQUIPMENT, NET

|                              | Land          | Buildings and leasehold improvements | Medical and general equipment | Motor vehicles, ambulances | Furniture, fixtures and office equipment | Capital work-in progress | Total         |
|------------------------------|---------------|--------------------------------------|-------------------------------|----------------------------|------------------------------------------|--------------------------|---------------|
|                              | SR            | SR                                   | SR                            | SR                         | SR                                       | SR                       | SR            |
| Cost:                        |               |                                      |                               |                            |                                          |                          |               |
| At the beginning of the year | 1,309,023,424 | 1,513,229,129                        | 929,546,280                   | 12,262,662                 | 299,283,687                              | 207,894,183              | 4,271,239,365 |
| Additions                    | 90,753,240    | 32,488,153                           | 58,314,400                    | 946,985                    | 20,917,585                               | 200,416,630              | 403,836,993   |
| Disposals/transfers          | -             | 6,275,677                            | 12,892,996                    | (1,327,540)                | 78,542,758                               | (110,406,698)            | (14,022,807)  |
| At the end of the year       | 1,399,776,664 | 1,551,992,959                        | 1,000,753,676                 | 11,882,107                 | 398,744,030                              | 297,904,115              | 4,661,053,551 |
| Depreciation:                |               |                                      |                               |                            |                                          |                          |               |
| At the beginning of the year | -             | 242,348,965                          | 384,611,827                   | 10,207,623                 | 179,832,446                              | -                        | 817,000,861   |
| Charge for the year          | -             | 51,101,767                           | 99,379,303                    | 973,071                    | 48,592,132                               | -                        | 200,046,273   |
| Disposals/transfers          | -             | (60,306)                             | (4,821,270)                   | (1,763,717)                | (1,516,853)                              | -                        | (8,162,146)   |
| At the end of the year       | -             | 293,390,426                          | 479,169,860                   | 9,416,977                  | 226,907,725                              | -                        | 1,008,884,988 |
| Net book value:              |               |                                      |                               |                            |                                          |                          |               |
| 31 December 2017             | 1,399,776,664 | 1,258,602,533                        | 521,583,816                   | 2,465,130                  | 171,836,305                              | 297,904,115              | 3,652,168,563 |
| 31 December 2016             | 1,309,023,424 | 1,270,880,164                        | 544,934,453                   | 2,055,039                  | 119,451,241                              | 207,894,183              | 3,454,238,504 |

\* Property and equipment includes certain assets pledged against the loans obtained from the Ministry of Finance (note 10).

**Dr. Sulaiman Al Habib Medical Services Group Company**

**(Saudi Closed Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2017**

## 10. LOANS

|                                                  | 2017                 | 2016          |
|--------------------------------------------------|----------------------|---------------|
|                                                  | SR                   | SR            |
| Loans from local banks (note 10.1)               | <b>848,273,696</b>   | 805,070,944   |
| Loans from Ministry of Finance (MOF) (note 10.2) | <b>360,501,763</b>   | 375,523,455   |
|                                                  | <b>1,208,775,459</b> | 1,180,594,399 |
| Current portion of long-term loans               | <b>(281,508,777)</b> | (276,435,032) |
|                                                  | <b>927,266,682</b>   | 904,159,367   |

Aggregate maturities of loans as of 31 December are as follows:

|                      | 2017                 | 2016          |
|----------------------|----------------------|---------------|
|                      | SR                   | SR            |
| Within one year      | <b>281,508,777</b>   | 276,435,032   |
| One to five years    | <b>671,873,388</b>   | 623,744,380   |
| More than five years | <b>255,393,294</b>   | 280,414,987   |
|                      | <b>1,208,775,459</b> | 1,180,594,399 |

### 10.1 Loans from local banks:

The Company was financed through Islamic facilities in the form of long-term and short-term loans (Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes, and personal guarantees of the main shareholders.

Aggregate maturities of loans from local banks as of 31 December are as follows:

|                   | 2017               | 2016        |
|-------------------|--------------------|-------------|
|                   | SR                 | SR          |
| Within one year   | <b>266,487,083</b> | 261,413,339 |
| One to five years | <b>581,786,613</b> | 543,657,605 |
|                   | <b>848,273,696</b> | 805,070,944 |



## Dr. Sulaiman Al Habib Medical Services Group Company

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 10. LOANS (continued)

### 10.2 Loans from Ministry of Finance (MOF):

The Company's long-term financing includes MOF non-interest bearing loans to finance the capital expenditures related to the group and its subsidiaries. The loan repayment instalments are settled on an equal yearly instalments.

Aggregate maturities of loans from MOF as of 31 December are as follows:

|                      | 2017        | 2016        |
|----------------------|-------------|-------------|
|                      | SR          | SR          |
| Within one year      | 15,021,694  | 15,021,693  |
| One to five years    | 90,086,775  | 80,086,775  |
| More than five years | 255,393,294 | 280,414,987 |
|                      | 360,501,763 | 375,523,455 |

## 11. ACCOUNTS PAYABLE

|                                      | 2017        | 2016        |
|--------------------------------------|-------------|-------------|
|                                      | SR          | SR          |
| Accounts payables (note 5)           | 457,574,818 | 443,105,329 |
| Contractors' payables and retentions | 24,027,592  | 24,356,886  |
| Others                               | 1,131,321   | 776,852     |
|                                      | 482,733,731 | 468,239,067 |

## 12. ACCRUED EXPENSES AND OTHER LIABILITIES

|                                          | 2017        | 2016        |
|------------------------------------------|-------------|-------------|
|                                          | SR          | SR          |
| Accrued employees' salaries and benefits | 279,731,199 | 296,700,329 |
| Dividend payable (note 19)               | 91,836,014  | 8,850,092   |
| Accrued expenses                         | 44,642,210  | 40,221,782  |
| Others                                   | 11,808,393  | 20,693,931  |
|                                          | 428,017,816 | 366,466,134 |

## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 13. PROVISION FOR ZAKAT

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The Group's Zakat provision expense for the year ended 31 December 2017 amounted to SR 70,755,477 (2016: SR 48,168,911) which is charged to the consolidated statement of income in accordance with the GAZT regulations.

The principal elements of the Zakat base are as follows:

|                         | 2017            | 2016            |
|-------------------------|-----------------|-----------------|
|                         | SR              | SR              |
| Shareholders' equity    | 4,322,986,273   | 3,691,464,248   |
| Non-current assets      | (4,376,659,975) | (3,908,833,428) |
| Non-current liabilities | 1,054,760,713   | 451,401,814     |
| Adjusted net income     | 1,048,246,501   | 1,434,318,597   |
| Zakat base              | 2,049,333,512   | 1,668,351,231   |

The movement in Zakat provision as of 31 December is as follows:

|                                        | 2017         | 2016         |
|----------------------------------------|--------------|--------------|
|                                        | SR           | SR           |
| Opening balance                        | 48,530,096   | 68,082,050   |
| Provision for the year                 | 70,755,477   | 48,168,911   |
| Payment during the year                | (36,896,866) | (60,006,653) |
| Adjustments in prior years' assessment | -            | (8,328,272)  |
| Acquisition of a subsidiary            | -            | 614,060      |
|                                        | 82,388,707   | 48,530,096   |

### Zakat status as at 31 December 2017

The Company has filed its consolidated zakat returns (for the Company and fully owned subsidiaries) to GAZT and obtained zakat certificates for all years up to 31 December 2016. The final zakat assessments have been received for all years up to 2014 and the Company has recorded all differences between zakat provision and the approved final assessments and settled all zakat liabilities resulted from such assessments.

Asharq Alawsat Pharmacies Company has obtained zakat certificate up to 2016. During 2017, Asharq Alawsat Pharmacies Company has received the final zakat assessments for the years from 2008 until 2016, which include zakat differences where Asharq Alawsat Pharmacies Company has submitted an objection and is under review by GAZT. Management believes that objection will be settled in Asharq Alawsat Pharmacies Company's favor.

Al Afia Pharmacies Company have obtained the zakat certificate up to 2016. Sehat Al Sharq Medical Limited Company and Al Wosta Medical Limited Company have received a facilitation letter from GAZT for the year 2016, as both companies are still under development and have no operating income.



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 14. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's bylaws, the Company has established a statutory reserve by appropriation of 10% of the annual net income until the reserve equalled 30% of capital. This reserve is not available for dividend distribution.

## 15. NON-CONTROLLING INTEREST

The non-controlling interest (the "NCI") in the net assets of the subsidiaries are presented as a separate line item in the consolidated statement of financial position as part of equity. The NCI in the net income of the subsidiaries for the current year are presented as a separate line item in the consolidated statement of income.

The movement in non-controlling interest in the consolidated statement of financial position is as follows:

|                                                        | 2017        | 2016        |
|--------------------------------------------------------|-------------|-------------|
|                                                        | SR          | SR          |
| At the beginning of the year                           | 139,979,057 | 87,137,177  |
| Addition to non-controlling interest                   | 90,753,240  | 53,083,772  |
| Share of non-controlling interest in loss for the year | (261,982)   | (241,892)   |
|                                                        | 230,470,315 | 139,979,057 |

## 16. SELLING AND MARKETING EXPENSES

|                                                       | 2017        | 2016        |
|-------------------------------------------------------|-------------|-------------|
|                                                       | SR          | SR          |
| Provision for doubtful receivables (note 4)           | 429,166,831 | 528,927,426 |
| Promotion and advertisement                           | 30,968,199  | 31,074,281  |
| Employees' salaries, wages and other related benefits | 27,274,560  | 25,363,990  |
| Depreciation                                          | 1,290,626   | 1,011,708   |
| Others                                                | 7,995,248   | 5,616,730   |
|                                                       | 496,695,464 | 591,994,135 |



## Dr. Sulaiman Al Habib Medical Services Group Company

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

|                                                       | 2017        | 2016        |
|-------------------------------------------------------|-------------|-------------|
|                                                       | SR          | SR          |
| Employees' salaries, wages and other related benefits | 280,398,503 | 261,411,252 |
| Depreciation                                          | 32,454,571  | 21,605,512  |
| Rent                                                  | 21,142,290  | 16,657,873  |
| Utilities and communication                           | 13,719,281  | 12,313,594  |
| Consultation and professional fees                    | 13,067,460  | 7,323,016   |
| Repair and maintenance                                | 9,131,488   | 5,527,986   |
| Housekeeping                                          | 8,364,453   | 7,999,285   |
| Bank charges and commissions                          | 7,553,586   | 8,263,530   |
| Licenses and government fees                          | 4,385,739   | 4,269,970   |
| Printing and stationery                               | 3,378,439   | 5,474,516   |
| Fees and subscriptions                                | 3,136,582   | 591,866     |
| Travel                                                | 2,578,029   | 2,617,224   |
| Others                                                | 16,703,330  | 17,979,792  |
|                                                       | 416,013,751 | 372,035,416 |

## 18. OTHER INCOME, NET

|                                                   | 2017        | 2016        |
|---------------------------------------------------|-------------|-------------|
|                                                   | SR          | SR          |
| Scientific support from suppliers                 | 38,852,353  | 29,436,737  |
| HRDF Receipts                                     | 15,098,813  | 24,039,304  |
| Rental income                                     | 13,188,720  | 15,506,809  |
| Bank commission                                   | 7,891,646   | 8,889,470   |
| (Loss)/Gain on disposal of property and equipment | (298,844)   | 1,658,388   |
| Others                                            | 28,956,227  | 33,883,715  |
|                                                   | 103,688,915 | 113,414,423 |

## 19. DIVIDENDS DISTRIBUTION

The Board of Directors in their meeting during 2017 decided to distribute interim dividends of SR 600,000,000 (2016: SR 369,854,077) which is subject to the approval of the Company's upcoming general assembly.

The interim dividends of year 2016 were approved by the general assembly on 18 Ramadan 1438H (corresponding to 13 June 2017).



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 20. EARNINGS PER SHARE

Earnings per share is computed by dividing each of the operating income and the net income for the year by the weighted average number of shares outstanding at the end of the year which is 350,000,000 shares.

## 21. CONTINGENCIES AND COMMITMENTS

### 21.1 The Group has the following contingencies and commitments:

|                      | 2017              | 2016       |
|----------------------|-------------------|------------|
|                      | SR                | SR         |
| Letters of credit    | <b>41,567,167</b> | 24,717,187 |
| Letters of guarantee | <b>46,440,358</b> | 40,507,790 |

### 21.2 Commitments for minimum lease payments under non-cancellable operating leases are as follows:

|                      | 2017               | 2016        |
|----------------------|--------------------|-------------|
|                      | SR                 | SR          |
| Less than one year   | <b>59,949,949</b>  | 64,098,508  |
| One to five years    | <b>154,871,359</b> | 180,057,950 |
| More than five years | <b>37,865,579</b>  | 56,062,510  |
|                      | <b>252,686,887</b> | 300,218,968 |

Operating lease payments represent rentals payable by the Group for renting land and buildings. Payments under operating lease recognized as an expense during the year ended 31 December 2017 amounted to SR 64,513,954 (2016: SR 67,320,443).

### 21.3 At 31 December 2017, the Group has capital commitment for construction of hospitals amounting to SR 400,413,553 (2016: SR 205,362,814).



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2017

## 22. SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged in business segment or in providing products or services within a particular economic environment such as geographical segments, which might be subject to risks and rewards that are different from those of other segments.

| 2017                  | Hospitals    | Pharmacies | Others | Total |
|-----------------------|--------------|------------|--------|-------|
| Saudi Arabia:         | SR' millions |            |        |       |
| Revenue               | 3,591        | 680        | 28     | 4,299 |
| Gross profit          | 1,233        | 212        | 10     | 1,455 |
| Total assets          | 5,209        | 255        | 1,006  | 6,470 |
| Total liabilities     | 1,239        | 215        | 935    | 2,389 |
| Outside Saudi Arabia: |              |            |        |       |
| Revenue               | 378          | -          | 10     | 388   |
| Gross Profit          | 86           | -          | 9      | 95    |
| Total assets          | 542          | -          | -      | 542   |
| Total liabilities     | 61           | -          | -      | 61    |
| Total:                |              |            |        |       |
| Revenue               | 3,969        | 680        | 38     | 4,687 |
| Gross Profit          | 1,319        | 212        | 19     | 1,550 |
| Total assets          | 5,751        | 255        | 1,006  | 7,012 |
| Total liabilities     | 1,300        | 215        | 935    | 2,450 |

| 2016                  | Hospitals    | Pharmacies | Others | Total |
|-----------------------|--------------|------------|--------|-------|
| Saudi Arabia:         | SR' millions |            |        |       |
| Revenue               | 3,746        | 656        | 45     | 4,447 |
| Gross profit          | 1,457        | 207        | 122    | 1,786 |
| Total assets          | 5,221        | 228        | 746    | 6,195 |
| Total liabilities     | 1,062        | 178        | 1,006  | 2,246 |
| Outside Saudi Arabia: |              |            |        |       |
| Revenue               | 411          | -          | 10     | 421   |
| Gross Profit          | 93           | -          | 10     | 103   |
| Total assets          | 531          | -          | -      | 531   |
| Total liabilities     | 66           | -          | -      | 66    |
| Total:                |              |            |        |       |
| Revenue               | 4,157        | 656        | 55     | 4,868 |
| Gross Profit          | 1,550        | 207        | 132    | 1,889 |
| Total assets          | 5,752        | 228        | 746    | 6,726 |
| Total liabilities     | 1,128        | 178        | 1,006  | 2,312 |





**Dr. Sulaiman Al Habib Medical Services Group Company**

**(Saudi Closed Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2017**

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## **23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The main risk arising from the Group's financial instruments are commission rate risk, credit risk, liquidity risk and currency risk and the fair value of financial instruments.

The management reviews and manages each of these risks which are summarized below:

### **Commission rate risk**

Commission rate risk is the risk that an investment's value will change due to a change in the market prevailing commission rates, in the spread between two rates, in the shape of the yield curve or in any other commission rate relationship. Management monitors the changes in commission rates trends on a timely basis to avoid any negative impact or effect.

### **Credit risk**

Credit risk is the risk of financial loss to one party, if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank balances and accounts receivable.

Bank balances are deposited at a number of major high credit rated financial institutions and the Group has a policy of limiting its balances deposited with each institution.

Accounts receivable are diversified between the governmental agencies, insurance companies and other private patients, which are all managed by regular review of doubtful receivables, whenever needed, at each consolidated statement of financial position date.

### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in realizing assets or otherwise raising funds to meet commitments associated with financial instruments or it may arise from the inability to quickly sell a financial asset at an amount close to its fair value. The liquidity risk is being mitigated by careful cash flow management including optimising working capital and by maintaining unused, committed financing facilities or a liquidity buffer, to allow the business to meet efficiently the Group's future requirements or contingencies.

### **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange values. Management monitors fluctuations in foreign currency exchange rates, and believes that the Group is not exposed to significant currency risk since the Group transacts mainly in Saudi Riyals, which is currently fixed, within a narrow margin, against the U.S. dollar.

### **Fair value of financial assets and liabilities**

Financial instruments in the consolidated statement of financial position comprise of financial assets and financial liabilities. Financial assets consist of bank balances, advances to contractors and suppliers and trade accounts receivable. Financial liabilities consist of accounts payables, due to related parties, accrued expenses, advances from customers and loans.

## **24. COMPARATIVE FIGURES**

Certain figures for 2016 have been reclassified to conform to the presentation in the current year.



**Dr. Sulaiman Al Habib Medical Services Group Company  
(Saudi Closed Joint Stock Company)  
CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDITORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016**



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**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY)**

**Scope of audit**

We have audited the accompanying consolidated financial position of Dr. Sulaiman Al Habib Medical Services Group Company - Saudi Closed Joint Stock Company (the "Company"), and its subsidiaries (the "Group") as at 31 December 2016 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the requirements of the Regulations of Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

**Unqualified opinion**

In our opinion, the consolidated financial statements taken as a whole:

- i) presents fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016 and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

For Ernst and Young

Fahad M. Al-Toaimi  
Certified Public Accountant  
Registration No. 354



Riyadh: 24 Jumad Al-Awwal 1438H  
(21 February 2017)



**Dr. Sulaiman Al Habib Medical Services Group Company**  
**(Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

|                                        | Note | 2016<br>SR    | 2015<br>SR    |
|----------------------------------------|------|---------------|---------------|
| <b>ASSETS</b>                          |      |               |               |
| <b>CURRENT ASSETS</b>                  |      |               |               |
| Cash and cash equivalents              | 3    | 871,343,009   | 1,099,929,929 |
| Accounts receivable, net               | 4    | 1,938,534,025 | 1,668,748,657 |
| Advances to suppliers and contractors  |      | 12,906,857    | 30,580,577    |
| Inventories, net                       | 6    | 261,321,613   | 232,469,069   |
| Prepayments and other assets           | 7    | 143,375,668   | 286,357,465   |
| TOTAL CURRENT ASSETS                   |      | 3,227,481,172 | 3,318,085,697 |
| <b>NON-CURRENT ASSETS</b>              |      |               |               |
| Investments in associates              | 8    | 43,881,020    | 30,226,759    |
| Property and equipment, net            | 9    | 3,454,238,504 | 2,377,563,987 |
| TOTAL NON-CURRENT ASSETS               |      | 3,498,119,524 | 2,407,790,746 |
| TOTAL ASSETS                           |      | 6,725,600,696 | 5,725,876,443 |
| <b>LIABILITIES AND EQUITY</b>          |      |               |               |
| <b>CURRENT LIABILITIES</b>             |      |               |               |
| Current portion of long-term loans     | 10   | 276,435,032   | 195,746,333   |
| Accounts payable                       | 11   | 468,239,067   | 372,000,322   |
| Advances from customers                |      | 40,800,240    | 32,963,015    |
| Due to related parties                 | 5    | 20,979,495    | -             |
| Accrued expenses and other liabilities | 12   | 366,466,134   | 478,885,179   |
| Provision for Zakat                    | 13   | 48,530,096    | 68,082,050    |
| TOTAL CURRENT LIABILITIES              |      | 1,221,450,064 | 1,147,676,899 |
| <b>NON-CURRENT LIABILITIES</b>         |      |               |               |
| Long-term loans                        | 10   | 904,159,367   | 711,661,702   |
| End-of-service indemnities             |      | 185,911,344   | 145,382,909   |
| TOTAL NON-CURRENT LIABILITIES          |      | 1,090,070,711 | 857,044,611   |
| TOTAL LIABILITIES                      |      | 2,311,520,775 | 2,004,721,510 |
| <b>EQUITY</b>                          |      |               |               |
| <b>SHAREHOLDERS' EQUITY</b>            |      |               |               |
| Share capital                          | 1    | 3,500,000,000 | 3,500,000,000 |
| Statutory reserve                      | 14   | 234,880,523   | 133,886,804   |
| Retained earnings                      |      | 539,220,341   | 130,952       |
| TOTAL SHAREHOLDERS' EQUITY             |      | 4,274,100,864 | 3,634,017,756 |
| Non-controlling interest               | 15   | 139,979,057   | 87,137,177    |
| TOTAL EQUITY                           |      | 4,414,079,921 | 3,721,154,933 |
| TOTAL LIABILITIES AND EQUITY           |      | 6,725,600,696 | 5,725,876,443 |

The accompanying notes form an integral part of these consolidated financial statements



**Dr. Sulaiman Al Habib Medical Services Group Company**  
**(Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

|                                                  | Note | 2016                   | 2015            |
|--------------------------------------------------|------|------------------------|-----------------|
|                                                  |      | SR                     | SR              |
| Revenues                                         |      | <b>4,868,000,834</b>   | 5,122,630,973   |
| Cost of revenue                                  |      | <b>(2,981,673,618)</b> | (2,906,926,479) |
| GROSS PROFIT                                     |      | <b>1,886,327,216</b>   | 2,215,704,494   |
| Selling and marketing expenses                   | 16   | <b>(591,994,135)</b>   | (559,314,063)   |
| General and administrative expenses              | 17   | <b>(372,035,416)</b>   | (307,429,518)   |
| INCOME FROM MAIN OPERATIONS                      |      | <b>922,297,665</b>     | 1,348,960,913   |
| Share in net income of associates                | 8    | <b>13,654,261</b>      | 8,353,742       |
| Finance charges                                  |      | <b>(2,191,657)</b>     | (9,240,665)     |
| Other income, net                                | 18   | <b>115,775,663</b>     | 72,060,824      |
| INCOME BEFORE ZAKAT and non-Controlling interest |      | <b>1,049,535,932</b>   | 1,420,134,814   |
| Zakat                                            | 13   | <b>(39,840,639)</b>    | (88,518,908)    |
| INCOME BEFORE non-controlling interest           |      | <b>1,009,695,293</b>   | 1,331,615,906   |
| Non-controlling interest                         | 15   | <b>241,892</b>         | (2,747,870)     |
| NET INCOME FOR THE YEAR                          |      | <b>1,009,937,185</b>   | 1,328,868,036   |
| EARNINGS PER SHARE:                              | 20   |                        |                 |
| Income from main operations                      |      | <b>2.64</b>            | 3.85            |
| Net income                                       |      | <b>2.89</b>            | 3.80            |
| Weighted average number of outstanding shares    |      | <b>350,000,000</b>     | 350,000,000     |

The accompanying notes form an integral part of these consolidated financial statements



**Dr. Sulaiman Al Habib Medical Services Group Company**  
**(Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

|                                                         | 2016                 | 2015                 |
|---------------------------------------------------------|----------------------|----------------------|
|                                                         | SR                   | SR                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                      |                      |
| Income before zakat and non-controlling interest        | 1,049,535,932        | 1,420,134,814        |
| Adjustments of non-cash items:                          |                      |                      |
| Depreciation                                            | 162,178,838          | 138,851,979          |
| Share in net income of associates                       | (13,654,261)         | (8,353,742)          |
| Gain on disposal of property and equipment              | (1,658,388)          | (7,936,231)          |
| Provision for doubtful receivables                      | 528,927,426          | 502,863,898          |
| Provision for Inventory                                 | 3,829,438            | 989,254              |
| End-of-service indemnities                              | 54,088,934           | 45,060,628           |
| <b>Changes in working capital:</b>                      |                      |                      |
| Accounts receivable                                     | (779,236,373)        | (1,165,254,044)      |
| Advances to suppliers and contractors                   | 19,452,588           | (9,011,438)          |
| Due from/to related parties, net                        | 8,188,965            | 2,883,226            |
| Inventories                                             | (14,142,512)         | (40,809,016)         |
| Prepayments and other assets                            | (25,742,608)         | (195,786,585)        |
| Accounts payable                                        | 90,277,232           | 127,724,317          |
| Advances from customers                                 | 5,908,332            | 7,136,074            |
| Accrued expenses and other liabilities                  | (113,770,134)        | 199,011,241          |
| Cash generated from operations                          | 974,183,409          | 1,017,504,375        |
| Zakat paid                                              | (60,006,653)         | (83,819,040)         |
| End-of-service indemnities paid                         | (14,304,359)         | (11,573,549)         |
| Net cash from operating activities                      | 899,872,397          | 922,111,786          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                      |                      |
| Purchase of property and equipment                      | (1,242,133,415)      | (531,703,210)        |
| Proceeds from sale of property and equipment            | 5,853,531            | 7,689,055            |
| Investments in associates, net                          | -                    | 3,141,919            |
| Acquisition of a subsidiary                             | (17,000,000)         | -                    |
| Net cash used in investing activities                   | (1,253,279,884)      | (520,872,236)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                      |                      |
| Addition to/(repayment of) long term loans, net         | 269,160,456          | (33,897,824)         |
| Dividends paid                                          | (199,854,077)        | (630,038,490)        |
| Change in non-controlling interest                      | 53,083,772           | (6,005,463)          |
| Net cash from (used in) financing activities            | 122,390,151          | (669,941,777)        |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>          | <b>(231,017,336)</b> | <b>(268,702,227)</b> |
| Cash and cash equivalents at the beginning of the year  | 1,099,929,929        | 1,368,632,156        |
| Cash from acquired subsidiary                           | 2,430,416            | -                    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b> | <b>871,343,009</b>   | <b>1,099,929,929</b> |
| <b>NON-CASH TRANSACTIONS:</b>                           |                      |                      |
| Settlement of advances to shareholder (Note 7)          | 170,000,000          | -                    |

The accompanying notes form an integral part of these consolidated financial statements



Dr. Sulaiman Al Habib Medical Services Group Company  
(Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

|                                                  | Note | Share capital<br>SR  | Proposed increase<br>in share capital<br>SR | Statutory<br>reserve<br>SR | Retained<br>earnings<br>SR | Total<br>SR          |
|--------------------------------------------------|------|----------------------|---------------------------------------------|----------------------------|----------------------------|----------------------|
| 2015                                             |      |                      |                                             |                            |                            |                      |
| At the beginning of the year                     |      | 2,000,000            | 2,798,000,000                               | 1,000,000                  | 143,038,302                | 2,944,038,302        |
| Net income for the year                          |      | -                    | -                                           | -                          | 1,328,868,036              | 1,328,868,036        |
| Transfer to proposed increase in share capital   | 1    | -                    | 700,000,000                                 | -                          | (700,000,000)              | -                    |
| Transfer from proposed increase in share capital | 1    | 3,498,000,000        | (3,498,000,000)                             | -                          | -                          | -                    |
| Dividends                                        | 19   | -                    | -                                           | -                          | (638,888,582)              | (638,888,582)        |
| Transfer to statutory reserve                    |      | -                    | -                                           | 132,886,804                | (132,886,804)              | -                    |
| Balance as at 31 December 2015                   |      | 3,500,000,000        | -                                           | 133,886,804                | 130,952                    | 3,634,017,756        |
| 2016                                             |      |                      |                                             |                            |                            |                      |
| Net income for the year                          |      | -                    | -                                           | -                          | 1,009,937,185              | 1,009,937,185        |
| Dividends                                        | 19   | -                    | -                                           | -                          | (369,854,077)              | (369,854,077)        |
| Transfer to statutory reserve                    |      | -                    | -                                           | 100,993,719                | (100,993,719)              | -                    |
| <b>Balance as at 31 December 2016</b>            |      | <b>3,500,000,000</b> | <b>-</b>                                    | <b>234,880,523</b>         | <b>539,220,341</b>         | <b>4,274,100,864</b> |

The accompanying notes form an integral part of these consolidated financial statements



**Dr. Sulaiman Al Habib Medical Services Group Company**  
**(Saudi Closed Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2016**

## 1. ORGANIZATION AND ACTIVITIES

### Legal entity

Dr. Sulaiman Al Habib Medical Services Group Company ("the Company") (Saudi closed joint stock company) registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993). On 10 Muharram 1438H (corresponding to 11 October 2016), the company changed its name from Dr. Sulaiman Al Habib Medical Services Group Holding Company to Dr. Sulaiman Al Habib Medical Services Group Company. The underlying legal formalities related to the change in name have been completed.

The Company operates under medical license No. 014-101-012-012-00129 dated 26 Jumad Thani 1428H (corresponding to 11 July, 2007) issued by the Ministry of Health. The Company also operates its drug store under license No. 6375/P dated 13 Rabi Awal 1432H (corresponding to 16 February 2011) issued by Food and Drugs Administration organization.

The Company's objectives including establishing and managing hospitals, medical centers, laboratories and radiology, purchasing of lands for the purpose of constructing buildings and investing in these buildings by selling and leasing for the benefit of the Company and invest in other companies through holding a controlling position. In addition trading in wholesale and retail of medicine, cosmetics, medical equipment and beauty products.

In addition, the Company operates a branch in the Kingdom of Bahrain "Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch" (the "Branch") under commercial registration number 81609 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the branch include management and development of medical units in addition to providing medical supplies. The financial position of the Branch is included in these financial statements.

### Capital

During 2015, the Company has increased the share capital from SR 2 million to SR 3,500 million which was accomplished in two phases:

- Increase in share capital from SR 2 million to 2,800 million by transferring SR 2,798 million from retained earnings. The underlying legal formalities relating to the capital increase have been completed on 12 Rabi Thani 1436H (corresponding to 1 February 2015).
- Increase in share capital from SR 2,800 million to 3,500 million by transferring SR 700 million from retained earnings. The underlying legal formalities relating to the capital increase have been completed on 26 Shawwal 1436H (corresponding to 11 August 2015).

As at 31 December 2016, the shareholding of the Company was as follows:

|                                             | Number of          | Amount               | Shareholding |
|---------------------------------------------|--------------------|----------------------|--------------|
|                                             | Shares             | SR                   | %            |
| Dr. Sulaiman Abdulaziz Sulaiman Al Habib    | 179,830,000        | 1,798,300,000        | 51.4%        |
| Sheikh Mohammad Abdulaziz Sulaiman Al Habib | 139,160,000        | 1,391,600,000        | 39.8%        |
| Mr. Hisham Sulaiman Abdulaziz Al Habib      | 10,010,000         | 100,100,000          | 2.8%         |
| Mr. Mohammad Sulaiman Abdulaziz Al Habib    | 14,000,000         | 140,000,000          | 4.0%         |
| Mr. Saleh Mohammad Abdulaziz Al Habib       | 7,000,000          | 70,000,000           | 2.0%         |
|                                             | <b>350,000,000</b> | <b>3,500,000,000</b> | <b>100%</b>  |





## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the accrual basis under the historical cost convention and in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). These policies mentioned below are consistently applied by the Group for all the periods in the consolidated financial statements and certain figures, and for the comparative purpose, have been reclassified when necessary to conform to the presentation and classification in the current year.

The following is a summary of significant accounting policies applied by the Group:

### Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting standards in the kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the best of management's knowledge of current information and events and actions at the reporting date, the actual results may ultimately differ from those estimates.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (the "Group"). Following are the names of those subsidiaries:

|                                                        | Country of incorporation | Ownership % |      |
|--------------------------------------------------------|--------------------------|-------------|------|
|                                                        |                          | 2016        | 2015 |
| Sehat Al Olaya Medical Complex Company*                | KSA                      | 100%        | 100% |
| Asharq Alawsat Pharmacies Company(a)                   | KSA                      | 100%        | 100% |
| Dr. Sulaiman Al Habib Hospital FZ - LLC                | UAE                      | 100%        | 100% |
| Al Mustaqbal for Hospitals Development Company         | KSA                      | 100%        | 100% |
| Buraidah Al Takhassusi Hospital for Healthcare Company | KSA                      | 100%        | 100% |
| Bone, Joint and Spine Hospital Company*                | KSA                      | 100%        | 100% |
| Al Rayan Hospital for Healthcare Company               | KSA                      | 100%        | 100% |
| Home Healthcare Company*                               | KSA                      | 100%        | 100% |
| Antab Al Riyadh for Operation and Maintenance Company  | KSA                      | 100%        | 100% |
| Al Gharb Al Takhassusi Hospital For Healthcare Company | KSA                      | 100%        | 100% |
| Al Mokhtabarat Diagnostic Medical Company              | KSA                      | 100%        | 100% |
| Sehat Al Suwaidi Medical Company                       | KSA                      | 100%        | 100% |
| Hulool Al Sahabah for IT & Communication Company       | KSA                      | 100%        | 100% |
| Al Rayan for Maintenance and Operation Company         | KSA                      | 100%        | 100% |
| Al Wosta Medical Limited Company                       | KSA                      | 50%         | 50%  |
| Sehat Al Sharq Medical Limited Company                 | KSA                      | 50%         | 50%  |
| Rawafed Al Seha International Company* (b)             | KSA                      | 100%        | -    |
| Al Afia Pharmacies for Medicines Company(a)(c)         | KSA                      | 100%        | -    |



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2016

## 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation - (Continued)

- a- The other party shareholder has assigned his shares in the investments to the benefit of the Company.
- b- During February 2016, the Group has acquired Rawafed Al Seha International Company from one of the shareholders and a related party at its net book value amounting to SR 17 million at date of acquisition.
- c- The Company was established on 22 Ramadan 1437H (corresponding to 27 June 2016)

\* During the year the names of the following subsidiaries were changed. The details of the changes are shown in the below table.

| Changed names                          | Previous names                                         | Date of Change                                           |
|----------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| Sehat Al Olaya Medical Complex Company | Dr. Sulaiman Al Habib Medical Center Company           | 30 Rabi Awal 1438H<br>corresponding to 29 December 2016. |
| Home Healthcare Company                | Dr. Sulaiman Abdulaziz Al Habib for Healthcare Company | 15 Rabi Awal 1438H<br>corresponding to 14 December 2016  |
| Bone, Joint and Spine Hospital Company | Al Riyadh Al Jerahi Hospital Company                   | 12 Dhul - Qadah 1437H<br>corresponding to 15 August 2016 |
| Rawafed Al Seha International Company  | Al Ajaji Trading Company                               | 29 Rabi Awal 1438H<br>corresponding to 28 December 2016  |

Subsidiaries are those entities in which the Group exercise significant influence, generally having a shareholding equal or more than 50% and/or the Voting rights or ability to vote, establishing control on financial and operating decisions so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed-off during the year are included in the consolidated statements of income from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances, are eliminated upon consolidation of the financial statements. The financial statements of the subsidiaries are for the same reporting period as for the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business acquisition and the non-controlling shareholder's share of changes in equity since the date of the acquisition.

**Dr. Sulaiman Al Habib Medical Services Group Company**

**(Saudi Closed Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2016**

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## **2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Revenue**

Revenues are recognized when realized or realizable and when the Group's right to earn the revenue is established and can be measured reliably. The patient services revenue is recognized when the services are rendered to the patient adjusted for any discount or rebates.

The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the risk and rewards have been transferred to them. The sales is recorded net off any discount or rebates.

All other revenues are recognized on an accrual basis.

### **Expenses**

Selling and marketing expense principally comprise of costs incurred in the marketing of the group's services including the provision for doubtful receivables. All other expenses which are not specially part of cost of revenue are classified as general and administrative expenses.

### **Operating lease**

Rental expense for operating leases is charged to the consolidated statement of income on a straight line basis over the term of the operating lease. In the event that lease incentives are offered to enter into operating leases, such incentives are deferred and the aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits of the leased assets is conceived.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank, cash in hand and time deposits available for immediate liquidity with the usual maturities of three months or less.

### **Inventories**

Inventories are carried at the lower of cost or net realizable value (NRV), net of provision for any obsolete or slow moving items. Cost is determined using weighted average method.

### **Accounts receivable**

Accounts receivable are carried at original invoice amount less provision for doubtful receivables. Provisions are made when there is an objective evidence of a risk of non-payment, taking into account previous experience of the Group including management current expected losses on previous claims. When an account receivable is determined to be uncollectable, it is written off, firstly against available provision and then to the consolidated statement of income.



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2016

## 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates

The Group's investments in associates are accounted for using the equity method of accounting. Associates are those entities in which the Group owns shares in their capital, and over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results of assets and liabilities of associates are incorporated in these financial statements using equity method of accounting under which the investment is stated initially at cost and adjusted thereafter for the post acquisition changes in the Group's share of the net assets of the investee companies. The Group's share in net income or loss of the associates is incorporated in the consolidated statement of income.

The financial statements of the associates are prepared for the same reporting period as that of the Group. Where required, necessary adjustments are made to bring the accounting policies in line with those of the Group.

The Group's associates as of 31 December are as follows:

|                                                                              | Registration Country | Holding % |      |
|------------------------------------------------------------------------------|----------------------|-----------|------|
|                                                                              |                      | 2016      | 2015 |
| Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental")* | KSA                  | 50%       | 50%  |
| Antab for Operations and Contracting Company ("Antab")                       | KSA                  | 40%       | 40%  |

\* This associate is not considered as a subsidiary as the Group does not have control over it.

### Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulated Impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset till it ready to be use. The finance charges related to the construction of the assets are capitalized during the period required to complete and prepare the asset for its intended use. Subsequent expenditures are capitalized only when it increase the future economic benefits embodied in the item of property and equipment. All maintenance and repair expenditures are recognized as operating expenses.

The property and equipment (except for land and capital work in progress) are depreciated on straight-line basis over the following estimated useful lives of the assets:

|                                          | Years                                                        |
|------------------------------------------|--------------------------------------------------------------|
| Buildings                                | 33                                                           |
| Medical and general equipment            | 5-10                                                         |
| Motor vehicles, ambulances               | 4-10                                                         |
| Furniture, fixtures and office equipment | 4 - 6.67                                                     |
| Leasehold improvements                   | The estimated useful life or lease period whichever is lower |

Capital work in progress are recognized at cost, these assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.



**Dr. Sulaiman Al Habib Medical Services Group Company**

**(Saudi Closed Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2016**

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## **2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Impairment of non-current assets**

Non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use; the assets are written down to their recoverable amount. Impairment losses are recognized immediately as an expense in the consolidated statement of income.

### **Foreign currency transactions**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income, if material.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the statement of financial position date.
- Retained earnings are translated as follows: retained earnings translated at the end of last year plus net income for the year as per the translated consolidated statement of income less declared dividends translated at the rate prevailing on the date of declaration.
- Consolidated statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gains or losses on sale.

### **Borrowing cost**

Borrowing costs directly attributable to acquisitions or construction of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such times the assets are substantially ready for their intended use or sale. All other borrowing costs are reported as financial charges in the consolidated statement of income in the period in which these are incurred.

### **End of service indemnities**

End of service indemnities are recorded on an accrual basis based on the employees' length of services and paid to the employee at the end of his employment with the group in accordance with Saudi Arabia's labour law and laws of the countries within which the group operates.



## Dr. Sulaiman Al Habib Medical Services Group Company

(Saudi Closed Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2016

## 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Zakat

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Adjustments arising from final Zakat assessments are recorded in the year in which such assessments are approved. Withholding tax is applied based on the GAZT regulations, if any.

The subsidiary registered in free zone – Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any zakat or taxation.

## 3. CASH AND CASH EQUIVALENTS

|                               | 2016        | 2015          |
|-------------------------------|-------------|---------------|
|                               | SR          | SR            |
| Cash at bank                  | 659,866,971 | 495,129,877   |
| Cash in hand                  | 6,476,038   | 4,800,052     |
| Short-term deposits with bank | 205,000,000 | 600,000,000   |
|                               | 871,343,009 | 1,099,929,929 |

## 4. ACCOUNTS RECEIVABLE, NET

|                                          | 2016          | 2015          |
|------------------------------------------|---------------|---------------|
|                                          | SR            | SR            |
| Accounts receivable – trade              | 2,222,334,210 | 2,144,528,339 |
| Less: Provision for doubtful receivables | (283,800,185) | (475,779,682) |
|                                          | 1,938,534,025 | 1,668,748,657 |

## 4- ACCOUNTS RECEIVABLE, NET (Continued)

The movement in the provision for doubtful receivables is as follows:

|                             | 2016          | 2015          |
|-----------------------------|---------------|---------------|
|                             | SR            | SR            |
| Opening balance             | 475,779,682   | 108,247,967   |
| Acquisition of a subsidiary | 97,508        | -             |
| Provision for the year      | 528,927,426   | 502,863,898   |
| Written-off receivables *   | (721,004,431) | (135,332,183) |
|                             | 283,800,185   | 475,779,682   |

\* During the month of December 2016, the Group's management has signed a final settlement agreement with Ministry of Health ("MoH") for the outstanding claims and accordingly the Group has written-off all the related receivables.



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## 5. RELATED PARTIES TRANSACTIONS

The Group has transacted with related parties. The terms of those transactions were approved by the Group's management.

The significant transactions with related parties and the related amounts are as follows:

|                                                    | 2016        | 2015        |
|----------------------------------------------------|-------------|-------------|
|                                                    | SR          | SR          |
| Capital work in progress                           | 205,352,514 | 107,497,967 |
| Purchases and services                             | 95,025,417  | 50,026,616  |
| Revenue                                            | 37,477,971  | 37,173,691  |
| Board of Directors and its committees remuneration | 2,850,000   | 3,114,000   |

|  | 2016 | 2015 |
|--|------|------|
|  | SR   | SR   |

#### Due to related parties:

##### Shareholder

|                                        |           |   |
|----------------------------------------|-----------|---|
| Mr. Hisham Sulaiman Abdulaziz Al Habib | 9,476,033 | - |
|----------------------------------------|-----------|---|

##### Other parties

|                                           |            |   |
|-------------------------------------------|------------|---|
| Dr. Abdulaziz Ibrahim Abdullah Al Ajaji   | 7,095,086  | - |
| Mr. Abdulaziz Sulaiman Abdulaziz Al Habib | 4,408,376  | - |
|                                           | 20,979,495 | - |

The accounts payable balance (Note 11) includes a balance due to a related party amounting to SR 54,981,443 as at 31 December 2016 (2015: SR 11,965,865).

## 6. INVENTORIES, NET

|                                 | 2016        | 2015        |
|---------------------------------|-------------|-------------|
|                                 | SR          | SR          |
| Pharmaceutical inventories      | 142,171,904 | 147,825,191 |
| Medical supplies                | 93,162,128  | 75,499,883  |
| Others                          | 30,543,555  | 10,193,995  |
|                                 | 265,877,587 | 233,519,069 |
| Less: Provision for inventories | (4,555,974) | (1,050,000) |
|                                 | 261,321,613 | 232,469,069 |

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## 7. PREPAYMENTS AND OTHER ASSETS

|                               | 2016        | 2015        |
|-------------------------------|-------------|-------------|
|                               | SR          | SR          |
| Advance for purchase of land* | -           | 170,000,000 |
| Prepaid expenses              | 70,419,872  | 58,596,758  |
| Advances to employees         | 36,795,141  | 29,888,578  |
| Others                        | 36,160,655  | 27,872,129  |
|                               | 143,375,668 | 286,357,465 |

This amount represents a payment to one of the shareholders during 2015 to buy a land in Jeddah, for the purpose of building a hospital for the Group. Due to the constraint to proceed with the ownership transfer of the land, the advance payment has been settled through the dividends distributed during the year 2016.

## 8. INVESTMENTS IN ASSOCIATES

During the year, the movement of investments in associates as at 31 December is as follows:

| 2016                                                       | Holding | Opening balance   | Adjustments/ Additions | Share in net income | Dividends          | Ending balance    |
|------------------------------------------------------------|---------|-------------------|------------------------|---------------------|--------------------|-------------------|
|                                                            | %       | SR                | SR                     | SR                  | SR                 | SR                |
| Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company | 50%     | 24,889,632        | -                      | 11,508,138          | -                  | 36,397,770        |
| Antab for Operations and Contracting Company               | 40%     | 5,337,127         | -                      | 2,146,123           | -                  | 7,483,250         |
| <b>Total</b>                                               |         | <b>30,226,759</b> | <b>-</b>               | <b>13,654,261</b>   | <b>-</b>           | <b>43,881,020</b> |
| 2015                                                       | Holding | Opening balance   | Adjustments/ Additions | Share in net income | Dividends          | Ending balance    |
|                                                            | %       | SR                | SR                     | SR                  | SR                 | SR                |
| Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company | 50%     | 19,973,790        | (18,594)               | 7,934,436           | (3,000,000)        | 24,889,632        |
| Antab for Operations and Contracting Company               | 40%     | 5,041,146         | (123,325)              | 419,306             | -                  | 5,337,127         |
| <b>Total</b>                                               |         | <b>25,014,936</b> | <b>(141,919)</b>       | <b>8,353,742</b>    | <b>(3,000,000)</b> | <b>30,226,759</b> |





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9. PROPERTY AND EQUIPMENT, NET

|                               | Land          |  | Buildings and leasehold improvements |  | Medical and general equipment |  | Motor vehicles, ambulances |  | Furniture, fixtures and office equipment |  | Capital work-in progress |  | Total         |  |
|-------------------------------|---------------|--|--------------------------------------|--|-------------------------------|--|----------------------------|--|------------------------------------------|--|--------------------------|--|---------------|--|
|                               | SR            |  | SR                                   |  | SR                            |  | SR                         |  | SR                                       |  | SR                       |  | SR            |  |
| <b>Cost:</b>                  |               |  |                                      |  |                               |  |                            |  |                                          |  |                          |  |               |  |
| At the beginning of the year  | 595,723,154   |  | 1,098,850,009                        |  | 754,779,117                   |  | 12,960,666                 |  | 283,545,816                              |  | 295,818,221              |  | 3,041,676,983 |  |
| Additions                     | 663,511,175   |  | 4,140,633                            |  | 61,178,255                    |  | 1,290,000                  |  | 17,256,090                               |  | 494,757,262              |  | 1,242,133,415 |  |
| Acquisition of a subsidiary** | -             |  | 89,250                               |  | 11,833                        |  | 49,500                     |  | 1,545,375                                |  | -                        |  | 1,695,958     |  |
| Disposals/transfers           | 49,789,095    |  | 410,149,237                          |  | 113,577,075                   |  | (2,037,504)                |  | (3,063,594)                              |  | (582,681,300)            |  | (14,266,991)  |  |
| At the ending of the year     | 1,309,023,424 |  | 1,513,229,129                        |  | 929,546,280                   |  | 12,262,662                 |  | 299,283,687                              |  | 207,894,183              |  | 4,271,239,365 |  |
| <b>Depreciation:</b>          |               |  |                                      |  |                               |  |                            |  |                                          |  |                          |  |               |  |
| At the beginning of the year  | -             |  | 199,316,441                          |  | 311,256,990                   |  | 10,943,910                 |  | 142,595,655                              |  | -                        |  | 664,112,996   |  |
| Charge for the year           | -             |  | 42,640,630                           |  | 79,368,813                    |  | 1,265,777                  |  | 38,903,618                               |  | -                        |  | 162,178,838   |  |
| Acquisition of a subsidiary** | -             |  | 89,250                               |  | 11,833                        |  | 516                        |  | 679,276                                  |  | -                        |  | 780,875       |  |
| Disposals/transfers           | -             |  | 302,644                              |  | (6,025,809)                   |  | (2,002,580)                |  | (2,346,103)                              |  | -                        |  | (10,071,848)  |  |
| At the ending of the year     | -             |  | 242,348,965                          |  | 384,611,827                   |  | 10,207,623                 |  | 179,832,446                              |  | -                        |  | 817,000,861   |  |
| <b>Net book value:</b>        |               |  |                                      |  |                               |  |                            |  |                                          |  |                          |  |               |  |
| 31 December 2016              | 1,309,023,424 |  | 1,270,880,164                        |  | 544,934,453                   |  | 2,055,039                  |  | 119,451,241                              |  | 207,894,183              |  | 3,454,238,504 |  |
| 31 December 2015              | 595,723,154   |  | 899,533,568                          |  | 443,522,127                   |  | 2,016,756                  |  | 140,950,161                              |  | 295,818,221              |  | 2,377,563,987 |  |

\* Property and equipment includes certain assets pledged against the loans obtained from the Ministry of Finance (Note 10).

\*\* During the year the Group acquired fixed assets from Rawafed Al Seha International Company at net book value.



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## 10. LOANS

|                                                  | 2016                 | 2015          |
|--------------------------------------------------|----------------------|---------------|
|                                                  | SR                   | SR            |
| Loans from local banks (Note 10.1)               | <b>805,070,944</b>   | 627,116,684   |
| Loans from Ministry of Finance (MOF) (Note 10.2) | <b>375,523,455</b>   | 280,291,351   |
|                                                  | <b>1,180,594,399</b> | 907,408,035   |
| Current portion of long-term loans               | <b>(276,435,032)</b> | (195,746,333) |
|                                                  | <b>904,159,367</b>   | 711,661,702   |

Aggregate maturities of loans as of 31 December are as follows:

|                      | 2016                 | 2015        |
|----------------------|----------------------|-------------|
|                      | SR                   | SR          |
| Within one year      | <b>276,435,032</b>   | 195,746,333 |
| One to five years    | <b>623,744,380</b>   | 480,966,131 |
| More than five years | <b>280,414,987</b>   | 230,695,571 |
|                      | <b>1,180,594,399</b> | 907,408,035 |

### 10.1 Loans from local banks:

The Company was financed through Islamic facilities in the form of long-term and short-term loans (Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes, and personal guarantees of the main shareholders.

Aggregate maturities of loans from local banks as of 31 December are as follows:

|                      | 2016               | 2015        |
|----------------------|--------------------|-------------|
|                      | SR                 | SR          |
| Within one year      | <b>261,413,339</b> | 180,724,639 |
| One to five years    | <b>543,657,605</b> | 416,392,045 |
| More than five years | -                  | 30,000,000  |
|                      | <b>805,070,944</b> | 627,116,684 |



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## 10. LOANS (Continued)

### 10.2 Loans from Ministry of Finance (MoF):

The Company's long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the group and its subsidiaries. The loan repayment instalments are settled on a equal yearly instalments.

Aggregate maturities of loans from MoF as of 31 December are as follows:

|                      | 2016        | 2015        |
|----------------------|-------------|-------------|
|                      | SR          | SR          |
| Within one year      | 15,021,693  | 15,021,694  |
| One to five years    | 80,086,775  | 64,574,086  |
| More than five years | 280,414,987 | 200,695,571 |
|                      | 375,523,455 | 280,291,351 |

## 11. ACCOUNTS PAYABLE

|                                      | 2016        | 2015        |
|--------------------------------------|-------------|-------------|
|                                      | SR          | SR          |
| Accounts payables (note 5)           | 443,105,329 | 342,000,847 |
| Contractors' payables and retentions | 24,356,886  | 28,899,968  |
| Others                               | 776,852     | 1,099,507   |
|                                      | 468,239,067 | 372,000,322 |

## 12. ACCRUED EXPENSES AND OTHER LIABILITIES

|                                          | 2016        | 2015        |
|------------------------------------------|-------------|-------------|
|                                          | SR          | SR          |
| Accrued employees' salaries and benefits | 296,700,329 | 325,631,463 |
| Accrued expenses                         | 40,221,782  | 27,806,023  |
| Others *                                 | 29,544,023  | 125,447,693 |
|                                          | 366,466,134 | 478,885,179 |

\* During 2016, the provision for litigation related to certain law suits has been reversed due to the final court verdict on these legal cases in favour of the Group.

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## 13. PROVISION FOR ZAKAT

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries since 31 December 2009. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The Group's Zakat provision expense for the year ended 31 December 2016 amounted to SR 48,168,911 (2015: SR 67,458,355) which is charged to the consolidated statement of income in accordance with the GAZT regulations.

The principal elements of the Zakat base are as follows:

|                                             | 2016            | 2015            |
|---------------------------------------------|-----------------|-----------------|
|                                             | SR              | SR              |
| Shareholders' equity                        | 3,690,722,053   | 3,091,012,483   |
| Non-current assets                          | (3,900,333,122) | (2,785,854,150) |
| Non-current liabilities                     | 598,017,256     | 457,611,591     |
| Adjusted net income                         | 1,538,350,246   | 1,935,564,266   |
| Zakat base                                  | 1,926,756,433   | 2,698,334,190   |
| Higher of Zakat base or adjusted net income | 1,926,756,433   | 2,698,334,190   |
| Zakat at 2.5%                               | 48,168,911      | 67,458,355      |

The movement in Zakat provision as of 31 December is as follows:

|                                         | 2016         | 2015         |
|-----------------------------------------|--------------|--------------|
|                                         | SR           | SR           |
| Opening balance                         | 68,082,050   | 63,382,182   |
| Provision for the year                  | 48,168,911   | 67,458,355   |
| Payment during the year                 | (60,006,645) | (83,819,040) |
| Adjustments in prior years' assessments | (8,328,272)  | 21,060,553   |
| Acquisition of a subsidiary             | 614,052      | -            |
|                                         | 48,530,096   | 68,082,050   |

### Zakat status as at 31 December 2016

The Company has filed its consolidated Zakat returns to the General Authority of Zakat and Tax ("GAZT") and obtained zakat certificates for all years up to 31 December 2015. The final zakat assessments have been received for all years up to 2014 and the Company has recorded all differences between zakat provision and the approved final assessments and settled all zakat liabilities resulted from such assessments.

Alsharq Alawasat Co. has obtained the final zakat certificate up to 2015. Sehat Al Sharq Medical Limited Company and Al Wosta Medical Limited Company have received a facilitation letter from GAZT for the year 2015, as both companies are still under development and have no operating income.

Rawafed Al Seha International Company has been included in the consolidated zakat base as at 31 December 2016.



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## 14. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's bylaws, the Company has established a statutory reserve by appropriation of 10% of the annual net income until the reserve equalled 30% of capital. This reserve is not available for dividend distribution.

## 15. NON-CONTROLLING INTEREST

The non-controlling interest (the "NCI") in the net assets of the subsidiaries are presented as a separate line item in the consolidated statement of financial position as part of equity. The NCI in the net income of the subsidiaries for the current year are presented as a separate line item in the consolidated statement of income.

The movement in non-controlling interest in the consolidated statement of financial position is as follows:

|                                                          | 2016        | 2015        |
|----------------------------------------------------------|-------------|-------------|
|                                                          | SR          | SR          |
| At the beginning of the year                             | 87,137,177  | 90,394,770  |
| Acquisition / (disposal) of the non-controlling interest | 53,083,772  | (6,005,463) |
| Share of non-controlling interest in income for the year | (241,892)   | 2,747,870   |
|                                                          | 139,979,057 | 87,137,177  |

## 16. SELLING AND MARKETING EXPENSES

|                                                       | 2016        | 2015        |
|-------------------------------------------------------|-------------|-------------|
|                                                       | SR          | SR          |
| Provision for doubtful receivables (note 4)           | 528,927,426 | 502,863,898 |
| Promotion and Advertisement                           | 31,074,281  | 32,770,681  |
| Employees' salaries, wages and other related benefits | 25,363,990  | 19,349,861  |
| Depreciation                                          | 1,011,708   | 923,962     |
| Others                                                | 5,616,730   | 3,405,661   |
|                                                       | 591,994,135 | 559,314,063 |



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## 17. GENERAL AND ADMINISTRATIVE EXPENSES

|                                                       | 2016        | 2015        |
|-------------------------------------------------------|-------------|-------------|
|                                                       | SR          | SR          |
| Employees' salaries, wages and other related benefits | 261,411,252 | 208,953,423 |
| Depreciation                                          | 21,605,512  | 17,168,052  |
| Rent                                                  | 16,657,873  | 16,138,704  |
| Utilities and communication                           | 12,313,594  | 11,348,036  |
| Repair and maintenance                                | 5,527,986   | 8,008,714   |
| Bank charges and commissions                          | 8,263,530   | 7,557,556   |
| Consultation and professional fees                    | 7,323,016   | 7,077,098   |
| Housekeeping                                          | 7,999,285   | 5,417,395   |
| Licenses and government fees                          | 4,269,970   | 3,322,260   |
| Printing and stationery                               | 5,474,516   | 5,979,906   |
| Travel                                                | 2,617,224   | 2,948,212   |
| Fees and subscriptions                                | 591,866     | 759,638     |
| Others                                                | 17,979,792  | 12,750,524  |
|                                                       | 372,035,416 | 307,429,518 |

## 18. OTHER INCOME, NET

|                                            | 2016        | 2015       |
|--------------------------------------------|-------------|------------|
|                                            | SR          | SR         |
| Scientific support from suppliers          | 29,436,737  | 17,283,890 |
| HRDF Receipts                              | 24,039,304  | 12,277,966 |
| Rental income                              | 15,506,809  | 8,118,002  |
| Bank commission                            | 8,889,470   | 6,697,028  |
| Gain on disposal of property and equipment | 1,658,388   | 7,936,231  |
| Others                                     | 36,244,955  | 19,747,707 |
|                                            | 115,775,663 | 72,060,824 |

## 19. DIVIDENDS DISTRIBUTION

The Board of Directors in their meetings during 2016 decided to distribute interim dividends of SR 369,854,077 (2015: SR 638,888,582) which is subject to the approval of the Company's upcoming general assembly.

On 18 Sha'aban 1437H (corresponding to 25 May 2016), the general assembly approved the interim dividends were distributed during the year 2015.



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## 20. EARNINGS PER SHARE

Earnings per share is computed by dividing each of the operating income and the net income for the year by the weighted average number of shares outstanding at the end of the year which is 350,000,000 shares. Earnings per share for the year ended 31 December 2015 was calculated based on the number of shares outstanding as of 31 December 2016.

## 21. CONTINGENCIES AND COMMITMENTS

### 21.1 The Group has the following contingencies and commitments:

|                      | 2016       | 2015        |
|----------------------|------------|-------------|
|                      | SR         | SR          |
| Letters of credit    | 24,717,187 | 142,227,741 |
| Letters of guarantee | 40,507,790 | 41,811,045  |

### 21.2 Commitments for minimum lease payments under non-cancellable operating leases are as follows:

|                      | 2016        | 2015        |
|----------------------|-------------|-------------|
|                      | SR          | SR          |
| Less than one year   | 64,098,508  | 58,275,579  |
| One to five years    | 180,057,950 | 155,323,297 |
| More than five years | 56,062,510  | 66,928,623  |
|                      | 300,218,968 | 280,527,499 |

Operating lease payments represent rentals payable by the Group for renting land and buildings. Payments under operating lease recognized as an expense during the year ended 31 December 2016 amounted to SR 67,320,443 (2015: SR 71,923,307).

21.3 At 31 December 2016, the Group has capital commitment for construction of hospitals amounting to SR 205,362,814 (2015: SR 326,539,648).



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## 22. SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged in business segment or in providing products or services within a particular economic environment such as geographical segments, which might be subject to risks and rewards that are different from those of other segments.

| 2016                         | Hospitals | Pharmacies | Others | Total        |
|------------------------------|-----------|------------|--------|--------------|
| SR' millions                 |           |            |        |              |
| <b>Saudi Arabia:</b>         |           |            |        |              |
| Revenue                      | 3,746     | 656        | 45     | <b>4,447</b> |
| Gross profit                 | 1,457     | 207        | 122    | <b>1,786</b> |
| Total assets                 | 5,221     | 228        | 746    | <b>6,195</b> |
| Total liabilities            | 1,062     | 178        | 1,006  | <b>2,246</b> |
| <b>Outside Saudi Arabia:</b> |           |            |        |              |
| Revenue                      | 411       | -          | 10     | <b>421</b>   |
| Gross Profit                 | 90        | -          | 10     | <b>100</b>   |
| Total assets                 | 531       | -          | -      | <b>531</b>   |
| Total liabilities            | 66        | -          | -      | <b>66</b>    |
| <b>Total:</b>                |           |            |        |              |
| Revenue                      | 4,157     | 656        | 55     | <b>4,868</b> |
| Gross Profit                 | 1,547     | 207        | 132    | <b>1,886</b> |
| Total assets                 | 5,752     | 228        | 746    | <b>6,726</b> |
| Total liabilities            | 1,128     | 178        | 1,006  | <b>2,312</b> |

| 2015                         | Hospitals | Pharmacies | Others | Total        |
|------------------------------|-----------|------------|--------|--------------|
| SR' millions                 |           |            |        |              |
| <b>Saudi Arabia:</b>         |           |            |        |              |
| Revenue                      | 4,187     | 598        | 36     | <b>4,821</b> |
| Gross profit                 | 2,070     | 191        | (88)   | <b>2,173</b> |
| Total assets                 | 3,959     | 219        | 1,047  | <b>5,225</b> |
| Total liabilities            | 887       | 172        | 878    | <b>1,937</b> |
| <b>Outside Saudi Arabia:</b> |           |            |        |              |
| Revenue                      | 298       | -          | 4      | <b>302</b>   |
| Gross Profit                 | 39        | -          | 4      | <b>43</b>    |
| Total assets                 | 501       | -          | -      | <b>501</b>   |
| Total liabilities            | 68        | -          | -      | <b>68</b>    |
| <b>Total:</b>                |           |            |        |              |
| Revenue                      | 4,485     | 598        | 40     | <b>5,123</b> |
| Gross Profit                 | 2,109     | 191        | (84)   | <b>2,126</b> |
| Total assets                 | 4,460     | 219        | 1,047  | <b>5,726</b> |
| Total liabilities            | 955       | 172        | 878    | <b>2,005</b> |





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**(Saudi Closed Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31 DECEMBER 2016**

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## **23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The main risk arising from the Group's financial instruments are commission rate risk, credit risk, liquidity risk and currency risk and the fair value of financial instruments.

The management reviews and manages each of these risks which are summarized below:

### **Commission rate risk**

Commission rate risk is the risk that an investment's value will change due to a change in the market prevailing commission rates, in the spread between two rates, in the shape of the yield curve or in any other commission rate relationship. Management monitors the changes in commission rates trends on a timely basis to avoid any negative impact or effect.

### **Credit risk**

Credit risk is the risk of financial loss to one party, if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank balances and accounts receivable.

Bank balances are deposited at a number of major high credit rated financial institutions and the Group has a policy of limiting its balances deposited with each institution.

Accounts receivable are diversified between the governmental agencies, insurance companies and other private patients, which are all managed by regular review of doubtful receivables, whenever needed, at each consolidated statement of financial position date.

### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in realizing assets or otherwise raising funds to meet commitments associated with financial instruments or it may arise from the inability to quickly sell a financial asset at an amount close to its fair value. The liquidity risk is being mitigated by careful cash flow management including optimising working capital and by maintaining unused, committed financing facilities or a liquidity buffer, to allow the business to meet efficiently the Group's future requirements or contingencies.

### **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange values. Management monitors fluctuations in foreign currency exchange rates, and believes that the Group is not exposed to significant currency risk since the Group transacts mainly in Saudi Riyals, which is currently fixed, within a narrow margin, against the U.S. dollar.

### **Fair value of financial assets and liabilities**

Financial instruments in the consolidated statement of financial position comprise of financial assets and financial liabilities. Financial assets consist of bank balances, advances to contractors and suppliers and trade accounts receivable. Financial liabilities consist of accounts payables, due to related parties, accrued expenses, advances from customers and loans.

## **24. COMPARATIVE FIGURES**

Certain figures for 2015 have been reclassified to conform to the presentation in the current year.



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